Book Review

Financial Capability and Asset Holding in Later Life

Barbara O’Neill

Editors: Nancy Morrow Howell and Margaret S. Sherraden
Publisher: Oxford University Press
ISBN # 978-0-19-937430-4

Financial Capability and Asset Holding in Later Life is a collection of 11 papers about the financial well-being of older adults, especially the plight of those who are financially vulnerable. The book is based on work presented at a 2012 conference, Financial Capability across the Life Course, held at Washington University in St. Louis. The chapter authors or co-authors have a variety of areas of expertise. Primarily academics and researchers in social work, social policy, and aging, they also include community development program officials and Federal Reserve Bank personnel. Each chapter author is profiled in the Contributors section at the beginning of the book. Financial Capability and Asset Holding in Later Life was edited by Nancy Morrow-Howell, a Distinguished Professor of Social Policy at Washington University, and Margaret S. Sherraden, Professor of Social Work at the University of Missouri-St. Louis and Research Professor at Washington University in St. Louis.

Financial Capability and Asset Holding in Later Life is organized into three parts and is 248 pages in length, including a 16-page Introduction and 15-page Conclusion. Part One, Financial Capability in Later Life: Theory and Evidence of Life Course Impacts, includes two chapters and examines trends in the economic status of older Americans. Part Two, Financial Capability in Later Life: Vulnerable Populations, focuses on the vulnerability of specific population groups and contains five chapters. Part Three, Policies and Innovations, with four chapters, examines strategies to improve economic stability and financial well-being across the life cycle.

The Introduction, Financial Capability in Later Life: A Life Course, is written by the two co-editors and sets the stage for the remainder of the book. Not surprisingly, they note “financial capability in later life is the outcome of financial experiences accumulated through a lifetime” (p. xvii). In other words, people reap what they sow. “For instance, the decision to save early for retirement has serious implications for an older adult’s resources in retirement” (p. xvii). Often, financial vulnerability created early in life is not fully revealed until old age. A wide array of statistics is provided about the financial insecurity of older adults including poverty rates, amount of accumulated assets and debt, and financial literacy levels. The chapter also provides a life cycle perspective on building financial capability and previews the themes of the 11 book chapters and the Conclusion.

Chapter 1, The Economic and Financial Status of Older Americans, describes the income and wealth of older Americans in the wake of the Great Recession. While older adults, as a whole, fared better than their younger counterparts, stark differences exist between older adults under age 70 and those age 70 or older as well as by educational attainment and ethnicity. The chapter discusses economic downturn impacts, distributions of family income and wealth, and trends in median income and wealth by age, race, ethnicity, and education. Not surprisingly, “cohorts with family heads born between 1910 and 1930 have statistically significantly lower incomes than those of families with heads born in the 1940 cohort” (p. 18). The relatively small generation born between 1929 and 1945 was referred to as “the lucky few” and women in that cohort “enjoyed historically unprecedented opportunities throughout their adult lives” (p. 18).

The focus of Chapter 2, All That Glitters is Not Gold, is older African Americans. Of interest to me, as someone who studies health-wealth relationships, was the following statement: “Health is associated with socioeconomic position (SEP) throughout the life course. Having asthma, mental disorders, and other health problems early in life elevates the risk of low educational attainment. Low educational attainment is in turn associated with low earnings, which are associated with an increased likelihood of experiencing health problems” (p. 27).
a perfect Catch-22. The chapter describes large and pervasive health and wealth disparities between African Americans and whites and includes statistics about African Americans’ household net worth, home values, health status, social mobility, human capital investment returns, social support networks, and racial discrimination.

As noted above, Chapters 3 through 7 provide detailed explanations about the financial status and vulnerabilities of specific fragile populations. While technically described as “minorities,” their elderly populations are increasing. Assets and Older African Americans, Chapter 3, continues the discussion about the financial status of an often fragile segment of America’s senior population. “African Americans are more likely than whites to work at low-wage jobs and to experience spells of unemployment. They consequently have less disposable income, lower lifetime earnings, and less income derived from assets. They are also more likely to have poverty-level income” (p. 49). Included in the chapter is a discussion of African Americans’ labor force participation and poverty rates, income, lifetime earnings, sources of retirement income (including Social Security), and personal savings. The chapter also includes a detailed (9 page) description of policy implications ranging from increasing Social Security benefits for lifetime low-wage earners to universal child development accounts to job training and retraining.

Chapter 4, Economic Security of Older Hispanics, begins with stark statistics about Social Security. “Without it, over one-third of older Americans would live in poverty. Among households that are in the bottom of the income distribution and are headed by an older adult, Social Security benefits make up at least two-thirds of household income” and “They are the only source of income for one in five older Americans” (p. 69). The chapter then notes that many older Hispanics face serious financial hardship and discusses America’s increasing Hispanic population and Hispanic’s retirement income and old-age poverty, wealth accumulation, employment status, access to retirement savings plans, and health insurance. The chapter concludes with a discussion of implications of income and asset inadequacy in later life and program/policy implications such as Earned Income Tax Credit expansion.

