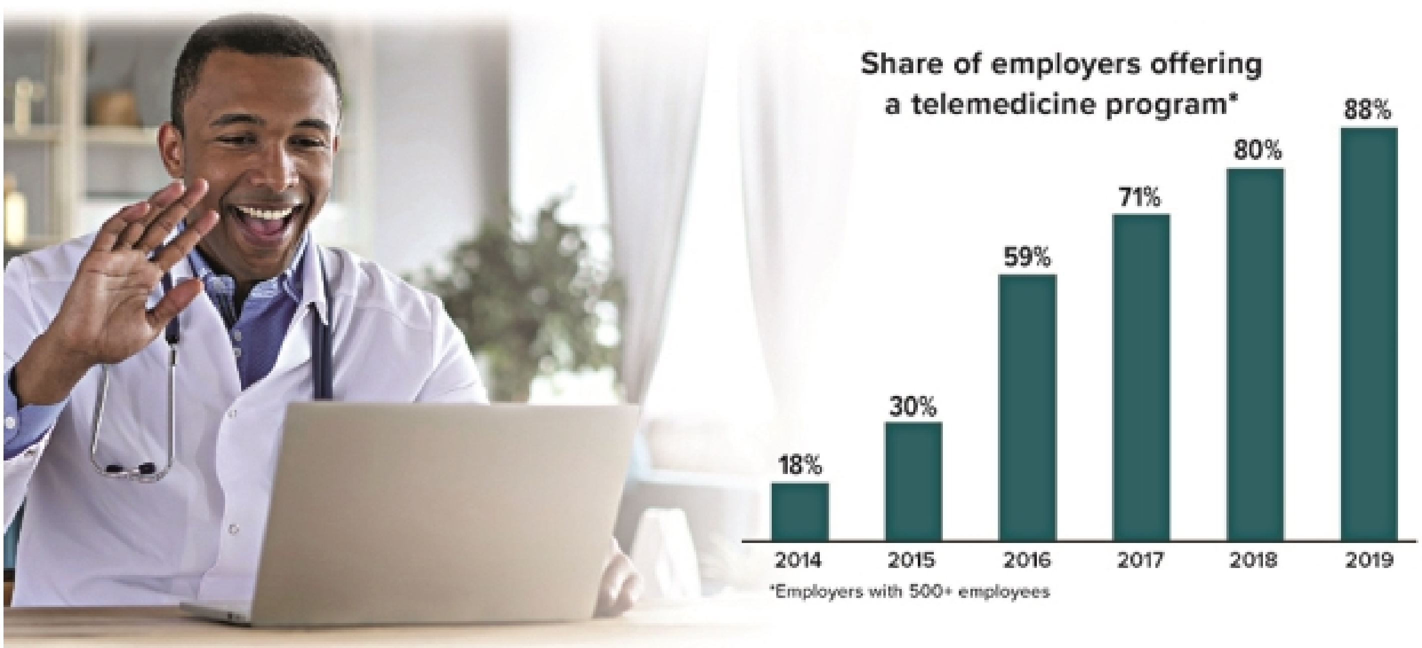
Precision Monthly

Precision Financial Services
Precision Financial Services, Inc.
350 US Highway 46 • Mine Hill • NJ • 07803
973-927-6300
communications@pfs-inc.com • www.precisionfinancial.com

Most Large Employer Health Plans Include Telemedicine

Over the past five years, employer enthusiasm for telemedicine benefits has surged. Almost 9 out of 10 large employers now offer employees the opportunity to virtually visit their health-care providers.



Source: Mercer National Survey of Employer-Sponsored Health Plans 2019

The Changing College Landscape

The 2020-2021 academic year is right around the corner, and the coronavirus pandemic has upended the college world, like everything else. Not only has COVID-19 impacted short-term college operations and student summer plans, but the virus could end up being the catalyst that changes the model of higher education in the long term. Here are some things to know about the changing college landscape.

College funds. Market volatility has been at record high levels this year, and college nest eggs may have taken a hit. Parents who have lost their jobs or otherwise suffered significant economic hardship due to COVID-19 might reach out to their child's college financial aid office to inquire about the possibility of a revised aid package, if not for fall then for spring.

