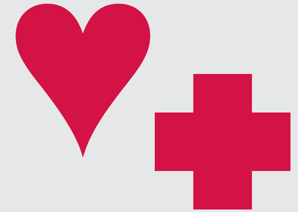
Life & Health Insurance Advisor



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Facing Life's Difficulties with Life Insurance

What many people don't realize is that survivors face several types of financial difficulties after a salary earner's death, besides the loss of income. Here are a few life situations that life insurance can help your heirs handle more easily.

Debts: Your debts don't die after you pass away — they become your heirs' responsibility. Debts can include auto loans, mortgages and other liabilities. Your survivors don't have to pay off the mortgage immediately, but instead can take over the mortgage payments. However, a lender has the option of forcing survivors to pay off a home-equity loan immediately. If your survivors can't afford to do that, they might have to sell the house. The same scenario holds for a vehicle, although lenders usually allow heirs to continue making car payments.

Credit card loans don't have to be paid un-

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This Just In

You know it's important to take care of your eyesight. But did you know that good vision insurance can encourage you to take better care of your eyes?

Vision industry consulting firm focalCenter conducted an extensive, 16-year vision study. The study, released in June 2016, surveyed 110,000 United States residents, 18 years and older, about their eyewear purchasing and wearing habits.

focalCenter discovered that more than 87 percent of Americans with vision benefits will get an eye exam compared to only 67 percent of those who don't have coverage. Sixty-seven percent of those who had vi-

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less the survivor is a spouse or a joint account holder.

Student loans don't need to be paid off unless a survivor co-signed for the loan. Federal student loans are discharged upon the borrower's death.

Need for Immediate Cash/Liquidity: Your estate might have assets, but they might not be readily accessible. Your heirs will probably need cash to pay administrative costs, appraisal fees, attorney fees and estate taxes. Life insurance can help. Unlike the proceeds of an estate, you can receive the benefit from a life insurance policy almost immediately. Beneficiaries do not pay taxes on the death benefit proceeds.

Life insurance also can provide liquidity when the policyholder is alive. Liquidity is the cash value of a permanent life insurance policy that accumulates tax free. A policyholder can access the cash value on a tax-free basis. The amount the policyholder can withdraw from a policy depends on how it is structured and how long the policyholder has been paying on the life insurance. Keep in mind there might be penalties for withdrawing cash value. In addition, cash value withdrawals can decrease the policy's death benefit available to beneficiaries if the policyholder doesn't pay the loan amount back before death.

Need for Substantial Amounts of Cash: Life is expensive and it can be difficult to save for the future. Many people also are living longer and are using more of their money in retirement. You may have expenses you thought you'd be able to pay from your salary or be able to pay from retirement savings, such as a child's college costs or medical expenses. If you buy permanent or whole life insurance, you can tap into the accumulated cash value to pay these expenses.

Taxes: If you own a substantial amount of real estate or have a business, your heirs will likely have to pay taxes. If the cash needed to pay these taxes isn't available, then they must sell the real estate or business. If the real estate market or business climate isn't strong at the time of sale, your heirs could end up selling the property or business for less than it is worth. Having to sell a business can also create problems if the survivors needed the business to provide an income. Having cash to pay taxes buys them time to figure out the next best steps.

Business Continuation: One of the most important uses of life insurance aside from protecting heirs is protecting a business. Business owners can use life insurance to fund buy-sell agreements. In a buy-sell agreement, partners agree to buy each other's interest in the event of death. Life insurance ensures the cash will be available to pay the deceased partner's heirs for their interest in the business.

Avoiding Excessive Transfer Costs: Federal and state taxes, plus probate costs and attorney fees add up and can take a lot of time to figure out and take care of — especially when someone inherits property in more than one state. Life insurance not only helps pay these costs, but can be structured in a way to avoid those type of expenses and the delays and aggravation.

sion insurance got an exam and purchased new glasses or contacts, but only 34 percent without insurance got the needed eyewear.

It probably won't surprise you that the reason people with insurance are more likely to take care of their eyes is because insurance helps with the cost of exams and eyewear. What might surprise you is that besides detecting vision problems, regular eye exams can detect diabetes, hypertension and cholesterol problems.

The National Association of Vision Care Plans reports that more people are likely to get an eye exam checkup than they are a physical, making eye exams a habit that needs to be encouraged.

Charitable Giving: If you want to make a sizable gift to a favorite charity, organization, church or synagogue, donating to that entity through life insurance makes it easy. You might have ongoing expenses that can make it difficult to donate a substantial amount during your lifetime. When you buy life insurance and name the institution as beneficiary, you pay small premiums over time that will eventually amount to a generous bequest.

How to Prevent Divorce from Ruining Your Retirement Plans

Divorce is a major life change that can affect your finances all the way through retirement. It divides assets and, in some cases, assets may be awarded to only one person — making the other spouse more vulnerable.