Native American older adults are the focus of Chapter 5, Enhancing the Financial Capability of Native American Elders. Currently comprising 1.7% of the total U.S. population, this demographic is expected “to increase by three and a half times between 2010 and 2050” (p. 87) as America, in general, ages. It was also noted that “Native elders live with some of the nation’s highest rates of chronic health conditions” and “Compared with other groups, Native elders have less access to health care services and less insurance coverage” (p. 88). The chapter discusses the historical trauma experienced by Native peoples, federal government policies regarding tribal sovereignty, and the financial assets and resources (including land ownership), savings, small business ownership, and cultural resilience of Native Americans. Like previous chapters, implications for policy and research are presented including the need for culturally familiar Census takers and culturally sensitive research methods.

Older Immigrants is the title of Chapter 6, which focuses on foreign born adults aged 65 or older, mostly naturalized citizens, who comprised 8.6% of the U.S. older adult population in 1990 and are expected to comprise 19% in 2050. “Despite some diversity in their economic positions, older immigrants are economically vulnerable and generally worse off than their native counterparts. In general, immigrants face labor-market disadvantage that has lifelong impacts for their economic conditions” (p. 104). Topics covered in the chapter include income and asset ownership disparities versus native older adults, and barriers to financial capability including U.S. policies toward immigrants, labor market disadvantages, lack of access to mainstream financial services, cultural factors (e.g., experiences with financial institutions in their countries of origin), and lack of financial knowledge and financial management skills. Three key policy recommendations are: remove institutional barriers that prevent asset building, develop asset-building programs for vulnerable immigrants, and foster collaboration between asset-building program providers and community-based organizations that serve immigrants.

Chapter 7 explores The Interactions of Disability, Aging, Assets, and Financial Instability. It begins by noting “Disability in later life poses a threat to financial security. Simply put, disability is costly and financially disruptive” (p. 120). Conversely, “Income and assets can improve disabling situations by providing, among other things, access to more physical and mental health care, better care, assistive technology and supports, personal assistance, and home and environmental accommodations” (p. 120). The chapter presents a demographic profile of older adults experiencing disability, including this sobering statistic: just over 14.7 million adults age 65+, or 36.8%, reported having a disability in 2011. It explores the incidence of disability by gender, poverty and disability, limited and uneven employment, shortened work careers, out-of-pocket health
care costs, eligibility requirements for safety net programs, social isolation, and economic marginalization. Implications for policy (e.g., expanded use of Individual Development Accounts) and research (e.g., program evaluation assessments) are also included.

Chapters 8 through 11 sharply steer the discussion from troubling economic statistics about financially distressed elders to innovative programs and policies that can assist them. It is the most uplifting section of Financial Capability and Asset Holding in Later Life because it offers hope that vulnerable elders’ financial security could improve. By extension, the country becomes financially stronger if its most vulnerable citizens make financial progress. Chapter 8, Asset Development among Older Adults, begins with a discussion of U.S. life expectancy, baby boomers, the Senior Financial Stability Index, the classic Ando and Modigliani (1963) life cycle hypothesis of saving, and measures of financial capability. A key take-away is “Older adults are not a homogeneous group. The period now called old age can span four decades, and adults in this stage can experience a very diverse set of circumstances” (p. 144). The chapter also includes a very detailed summary, in table format, of asset-based programs, their characteristics, and their impact on older adults as well as implications and conclusions.

Long-Term Care in the United States is the title of Chapter 9, which begins with these two sobering sentences: “In the United States, a perfect storm of factors, including the aging of the baby boomer generation and increasing life spans, has led to unsustainable growth in LTC [long-term care] costs” and “Forty-four percent of older adults live with multiple chronic conditions, some of which (e.g., Alzheimer’s disease) have very high treatment costs because of the length and intensity of care” (p. 161). The chapter discusses the scope of America’s LTC problem, care comparisons by gender, recipients and providers of care, the cost of LTC and who pays for it, the financial challenges of care-giving, and recent reform approaches including the State Long-term Care Partnership Program and expansion of home and community-based services that reduce dependence on institutional care.

Chapter 10, Workplace Policies and Practices, analyzes the implications of workplace policies and practices for economic security in later life. It begins by noting “Unfortunately, workplace asset-building practices have perpetuated disparities in access, participation, contributions, and methods of distribution with pension plans” and “As employers have reduced contributions for retirement, few employees have saved enough on their own” (p. 175). Topics covered in this chapter include pension plan participation trends (including differences among demographic characteristics), employer-sponsored health benefits, extending work into later life, age discrimination, and caregiving. Policy and practice interventions for the workplace that are discussed include employee financial education, automatic enrollment in retirement savings plans, employer matching contributions, age-friendly work environments, job training, and expanded paid leave for family and medical reasons.

In Chapter 11, Age-Friendly Banking: Policy, Products, and Services for Financial Capability, banking principles are proposed to address key later life financial risks. The chapter begins with a sobering story of a predatory $8,000 loan that was provided to an elderly couple for home repairs, flipped three times, and resulted in an outstanding balance of almost $80,000. It goes on to note that “a growing number of older adults face these challenges” (p.195). Topics discussed in this chapter include the National Community Reinvestment coalition (NCRC) concept of age-friendly banking, elder economic vulnerability statistics, sources of retirement income (e.g. Social Security retirement benefits and disability insurance, pensions, SNAP), financial fraud and abuse, and disconnectedness with financial institutions. Almost 1 in 5 (19%) of older adults are unbanked or underbanked. In addition, “almost 25% of Social Security recipients have taken out a payday loan and most who do so use it to cover normal monthly expenses” (p. 201). Banking services described toward the end of the chapter include bank branches, online banking, reverse mortgages, home equity lines of credit, and housing counseling.