Parents of younger children may want to review their risk tolerance and time horizon for each child's college fund. Parents who are using a 529 plan to save may have experienced one of the drawbacks of these plans in 2020: the restriction that allows only two investment changes per year on existing 529 account balances. This limitation can make it more difficult to respond to changing market conditions.

Student loan payment pause. The Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted in March 2020 created a six-month automatic suspension of student loan payments for millions of federal student loan borrowers, along with a six-month interest freeze. The six-month period ends on September 30, 2020. Borrowers who anticipate having trouble restarting their monthly payments in October can contact their loan servicer to inquire about eligibility for an income-driven repayment plan.

Potential refund for spring room and board. Colleges were one of the first sectors to act in the early days of the coronavirus outbreak, asking students to extend their spring breaks in March and then directing them to stay home for the rest of the semester and finish classes online. Many colleges offered partial refunds for room-and-board costs for March, April, and May, but only for students living in dorms and on a college meal plan, not for off-campus students. If you think your son or daughter may have been entitled to a refund and didn't get one, contact the college to inquire.

Updated health guidelines for fall. Students heading back to college will likely find updated guidelines on social distancing and best practices for health and wellness, with potential restrictions on almost every facet of college life, including living in dorms, attending classes, eating in dining halls, and participating in student activities. Some programs may be limited or unavailable, such as studying abroad. Make sure your child has up-to-date health insurance and knows how to contact the campus infirmary if the need arises.

Interest Rates on Federal Student Loans

Interest rates on federal student loans have decreased to record lows for the 2020-2021 academic year. The new rates apply to federal Direct and PLUS Loans disbursed July 1, 2020, through June 30, 2021.

	2020–2021	2019–2020
Direct Loans: Undergraduates	2.75%	4.53%
Direct Loans: Graduate Students	4.30%	6.08%
PLUS Loans: Parents and Graduate Students	5.30%	7.08%

Source: U.S. Department of Education, Office of Federal Student Aid, 2020

Expanded online learning. Many colleges were already offering online classes before the coronavirus outbreak, but the pandemic shined a spotlight on this critical capability. Look for colleges to ramp up their online course offerings and make them more widely available to all students, not only during times of crisis but as part of a typical semester's course offerings. Some colleges might even require their fall semesters to be entirely online. Students will need to continually embrace new technology related to remote learning.

College selection. The coronavirus may have a long-term impact on how students choose colleges going forward. Cost is likely to play an even greater role, as many families may have less income and savings to put toward college expenses. This is likely to sharpen the focus on a college's net price. Location may also play an outsized role. Will students choose colleges closer to home for logistical and personal reasons? If so, look for state flagship schools to become even more popular, which will in turn increase their competitiveness.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

Printing Money: The Fed's Bond-Buying Program

The Federal Reserve's unprecedented efforts to support the U.S economy during the COVID-19 pandemic include a commitment by the Federal Open Market Committee (FOMC) to purchase Treasury securities and agency mortgage-backed securities "in the amounts needed to support smooth market functioning and effective transmission of monetary policy."[1]

The Fed buys and sells Treasury securities as part of its regular operations and added mortgage-backed securities to its portfolio during the Great Recession, but the essentially unlimited commitment underscores the severity of the crisis. The Fed is also entering uncharted territory by purchasing corporate, state, and local government bonds and extending other loans to the private sector.

Increasing Liquidity

The Federal Open Market Committee sets interest rates and controls the money supply to support the Fed's dual mandate to promote maximum employment and stable prices, along with its underlying responsibility to promote the stability of the U.S. financial system. By purchasing Treasury securities, the FOMC increases the supply of money in the broader economy, while its purchases of mortgage-backed securities increase supply in the mortgage market. The key to increasing liquidity — called quantitative easing — is that the Fed can make these purchases with funds it creates out of air.

The FOMC purchases the securities through banks within the Federal Reserve System. Rather than using money it already holds on deposit, the Fed adds the appropriate amount to the bank's balance. This provides the bank with more money to lend to consumers, businesses, or the government (through purchasing more government securities). It also empowers the Treasury or mortgage agency to issue additional bonds knowing that the Fed is ready to buy them. The surge of bond buying by the Fed that began in March helped the Treasury to finance its massive stimulus program in response to the coronavirus.