Statistically, single adults have a higher risk of not having enough money saved for retirement. The Employee Benefits Research Institute and Greenwald and Associates conducted a Retirement Confidence Survey in 2016. They discovered that about 40 percent of unmarried women have saved less than $1,000 for retirement. Unmarried men also fared poorly, with 34 percent reporting that they had little in savings.

This compares to 22 percent of married women and only 12 percent of married men who said they were not prepared.

To combat this dire scenario, work with a financial planner as soon as possible to make sure you're ready for your retirement years. The longer you wait, the less time you have to correct the situation.

Be Prepared: If you're not already divorced, you will want to know where your money is and how much you have. Make copies of your bank statements and tax returns and work with an attorney and/or a financial advisor to get professional advice on big financial decisions. Determine whether you need to change beneficiaries on your life insurance policies, investments and wills.

Retirement Goals — Taking Stock: Take stock of your assets and figure out how much you have saved for retirement. Know exactly what debts should be paid off. Americans are living longer than ever. According to Geobase, a database published by Engineering Information, average life expectancy in 2016 in the United States is 79 years. That means you could easily live 15, 20 or more years after retirement.

Once you've established goals for your future and determined whether you have enough money, you'll know whether:

- You're on track,
- You need to decrease spending or
- You should work longer than expected before retiring.

Where you are on these three points depends in big part on how much money you have coming in on a regular basis and whether you have three to six months' worth of expenses saved.

Revenue Possibilities: If you need it, you can take Social Security as soon as you are eligible. One avenue to pursue, if you were married 10 years or more and are age 62 or older, is to find out whether you are eligible for benefits based on your ex-spouse's earnings. This only is an option if your historical earnings are lower than your spouse's. If you decide on this option, you could claim the spousal benefit and then switch to your own benefits when you turn 70 years old. By doing this, you gain more time for your own Social Security benefits to grow.

Medical Expenses: While it's fun to think about planning for vacations and pursuing hobbies during retirement, healthcare costs could easily eat up your budget. If you have to use your retirement savings to pay for healthcare, you might find that you no longer have enough money to cover basic living costs.

If your employer offers a Health Savings Account (HSA), you can use it to save for future medical expenses. Any money you put

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into the account is not taxed and any amounts you withdraw are not taxed, as long as you use them to pay for qualified health care expenses. You can roll over any unused funds to the next year, and earnings grow tax-free.

The downside is that you can only contribute through age 64. Therefore, you must put aside any savings you want to build for retirement while you're still working. At age 65 or later, you can take withdrawals for non-medical reasons, and you will only pay income tax on the distribution.

To qualify for an HSA, you must be enrolled in a high-deductible plan and cannot be enrolled in any other health insurance plan.

Long-Term Care: Health insurance plans (including Medicare) do not cover nursing home expenses and other long-term care costs. Without long-term care insurance, you will have to rely on savings or Medicaid to pay for long-term care services. Medicaid does cover custodial care, so if you think your assets will be $100,000 or less at the time of retirement, you can qualify for Medicaid. Barring that, you should consider long-term care insurance. Long-term care insurers use medical underwriting, so if you will need coverage, it makes sense to buy it when you're relatively young and healthy. Premiums are also lower when you're younger, and climb as you get older.

With some careful planning, you can ensure a divorce doesn't jeopardize your chances for a comfortable retirement. For more information on how we can help you insure your financial future, please contact us. ■

The Future of the Affordable Care Act

When Donald J. Trump ran for president, he promised to repeal the Affordable Care Act "Day One." Although he has moderated that position, big changes could be coming.

Obamacare, formally known as the Affordable Health Care Act, is a health insurance reform law enacted in 2010. It fundamentally transformed the health insurance industry in the United States by:

- Requiring all Americans to have coverage and penalizing those who do not.
- Outlawing the practice of insurers charging extra or not offering coverage to people with pre-existing medical conditions.
- Offering government subsidies to low-income families who qualify.

Trump told audiences during his campaign that he wanted to repeal the law immediately, calling it a "catastrophe." House Speaker Paul D. Ryan (R-Wis.) and other congressional Republicans have concurred.

A Kaiser Family Foundation poll reveals that opponents of the law say that ObamaCare is too costly for the government and individuals to bear and is an overreach of the government's powers. Proponents point to the fact that more people have coverage now and more affordable access to healthcare and preventive services.

While we can't predict the future, we have gained some hints as to what will happen if ObamaCare becomes TrumpCare.

What Will Remain the Same

Now that he's been elected, Trump has been talking about keeping some aspects of the law, particularly two that are popular with citizens: prohibiting insurers from denying coverage to people who have pre-existing conditions and allowing young adults to stay on their parents' insurance until they are age 26.