The Conclusion, Financial Capability in Later Life: Summary and Applications, written by the two co-editors, begins with a description of the book’s purpose: “We set out in this book to expand on three themes related to economic security in later life: the financial vulnerability of particular older adult populations, the importance of a life course perspective in understanding late life economic circumstances, and the potential to improve economic outcomes in later life by developing financial capability across the life course” (p. 218). It then describes some key take-aways from the book chapters and summarizes strategies for increasing financial capability in a reader-friendly, bulleted format. At the end of this section, examples of financial capability building programs are described and a short list of action steps is provided: “creating a lifelong asset-building policy for everyone; connecting all people to culturally relevant and high-quality financial
services and education throughout their lifetimes; enriching the community-based fabric of social services and economic supports; and improving Social Security retirement benefits, especially for those at the bottom. These areas of work are not a mystery; significant progress has already occurred, and greater improvements are within reach” (p. 229).

Financial Capability and Asset Holding in Later Life is a valuable resource for financial educators and counselors. While its key take-aways (i.e., vulnerable populations have low income and inadequate retirement savings and financial vulnerability in old age is rooted in financial practices from early and middle adulthood) are not new or surprising, the book provides valuable insights into the history, mindset, and economic plight of various ethnic groups to help readers improve their cultural competence. Its insights on older adult finances are also valuable. Each chapter is carefully crafted with thoughtful policy and research implications and extensive references. The topics of each chapter are also diverse enough so that there is very little duplication of content. Refreshingly, the book also has a positive tone. Despite dozens of sobering statistics and stories about the precarious financial lives of many older adults, it maintains that action can be taken to improve their financial capability. No mention was made, however, of the political feasibility or cost of suggested proposals so their ability to effect positive change is unclear.

About the Reviewer
Barbara O’Neill, Ph.D, CFP®, CRPC®, AFC, CHC, CFEd holds the rank of Distinguished Professor in the School of Environmental and Biological Sciences at Rutgers University, and is Rutgers Cooperative Extension’s Specialist in Financial Resource Management. She also provides national leadership for the Cooperative Extension program Small Steps to Health and Wealth™. Dr. O’Neill has written over 1,700 consumer newspaper articles and over 150 articles for academic journals and conference proceedings. She is a certified financial planner (CFP®), chartered retirement planning counselor (CRPC®), accredited financial counselor (AFC), certified housing counselor (CHC), and certified financial educator (CFEd), and served as president of the Association for Financial Counseling and Planning Education (AFCPE) in 2003. Dr. O’Neill received her Ph.D. in family financial management from Virginia Tech. She has received over three dozen awards for program excellence and over $985,000 in funding to support her financial education programs and research.
JFCP Book Review

A Fragile Balance: Emergency Savings and Liquid Resources for Low-Income Consumers

Barbara O’Neill

Editor: J. Michael Collins
Publisher: Palgrave Macmillan
ISBN # 978-1-137-48781-0

A Fragile Balance is a collection of 14 papers about the financial challenges experienced by low- and moderate-income (LMI) Americans and various demonstration programs that have been developed to motivate them to save. The chapter authors have a variety of backgrounds including academics, information technology experts, and asset development program directors. A Fragile Balance was edited by J. Michael Collins, faculty director of the Center for Financial Security (CFS) at the University of Wisconsin (UW)-Madison. Collins, who teaches consumer decision-making, also wrote two of the chapters. The book is the culmination of years of research and public policy advocacy by the CFS to promote innovative efforts to build the emergency savings of vulnerable populations.

A Fragile Balance is 219 pages in length. The first three chapters provide background about America’s LMI households and their financial challenges. The next ten chapters describe innovative motivational savings programs at various stages of implementation and assessment. Chapter 14 wraps the book up nicely with a summary of key themes and conclusions. This very comprehensive and insightful edited volume was the product of a call for papers and subsequent Salon that brought together the authors of the 14 chapters and other experts. Key collaborators were the CFS at UW-Madison, the New America Foundation, and JP Morgan Chase. An advisory committee of several dozen individuals also helped shape what became known as the Emergency Savings Project.

Chapter 1, Paying for the Unexpected: Making the Case for a New Generation of Strategies to Boost Emergency Savings, Affording Contingencies, and Liquid Resources for Low-Income Families, by J. Michael Collins, notes that low-income households’ accumulation of liquid savings is a growing issue that “has not yet attracted significant attention in the United States” (p.1). A savings reserve of three months’ expenses is a big hurdle for lower-income households for whom “just making ends meet is a challenge” (p. 2). The chapter includes research findings about precautionary savings and the financial vulnerability of America’s lowest income quintile. It also discusses the measurement of emergency savings, barriers to emergency savings (e.g., behavioral finance biases), and credit market alternatives for liquidity (e.g., payday and pawn loans). Collins notes that there are “no specific policies or programs to support the development of emergency savings” (p. 10) and the issue is “fertile ground” for private sector entrepreneurs and social innovators.

