

RESOURCES

STOCKS, BONDS, SECURITIES AND PROMISORY NOTES

Policy: Stocks, bonds and other securities owned by the A/R are evaluated when determining eligibility for Medicaid. The value of stocks, bonds and securities is considered a countable resource of the A/R.

References:

SSL Sect.	366.2
Dept. Reg.	360-1.2 360-2.3 360-4.4
GIS	08 MA/006 GIS 05 MA/001 GIS 04 MA/027

Interpretation: The value of stocks, bonds and securities owned by the A/R or a legally responsible relative is considered a countable resource for purposes of determining eligibility (See **OTHER ELIGIBILITY REQUIREMENTS OWNERSHIP AND AVAILABILITY** for determining ownership of resources).

All stocks, bonds and securities are evaluated as to their availability and values. The available value is counted toward the appropriate resources level (See **RESOURCES LEVELS**).

NOTE: For all Medicaid categories except SSI-related individuals, be sure to consider as potential unearned **income**, dividends and interest received from stocks, bonds and securities. For SSI-related A/Rs who are subject to community budgeting, interest and dividend income from stocks, bonds and securities is excluded from countable income (See **INCOME UNEARNED DIVIDENDS AND INTEREST**).

Stocks, bonds and securities include, but are not limited to, the following:

- stocks;
- mutual fund shares;
- corporate, municipal and government bonds;
- U.S. Savings Bonds;
- zero coupon bonds, and
- promissory notes.

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Stocks

Shares of stock represent ownership in a business corporation. The value of a stock is determined by the demand for it at the time it is bought or sold; thus, it may vary from day to day.

Mutual funds

A mutual fund is a pool of assets (e.g., stocks, bonds, etc.) administered by an entity that buys and sells securities and other investments. Absent evidence to the contrary, the owner of a mutual fund share should be able to convert it to cash within 20 working days and thus it is considered an available liquid resource. The current value of a mutual fund may vary from day to day.

Bonds

A bond (e.g., municipal, corporate, and governmental bond) is not cash, but a promise to pay cash at a future specified date. Most bonds (but not U.S. Savings Bonds) are negotiable and transferable. To redeem a corporate or municipal bond for its stated value, it must be held until the specified date of maturity. The current cash value of a bond is determined by the market for it.

A savings bond is a U.S. Treasury security that increases in value until it is cashed or reaches final maturity. A U.S. Savings Bond is not transferable. It can only be sold back to the federal government. Some bonds must be held for a minimum period of time from the date of issue (e.g., twelve months) before they can be converted to cash. Generally these bonds are not considered an available resource until after the minimum retention period has expired

Effective February 11, 2008, A/Rs who are in receipt of or are applying for coverage of long-term care services and who own a U.S. Savings Bond must, as a condition of eligibility for Medicaid, request to have the minimum bond retention period waived. A/Rs with Electronic Savings Bonds may request early redemption by email on the United States Department of the Treasury website

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(<http://treasurydirect.gov>). For paper bonds, the A/R or the A/R's legal representative should contact a financial institution that routinely cashes savings bonds. The A/R must sign the bond in the presence of a certifying officer. The certifying officer must also sign the bond and affix the institution's official stamp or seal in the space provided. The bond(s) and a letter explaining the reasons(s) for the hardship request are mailed to the United States Department of the Treasury, Bureau of the Public Debt, PO Box 7012, Parkersburg, WV 26106-7012. When sending bonds for consideration of hardship, the front of the envelope should be marked "HARDSHIP", in capital letters, so the request may be expedited. Federal regulations allow the United States Department of the Treasury to waive the minimum retention period in situations including:

- Unusual or excessive medical expenses;
- Bankruptcy;
- Foreclosures;
- Eviction notice;
- Utility shut-off notice;
- Natural disaster (flood, fire, etc.); and
- Inability to meet essential expenses (food, clothing, house/rent).

Pending notification of approval or disapproval of a hardship request, Medicaid eligibility must be determined without regard to the bond.

If a waiver of the minimum retention period is granted, the value of the bond is counted as a resource beginning the first day of the month following the month in which the bond is available. Only the amount actually received is counted as a resource, as early redemption of a savings bond may result in a cash penalty being taken from the bond proceeds. NOTE: Ordinary income taxes due on the interest earned on the savings bonds are not an allowable deduction from the bond proceeds.

If a waiver of the minimum retention period is not granted, the bond is to be excluded as an available resource for the duration of the minimum retention period. If a new bond is purchased with the proceeds from an unavailable bond, the individual is required to apply for a hardship waiver.

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Copies of hardship requests and denials should be kept in the case record.

The individual in whose name the bond is registered is the owner.

However, other individuals (e.g., parents or grandparents) may control a child's access to the money. In these cases, the social security number on the bond may not be that of the actual owner. The Social Security number on the bond is not proof of ownership. If a person other than the A/R will not relinquish possession of the bond, the bond is not considered an available resource.

Savings Bond Interest

For all Medicaid A/Rs, interest on U.S. Savings Bonds is treated as follows:

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(1) Series E or EE and Series I U.S. Savings Bonds

Interest on series E/EE and Series I U.S. Savings Bonds is only available to the individual when the bond is redeemed. At redemption, the interest is to be counted as an increase in the value of the resource (not as income).

(2) Series HH or H U.S. Savings Bonds

Series HH/H bonds pay interest semi-annually (i.e., every 6 months based on the purchase date of the bond) by check or electronic funds transfer until maturity or redemption, whichever comes first. Interest on these bonds is counted as unearned income in the month available to the A/R, either when the check is received or when the interest is credited (i.e., electronically transferred) to the A/R's account, whichever is earlier. As of September 1, 2004, the U.S. Treasury is no longer issuing HH/H Savings Bonds. Investors are no longer able to reinvest HH/H Bonds or exchange Series EE/E Bonds for HH Bonds.

NOTE: Interest on Savings Bonds is not countable income for SSI-related A/R's under community budgeting.

Zero Coupon Bonds

Purchasers of zero coupon bonds buy the bonds at a deep discount from their face value, which is the amount a bond will be worth when it matures or comes due. As the bond matures it increases in value from its purchase price due to the accrued interest.

Owners of zero coupon bonds do not receive periodic interest payments, even though they have to pay taxes on the imputed or "phantom" interest that accrues each year. If the investor holds the zero coupon bond until maturity, he/she will receive the full face value of the bond (i.e., the initial investment plus interest that has accrued over the years). Investors can purchase different

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kinds of zero coupon bonds that have been issued from a variety of sources, including the U.S. Treasury, corporations, and state and local government entities.

For all Medicaid A/Rs, except SSI-related A/R's who are subject to community budgeting, the accrued interest is considered countable unearned income in the month the bond matures. The equity value of the zero coupon bond is a countable resource.

Promissory Notes

A promissory note is written, unconditional promise, signed by a person, to pay a specified sum of money at a specified time or on demand to the person named on the note. For the owner, (i.e., seller of creditor) of the agreement, a promissory note, if negotiable, is considered a resource in the amount of the outstanding principal balance. (See **RESOURCES TRANSFER OF ASSETS ALL CATEGORIES EXCEPT S/CC** for further information on promissory notes.)

- When to Verify Status:**
- (a) When the A/R indicates that s/he or a member of the household owns stocks, bonds or securities;
 - (b) When the A/R's pay stubs show a deduction for profit sharing;
 - (c) When the A/R or a member of the household currently or formerly has been employed by a company known to offer profit sharing.