Possible Changes

Trump would like to get rid of the individual mandate that requires people to purchase health care insurance or pay a penalty — instead leaving it to individuals to decide if they want to buy coverage. However, eliminating the mandate could have serious consequences. Having universal or near-universal health insurance coverage is key to making the Affordable Care Act's "take all comers" requirement work.

In any developed country, including the U.S., the sickest 10 percent of individuals account for two-thirds of total healthcare costs,

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according research by the Henry J. Kaiser Family Foundation. Insurers rely on having a mix of healthy and unhealthy individuals to control costs. If the mandate were eliminated, a number of healthy individuals will leave the insurance market, leaving the insured pool sicker overall. That pushes insurers' costs up, forcing them to increase rates to remain profitable. When that happens, more people will drop out of the market. At a certain point, only the very sickest people — those who know they will use their coverage — will buy health insurance and the system collapses.

The Trump administration may also propose changes to the Medicare and Medicaid programs. Trump wants to provide block grants to states to fund Medicaid, which provides coverage to people living below the poverty line. A block grant allows each state to spend its Medicaid funds as it sees fit.

Trump made Health Savings Accounts (HSAs) a major part of his health insurance campaign platform. You can put aside pre-tax dollars in an HSA to cover medical expenses. Any funds you withdraw to pay for qualified healthcare expenses will not be taxed. Currently, only people with a high-deductible health insurance plan (HDHP) and no other health insurance qualify for an HSA. Trump wants to make HSAs available to anyone.

Another idea Trump floated was creating high-risk health pool insurance programs to help people with pre-existing health problems. Thirty-five states had these programs before the Affordable Care Act effectively eliminated them. Although all had their own rules and regulations, most shared several characteristics: rates usually 150-200 percent higher than medically underwritten individual policies in the market; exclusions of pre-existing conditions, usually for 6-12 months; lifetime and annual limits; and high deductibles. (*Source: Issue Brief: High-Risk Pools for Uninsurable Individuals, by Karen Pollitz, August 1, 2016, Henry J. Kaiser Family Foundation*)

Trump also called for transparency in costs that healthcare providers charge so consumers can make more informed decisions.

One Affordable Care Act provision that both Trump and most of Congress seem to agree on is the elimination of the 40 percent excise tax on high-dollar plans, the so-called "Cadillac Tax." The goal of the Cadillac Tax was to fund some of the Affordable Care Act's mandates, including certain research and benchmarking projects. To date, nobody has proposed a way to replace the funds that were to be generated from that tax.

Concerns

Proponents of change want a plan that reduces government intervention and lowers healthcare costs. Analysts both for and against the Affordable Care Act agree that dismantling parts of the law will not be easy.

The Congressional Budget Office forecasts that changing or repealing the law would cause the deficit to grow by $353 billion and the number of people with health insurance to fall by 24 million. Making piecemeal changes could also cause instability in insurance markets, since the law is built on interlocking provisions. For instance, Trump's desire to retain the Affordable Care Act's prohibition on pre-existing condition exclusions while eliminating the individual mandate could discourage healthy people from buying insurance and lead to the collapse of markets.

Many agree that making free-market reforms, such as opening Health Savings Accounts to all Americans and allowing people to buy health insurance over state lines, could make markets more competitive and help reduce costs.

We help our clients understand their coverage and stay informed of major changes in the laws that could affect your coverage. If you have any questions on your health insurance, please contact us.

Small Employers Can Now Contribute to Individual Employee Health Plans

The 21st Century Cures Act, an omnibus healthcare measure signed into law in mid-December by President Obama, could help stabilize the individual health insurance market. The law contains a provision that would allow employers of 49 or fewer employees that do not offer group coverage to subsidize employee purchases of individual plans starting January 1, 2017.

Section 18001 of the measure authorizes tax-deductible Qualified Small Employer Health Reimbursement Arrangements (HRAs). These allow small employers to fund up to $4,950 annually for single employees and $10,000 for an individual plan covering an employee and their family members. The reimbursement must be offered to all full-time, permanent employees age 25 and older with at least 90 days of service and may not be offset by employee salary reduction contributions.

Previously, guidance issued by the federal government disallowed employers to subsidize employee individual coverage. Since employers pay the subsidies, they trigger requirements governing employer group plans, the guidance stated, drawing a bright line between individual and employer group health benefits.

If a significant number of small employers — many of which are feeling pressure from rising small group health insurance premiums — subsidize employee purchases of individual coverage under this provision, it could help improve the spread of risk and age diversity of state individual risk pools. Individual health plan issuers are concerned over the quality of the individual risk pool, and many have significantly increased premium rates for plan year 2017.

(Source: HealthInsuranceCrisis.net, December 14, 2016)

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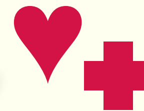

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