In Chapter 2, Liquid Savings Patterns and Credit Usage among the Poor, by CFS Senior Research Associate Leah Gjertson, the term “liquid asset poor” is introduced to describe households without liquid savings. The chapter summarizes research on emergency fund adequacy and demographic characteristics of savers. Applicable findings from both the 2010 Survey of Consumer Finances and 2012 National Financial Capability Study are summarized, as well as limitations of various emergency fund measures, which are not fully standardized. Gjertson also notes that an amount equal to one month’s housing expense (rent or mortgage) may be a realistic emergency fund target for lower-income households because “missed housing payments can have dramatic consequences on housing stability, especially for renters” (p. 32). Various measures of emergency fund adequacy are discussed such as the ability to acquire $2,000 in 30 days. A startling, but not surprising, statistic cited in the chapter is that “half of households with incomes under $20,000 have less than $450 in savings accounts” (p. 33).
Upside Down: The Failure of Federal Tax Policies to Support Emergency Savings is the title of Chapter 3 by Ezra Levin of the Corporation for Enterprise Development. Levin cites a statistic that is repeated by several other chapter authors: almost half (44%) of Americans are “liquid asset poor,” meaning they lack any savings reserve that could be tapped in the event of an emergency. Topics discussed in this chapter include federal tax benefits to incentivize savings (e.g., the stepped-up basis on inherited investments) that Levin calls “upside down” because they “almost entirely benefit the highest income households” (p. 39) and the earned income tax credit (EITC) that benefits LMI households. The chapter concludes with a discussion of tax policy proposals to help more Americans build accessible savings. An example is reforming the EITC with an add-on savings feature.

Chapter 4, Save at Home: Building Emergency Savings One Mortgage Payment at a Time, is the first of ten chapters that describe specific programs designed to build the emergency savings of LMI households. The primary author is Stephanie Moulton, an Associate Professor at The Ohio State University. The chapter explores “the potential of mortgage reserve accounts (MRAs) as an automated tool to build emergency savings” (p. 55). Drawing on behavioral finance principles such as present bias and mental accounting, MRAs integrate an automatic savings component into monthly mortgage payments and include financial incentives, such as matched deposits, to encourage participation. Various nuances of this program model are discussed in detail including incentives, monitoring, and account design considerations (e.g., monthly deposits and withdrawal procedures). Four different models are also described for this program that is currently at a conceptual stage and has yet to be implemented and assessed.

Chapter 5, The SaveUSA Coalition: Using Behavioral Economics to Build Unrestricted Savings at Tax Time, is written by Jonathan Mintz, CEO of the Cities for Financial Empowerment Fund. It describes the SaveUSA model and earlier savings incentive programs that informed it. SaveUSA provides LMI tax filers at VITA sites with the ability to direct deposits and withdrawal procedures. Four different models are also described for this program that is currently at a conceptual stage and has yet to be implemented and assessed.

Another tax-related emergency fund savings program model is the subject of Chapter 6, Refund to Savings: Creating Contingency Savings at Tax Time. The primary author is Michal Grinstein-Weiss, an Associate Professor at Washington University in St. Louis. Refund to Savings (R2S) is a scalable program involving tax preparation software and motivational “nudges” grounded in behavioral finance theory. The chapter begins by discussing barriers to saving, psychological and behavioral influences on savings, and the benefits of motivating LMI individuals to save their tax refunds. It then describes how R2S uses TurboTax software in combination with behavioral prompts to encourage tax filers to save a portion of their refund. Extensive pilot evaluation data are also presented using an experimental design that tested five anchors, three as percentages and two as dollar amounts. Limitations of the study and future directions are also described.

Chapter 7, Enhancing Financial Capability: TANF Bank Accounts, switches from taxes to Temporary Assistance for Needy Families (TANF) as a source of money for emergency fund savings. The primary author is Karan Gill, Senior Policy Analyst at the King County Council in Washington State. The chapter describes a proposed TANF bank account for individuals who receive public assistance so they can have access to mainstream financial products and build a personal safety net. Topics discussed in the chapter include the mechanics of electronic benefits transfer, the need for banking in the TANF population, characteristics of proposed TANF bank accounts, and program barriers and limitations (e.g., an economic incentive for EBT contractors). A proposed evaluation strategy to measure impact is also described.

Chapter 8, Building Emergency Savings Through “Impulse Saving,” provides an interesting twist on a common personal finance problem. The pilot program model that is described, MAGIC Mojo, involves “impulse saving” instead of impulse spending. The lead author is Kim Manturuk from the Duke University Center for Instructional Technology. MAGIC Mojo enables participants to transfer money to savings instantly via text messaging. According to the authors, MAGIC Mojo “is highly scalable, has the potential to reach a broad base of consumers, and incorporates ideas from behavioral economics to increase the likelihood that people save successfully” (p. 125). Participants get a MAGIC card (a celebrity-endorsed prepaid MasterCard), which provides a way to save without access to a bank account. They then set a savings goal when they enroll and get closer to their goal every time they “impulse save.” An example is sending a text to MAGIC Mojo
to move money to a savings account instead of spending it on a latte (or anything else). Other topics covered in this chapter are emergency savings approaches for the unbanked, barriers to emergency savings, the concept of impulsivity, and the mechanics, scalability, and limitations of the MAGIC Mojo program. The authors note that the program works for some people by “replacing one source of immediate gratification—impulse spending—with another—impulse saving.” MAGIC Mojo allows lower-income people to save small amounts of money when they have it and not feel guilty when they do not.