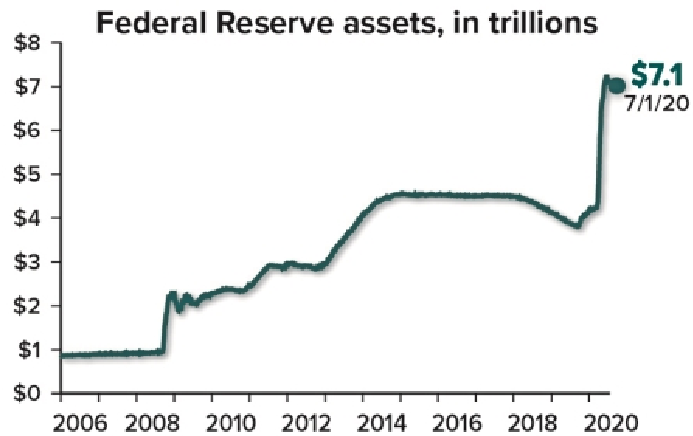
By law, the Fed returns its net interest income to the Treasury, so the Treasury securities are essentially interest-free loans. The principal must be paid when the bond matures, and the bonds add to the national debt. But the Treasury issues new bonds as it pays off the old ones, thus shifting the ever-growing debt forward.

Protecting Against Inflation

Considering the seemingly endless need for government spending and private lending, you may wonder why the Fed doesn't just create an endless supply of money. The controlling factor is the potential for inflation if there is too much money in the economy.

Big Balance Sheet

The Federal Reserve's assets grew with quantitative easing during and after the Great Recession. In late 2018, the Fed began to reverse the process by allowing bonds to mature without replacing them, only to back off when markets reacted negatively to the move. The 2020 emergency measures quickly pushed the balance sheet over $7 trillion.



Source: Federal Reserve, 2020

Low interest rates and "money printing" led to high inflation after World War II and during the 1970s, but the current situation is different.[2] Inflation has been low for more than a decade, and the economic crisis has severely curtailed consumer spending, making inflation unlikely in the near term.

The longer-term potential for inflation remains, however, and the Fed does not want to increase the money supply more than necessary to meet the crisis. From a peak of $75 billion in daily Treasury purchases during the second half of March, the FOMC began to gradually reduce the purchase pace in early April. By mid-June, it was down to an average of $4 billion per day and scheduled to continue at that pace through mid-August, with further adjustments as necessary in response to economic conditions.[3]

U.S. Treasury securities are backed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. The principal value of Treasury securities fluctuates with market conditions. If not held to maturity, they could be worth more or less than the original amount paid.

1) Federal Reserve, March 23, 2020

2) *The Wall Street Journal,* April 27, 2020

3) Federal Reserve Bank of New York, 2020

Back-to-College Insurance Needs

The COVID-19 crisis has created uncertainty about the college experience this fall, and insurance might not be at the top of your to-do list. But if you have a college student returning to campus, it's important to consider these three types of coverage.

Health Insurance

Health-care policies vary among schools, so be sure you understand the specific requirements and available options. Most schools offer a group health insurance plan, and some require coverage as a condition of attendance.

The most cost-effective solution may be to keep your student on your family policy. (Young adults can typically stay on their parents' health insurance policies up to age 26.) Medical care at campus facilities is often provided at relatively low cost to students, but you may want to check whether campus facilities and doctors are participating providers in your network.

Auto Insurance

If your student takes a car to school, it is typically less expensive to include the vehicle on your own policy than to purchase separate coverage. However, you should report the new location to your insurance company; your premium may go up or down depending on the location.

If your student will not take a car to school and the campus is more than 100 miles from home, he or she may qualify for a resident student discount on your policy. This would allow the student to drive your family vehicles when visiting home on vacations or weekends and may extend through the summer. Keeping those grades up can help, too — good student discounts don't end with high school!

Personal Property Insurance

If your undergraduate lives in a dorm, your homeowners insurance may cover personal property, up to a stated percentage of your total coverage (typically 10%). Check your policy and compare any coverage limits on dorm-room protection with the total value of the items your student intends to take. You might consider purchasing a separate student policy that offers more specific coverage in dorms and on campus, often with low deductibles.

If your student lives in an off-campus apartment, your homeowners policy will generally not provide coverage, so it would be wise to consider renters insurance. Be sure to ask your insurance agent about the specific coverage in your policy as it applies to your student's living situation.