Another LMI household savings strategy involving plastic is explored in Chapter 9, *Prosperity SmartSave Card: An Incentivized Emergency Savings Strategy.* The author is Sharon Henderson, senior vice president of Prosperity Works, a New Mexico economic empowerment organization. Their savings product, the Prosperity SmartSave card, is a secured credit card offered in conjunction with financial education. Henderson notes that the card “incentivizes savings and promotes future-oriented planning by depositing savings matches into children’s savings accounts” (p. 141). It is based upon the premise that “parents will do for their children what they will not do for themselves” (p. 142). The chapter notes that 28% of the U.S. population is either un- or underbanked and includes a discussion of Americans’ financial fragility, the target market for SmartSave cards, how the product is designed to work, and planned program guidelines and evaluation procedures. Up to 1,000 SmartSave cards will be issued during a pilot test period.

Testing the impact of savings incentives is the focus of Chapter 10, *Accelerating Savings among Low-Income Households.* The author, Ed Khashadourian, is president and CEO of Opportunity to Assets, a social enterprise that offers technology and technical support to community-based organizations with asset-building programs. With the savings accelerator account (SAA) program model, “participants can make deposits in any amount and at any time and earn corresponding rewards” (p. 156). Benefits are maximized, however, by depositing money at least once a month at levels recommended by the program. Incentive components include a signup bonus, straight deposit match, and interest and “participants see a higher benefit amount with successive deposits” (p. 159), which characterizes the acceleration feature. The chapter includes a description of the financial vulnerability of LMI households and the structure of SAAs, including the structure of incentives, incentive duration, acceleration versus savings match, results of small SAA pilot tests, challenges (e.g., asset limits in public benefit programs), and policy implications.

Chapter 11, *Start2Save: Helping Working Families Meet Unexpected Expenses and Opportunities,* describes another matched savings program model called Start2Save. Innovative features of this program, compared to others, include “a consumer savings account that clients can keep after graduation, savings reminders sent via text messages, and the ability to use match funds to open a secured credit card at graduation from the program” (p. 176). The author is Ingrid Holguin, Director of Savings Programs for Opportunity Fund, a California community development financial institution. Like previous chapters, this one includes data about the lack of emergency savings in the LMI household population. The chapter then discusses the structure of the Start2Save program, which was built upon Opportunity Fund’s IDA program for long-term savings goals. It also describes quantitative Start2Save program results (e.g., average monthly deposits) and, in the only program participant case study found in the book, the story of a woman’s short-term saving success followed by a relapse. Other chapter topics were program sustainability, the cost of scaling up, operational costs, and federal and state government policy changes (e.g., eliminate asset limit tests) required to achieve scale.

Another interesting twist to encourage emergency fund savings is found in Chapter 12, *Incorporating Savings into the Debt Management Plan.* As the title implies, the chapter describes how liquid savings can be integrated into a debt management program (DMP). The authors, Karen Heisler and Seth Lutter, are directors of asset development and counseling, respectively, with Rural Dynamics Inc., a Montana credit counseling organization. The chapter begins with a description of Americans’ lack of emergency savings and how DMPs operate. It then describes the potential process of giving DMP clients the option of adding a $20 to $50 monthly savings deposit to their DMP payment for debt repayment to creditors. The savings component would be held by the credit counseling organization for the duration of the DMP (typically about 40 months). If a client drops out of the DMP or has to withdraw funds, no incentive or interest is paid. The chapter includes a discussion of the role of incentives, program limitations, and potential ways to measure impact.

The final chapter that describes an innovative program model is Chapter 13: *Who Said Pigs Can’t Fly? A Learner-Centered Approach to Emergency Savings.* The author is Sonya Caesar, a doctoral student at the University of Maryland-Baltimore, who redesigned the financial literacy component of the
mandatory freshman orientation class. The chapter describes a micro-savings project with first-year students at Community College of Baltimore County (CCBC) called Operation Silver Savings. Students were provided with a translucent piggy bank and a simple financial goal—to save all of their leftover coins over the duration of a seven-week orientation course. Topics discussed in the chapter are the financial struggles of low-income households, barriers to emergency savings, the case for micro-savings by students, behavioral finance and gamification components, and pilot program evaluation results.

Chapter 14, Epilogue: Emergency Savings as a Central Component of Family Financial Security, by J. Michael Collins of the CFS at UW-Madison and Thomas Shapiro of Brandeis University, recaps the 13 previous chapters, beginning with a discussion of issues that complicate attempts to define and operationalize emergency savings. It also describes a number of key themes including: many emergencies are predictable, lack of income is not the only cause of insufficient liquidity, a lack of emergency funds can be costly (e.g., payday loans, late fees, etc.), choosing a targeted moment [to motivate people to save] is critical, savings must be reestablished after an emergency, sustainable programs must incorporate incentives for both participants and providers, and we must be realistic about the political reality of any new savings policy. In the last paragraph, the authors note that liquidity (a.k.a., “cash in a pinch”) is accessed by using credit, borrowing from family and friends, and tapping savings. Emergency savings increases the financial resilience of families and, while not typically considered part of financial asset-building programs, has “a place along the continuum of asset- and wealth-building strategies” (p. 218).

*A Fragile Balance: Emergency Savings and Liquid Resources for Low-Income Consumers* provides powerful insights into the lives of America’s LMI households. It is sobering, for example, to read that “less than 50% of moderate-income families have even $500 in savings” (p. 127) and “over half of Americans currently manage their lives in a critically fragile financial state, without the resources to accommodate even a minor unexpected expense” (p. 144) and “one quarter of all households are net worth asset poor, meaning debts outweigh assets” (p. 176). The innovative program models described within the book are also insightful and take advantage of behavioral finance principles, income tax refunds, existing consumer payment processes (e.g., DMP and mortgage payments), and technological innovations. JFCP readers interested in asset-building programs and the financial challenges of LMI households will find this volume especially useful. All of the chapters were well written and well referenced for those who desire additional information. On the negative side, the book was a bit “dry.” The chapters primarily included literature reviews about LMI household finances and detailed discussions of the nuances of various asset-building programs. Only one chapter contained a program participant case study that put a human “face” on the various emergency savings programs that were described. More qualitative data of this type would have increased reader interest. In addition, many chapter authors cited the same studies of the financial fragility of U.S. families in their papers, thereby creating a redundancy factor. Perhaps this could have been headed off in the editing process. It would also have been useful to acknowledge the risk of tax refund identity theft in Chapters 5 and 6.

These quibbles notwithstanding, *A Fragile Balance* is a valuable addition to asset-building literature. The papers describe innovative strategies to encourage people to save. All that is needed now is resources to pilot test, evaluate and/or scale these programs. There are clearly many “players” who want this work to succeed.

About the Reviewer

**Dr. Barbara O’Neill** holds the rank of Distinguished Professor in the School of Environmental and Biological Sciences at Rutgers University, and is Rutgers Cooperative Extension’s Specialist in Financial Resource Management. She also provides national leadership for the Cooperative Extension program Small Steps to Health and Wealth™. Dr. O’Neill has written over 1,700 consumer newspaper articles and over 150 articles for academic journals and conference proceedings. She is a certified financial planner (CFP®), chartered retirement planning counselor (CRPC®), accredited financial counselor (AFC), certified housing counselor (CHC), and certified financial educator (CFEd), and served as president of the Association for Financial Counseling and Planning Education (AFCPE) in 2003. Dr. O’Neill received her Ph.D. in family financial management from Virginia Tech. She has received over three dozen awards for program excellence and over $985,000 in funding to support her financial education programs and research.
JFCP Book Review

Medicaid Planning: From A to Z

Madeleine Greene¹

Author: K. Gabriel Heiser, J.D.
Publisher: Phylius Press (2013)

Having assisted several clients through the Medicaid application process, I was interested to learn that there was an instructional manual that might have helped me guide my clients. In working with clients, I had relied on experienced elder law attorneys to facilitate the process. The legal fees incurred by my first client were significant, $13,000. Most of this cost was related to the organization of records dating back five years. An AFC or other professional with record management skills could handle this task with the possibility of reducing out-of-pocket costs to the client. Unfortunately, with the first client, this was recognized too far into the process.

I saw the AFC role as one of information gatherer, bureaucratic go between, organizational navigator, and interpreter. My clients had done no pre-planning and lacked basic legal documents. They were starting from scratch and getting things prepared so they could move ahead. There were also issues of adult dependent children, financial misinformation, and a resistance to change. One client believed that people could not qualify for Medicaid if they owned a home and car. Another client had been told that all of a family’s savings not in a 401(k) plan would have to be spent down to $2,500 before either spouse could be eligible for Medicaid. With each client, I had new questions and continually asked myself what is the correct role for an accredited financial counselor in this situation?

Medicaid Planning: From A to Z, a 524-page manual, reinforced information that I knew and brought to light strategies I was unaware of. It covers federal Medicaid rules for single, divorced, widowed, or never married people, as well as married couples. Highlighted are significant changes that resulted from enactment of the federal Deficit Reduction Act of 2005, as well as the Tax Relief and Health Care Act of 2006.

The author, K. Gabriel Heiser, J.D., has focused exclusively on estate planning and Medicaid eligibility planning, including trusts, estates, gifts, and related tax issues, since graduating from Boston University School of Law in 1983. He is a fellow, American College of Trust and Estate Counsel (ACTEC) and received the AV rating 5 of 5, which means that he has been judged by his peers to be preeminent in his field of law. Martindale-Hubbell, is the country’s preeminent lawyer rating service. Its AV rating is based solely on peer reviews by members of the Bar and Judiciary. Mr. Heiser has recently retired from the active practice of law.

Heiser is also the author of another book, How to Protect Your Family’s Assets from Devastating Nursing Home Costs: Medicaid Secrets, which has been widely accepted as “the bible” for Medicaid planning by many financial planners and elder law attorneys. Medicaid Planning: A to Z was modeled after his first book and is specifically designed for professionals. It is available at a cost of $138.45 direct from Phylius Press (see http://medicaidsecrets.com/) for which Heiser is both the owner and publisher. The book is designed to provide accurate and authoritative information about the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services.

Heiser covers beliefs of the uninformed concerning Medicare. He also discusses Medicare coverage as it relates to Medicaid. He does an excellent job discussing the moral conflict about end of life and long term care expenses. These expenses, which can bankrupt unknowing families, are covered in a very direct, matter-of-fact way. It clearly explains what a person can do—to protect their assets and not get in trouble or be penalized—and what they cannot do.

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Written by a lawyer for lawyers, Medicaid Planning: From A to Z, provides a thorough review of the ins and outs of practicing in this specialty field and minefields to avoid. This discussion clarifies for an AFC the critical nature of each step in the Medicaid application process and vulnerabilities throughout the process for all parties involved. As a desk reference, this book is well laid out with a detailed table of contents that could quickly lead a reader to the information they sought. The manual will teach readers:

- What Medicaid is and what it covers
- Medicaid asset and income rules
- How the amount of protected income and assets can be increased for the community spouse
- About transfer penalties and how they can be avoided
- About types of trusts that can be used to shelter assets
- Ways to reduce or eliminate state estate recovery
- How to protect a home, car, and personal property when applying for Medicaid

The author is very careful to point out that each case needs to be considered based on the needs and wants of the client. He discusses the roles of children and caregivers in the planning process and reminds the reader that the client, not the person paying the bill or the one who brought the client for consultation, is their client. The client must always be in the forefront of the planning process.

Anyone who has worked with a Medicaid applicant knows that applying for benefits is a complex and tedious process. There is a comprehensive look-back period. For each of my clients, we had to reconstruct their finances for the five previous years. This reconstruction included all bank records showing dollars received and spent. If there were significant assets that had been distributed, that also had to be reconstructed. The reconstruction included life insurance policies, vehicles, real estate, and collections.

Complete financial records need to be gathered, state specific laws considered, and a multitude of questions answered. One must also realize that what is allowed in one state or county may not be allowed in another by a different caseworker. There is always the option to appeal a decision and ask for a “Fair Hearing.”

The author reminds readers that there will be those who have ethical issues when it comes to protecting assets for the next generation, and it is also unethical for a lawyer not to provide all legal options to a client, once they agree to represent them. Interestingly, there is a federal law that would penalize lawyers for telling clients about disposing of assets so the client is eligible for medical assistance. U.S. Attorney Janet Reno in 1998 sent a letter to the Congress stating that such a regulation was unconstitutional, under the first amendment. Since that time, the statute has not been enforced or even discussed as a possibility of being enforced. The United States Supreme Court reaffirmed a 1934 ruling that states “The legal right of the taxpayer to decrease the amount of what otherwise would be his taxes, or altogether avoid them, by means which the law permits cannot be doubted.”

Divided into 22 sections, Medicaid Planning: From A to Z begins with an overview of Medicaid and ends with a section on legal practices and a comprehensive Appendix. The manual is interesting to read as a topic-specific reference or in its entirety. The layout makes it easy to find very specific information. The first five sections are devoted to nuances of the Medicaid application process.

In Section Six, Income Qualification Rules, readers will find the case studies most informative. Using the case study format, sources of income, earned, unearned and in-kind, are identified and the accounting explained. The author goes on to explain minimal income exclusions which are set by federal law. An unmarried individual in an institution may not have available income of more than three times the then applicable SSI limit. This limit is established by the federal government each January 1 to reflect cost-of-living changes.

Section Seven, Asset Qualification Rules, offers a look at the countable and unavailable assets, and the valuation process. Of particular interest for a community spouse is the treatment of property owned jointly. Once a partner has qualified for Medicaid, the sale of an asset can take place without effecting the Medicaid eligible partners’ status and without a responsibility to reinvest the revenue from a sale.

Section Eight, Transfer of Assets, discusses the “penalty period” often referred to as the “look back period.” It is here that the Uniform Fraudulent Transfer Act is explained. Section Nine, Trusts, reviews the use of trusts, revocable and irrevocable. Irrevocable trusts, the author explains, “should be thought of as a gift and can be very useful for Medicaid planning purposes” (p. 77). Section Ten, Strategies to Qualify, covers strategies to qualify for Medicaid and begins with a heading “Hiding Assets: Don’t Do It.” Penalties for fraud are reviewed as well as the importance of being truthful and complete in the application process. Spend-down options open to a family are discussed and are extensive. Section Eleven, The Home: Planning Ideas, explores options from

doing nothing to a privately-held reverse mortgage. The author reminds readers that adding an individual to the deed to a house is a gift and with tax consequences.

Section Twelve, *Annuities*, notes that, while annuities have become a popular investment for retirement revenue, they are also a powerful Medicaid planning technique. Once one purchases a “Medicaid annuity,” it is no longer a countable asset. Instead, payments back to the owner are countable solely as income. Section Thirteen, *Promissory Notes*, describes another Medicaid planning vehicle. Known as an IOU, promissory notes can be useful to transfer assets and create income stream back to the Medicaid recipient while protecting the asset from being counted as an available asset. Section Fourteen, *Transfer Gift Strategies*, discusses transfers of property to caregivers, relatives, charities, and community spouses. This section reviews the rules under which a nursing home can evict a resident.

Section Fifteen, *Post Eligibility Issues*, deals with the extra expenses needed that maintain quality of life, both medical and personal, not covered by Medicaid, and how a family might address those expenses. A nursing home patient on Medicaid is allowed to keep between $30 and $110 for personal expenses such as a barber, clothing and other incidental expenses. Section Sixteen, *Estate Recovery*, describes how, upon the death of a Medicaid beneficiary, a state may seek to recover all of the expenditures it made on behalf of the client. This recovery from the probate estate is covered by state law. The author characterizes estate recovery in this statement, “Clients may feel that they had qualified for a benefit from the government, all they’ve received is an interest free loan! And upon the client’s death, the government wants its loan paid back” (p. 213). Prior to 1993, estate recovery was optional. With the passage of OBRA (Omnibus Budget Reconciliation Act of 1993), every state must seek estate recovery from Medicaid-receiving clients upon their death. There are exceptions to the recovery rules. No recovery will be made if the recipient was under age 55, has a surviving child under age 21, or a child of the recipient is permanently disabled.

Section Seventeen, *Case Studies*, examines five case studies designed to assist a lawyer in analyzing the issues of an actual client and coming up with realistic solutions. The case studies include single individuals with and without tangible assets and married couples with a home and additional assets. Through the case studies, the author identifies techniques for gifting and excluding assets prior to applying for Medicaid. The main goal of these maneuvers is to save money for the family. The case studies also identify ways to spend down to provide for a community spouse using irrevocable trusts and annuities that begin monthly payments immediately. Tax-deferred savings plans are also discussed because not all states exempt these assets in Medicaid calculations.

Section Eighteen, *Veterans' Pension: How it Works*, and Section Nineteen, *Veterans Pension: Planning Techniques*, were written by Thomas Day Director of the National Care Planning Council. His organization provides marketing and promotional support for long term care providers with a specialty in veterans’ long term care benefits. Mr. Day cites two references, a manual How to Apply for Veterans Aid & Attendance Pension Benefit and a website www.veteransaidbenefit.org as critical to maximizing a veteran’s options. Section Nineteen, *Veterans’ Pension: Planning Techniques*, reviews the eligibility tests which include service requirements and a medical needs test. The author stresses the need to get a medical rating for all veterans. This medical “rating” is a determination by a Veterans Service Representative after a review of the applicant’s medical records. A non-veteran spouse of a veteran needing long term care under certain circumstances can be eligible for assistance (p. 260).

Section Twenty, *Taxation: Trusts, Estate, and Gift* addresses methods used to protect assets. Types of trusts and the benefits of the various types are discussed. Gift and tax implications are briefly discussed. The main concept to take away regarding taxes is that a couple has a federal estate tax exemption of $10.5 million (indexed annually for inflation; it is $10.86 million in 2015). The author makes the point that it is important to keep assets in a client’s taxable estate. Depending on state law, there may or may not be estate tax incurred. Section Twenty-One, *Pre-DRA Planning*, reviews the Deficit Reduction Planning Act of 2005 (DRA). The author stresses that concepts used prior to the DRA to transfer assets and protect them from inclusion in the Medicaid qualification process no longer apply. Section Twenty-Two, *Medicaid Planning and Attorney Professional Ethics*, is addressed specifically to the attorney who wishes to practice elder law with a concentration in Medicaid eligibility planning. Mr. Heiser stresses that it “is not enough to master the intricacies of Medicaid law and various planning techniques. As an attorney you must be thoroughly familiar with the ethics rules as they apply to this area of practice” (p. 306).
As well done as Medicaid Planning: From A to Z is, readers are reminded that all the information in the manual is completely legal and up to date but “you cannot take the information at face value without checking your state’s Medicaid rules and, just as important, the unwritten policy and procedures used by the caseworker in your local county” (p. 2). What this means is that you have 50 different state options and thousands of variations based on county caseworkers’ decisions.

Hypothetical cases are discussed, options reviewed with outcomes, and alternatives spelled out. The 187-page glossary and appendix contains sample forms, reference numbers for resources, and state-specific 2013 benefits information. For an AFC there is important reading regarding assisting the public with Medicaid planning. Some states have laws that prohibit non-attorneys from assisting with applications for Medicaid (p. 349). This section also reviews Title 42 U.S. Code, Chapter 7 —Social Security: Subchapter XVII—Supplemental Security Income for Aged, Blind, and Disabled, concerning the determination of benefits, exclusion of assets and program eligibility. As with many government programs, the devil is in the details and this section is tiring, but important, reading.

For an AFC doing educational programming, it is important to recognize the potential for conflicts of interest, should a financial planner and/or lawyer be invited to participate in the educational and counseling process. Each party must be seen as operating independently without any suggestion that business is being directed to the presenters. This text is very informative and a bold reminder to AFCs of legal consequences for all parties involved when applying for Medicaid. Securing legal representation should be encouraged when educating individuals, families, or groups about advance Medicaid planning.

Note: The 2013 edition of Medicaid Planning from A to Z that was reviewed by Madeline Greene was updated with a 2015 edition that incorporates all changes in the law as of January 31, 2015.

About the Reviewer
Madeleine Greene has been an AFC® since 1992 and currently works as a Military Family Life Counselor for personal finance with Zeider’s Enterprises. Ms. Greene is a co-author of The Best Little Money Book and a principal in the Money Team LLC. She retired from the University of Maryland Cooperative Extension System after a 25-year career where she helped plan the annual Personal Finance Conference for Professionals. She has presented at several AFCPE Annual Symposiums and was named 2014 AFCPE Financial Counselor of the Year. A financial counselor in private practice in Montgomery County, Maryland, she is a financial literacy counselor for Montgomery College, and a member of the Maryland and Montgomery County, MD Financial Literacy Coalitions.