

# Life & Health Insurance Advisor

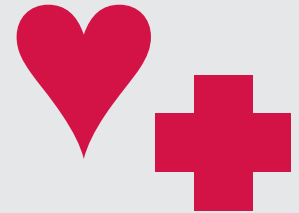


3134 N. 7th Street, Phoenix, Arizona 85014 | (602) 265-8900 Main (602) 230-0398 Fax | info@pomeroygroup.com

Financial Planning

March 2017

Volume 10 • Number 3



## What to Consider When Choosing a Place to Retire

When planning for your retirement, where you'll live will be one of your biggest and most important decisions.

According to AARP, most Americans “retire in place.” They enjoy being near family, friends and their current amenities. Those who want change can be satisfied by frequent vacations or stays at a getaway home.

If you do decide to move, make a list and visit five to six places. Narrow it to three favorites and spend up to three weeks in each place. Visit the neighborhoods, check out the amenities and get a feeling for the people.

Living somewhere that has low taxes and cost of living, but nothing interesting or in close proximity to family and friends, will probably not make you happy.

Here are a few things to consider when making your decision:

**Climate:** A generation ago, most retirees had climate as their primary concern. Retirees today are more influenced by financial concerns. Still, it pays to do your research, and you can use the National Climatic Data Center.



*continued on next page*

## The Downside of an Economic Upturn

Wouldn't it be nice if you could predict whether you'll need long-term disability insurance? While that's only wishful thinking, researchers have identified disability trends. RBC Insurance Group LTD conducted research in Canada and developed an algorithm showing that a worker's chance of suffering from a long-term disability increases as the country's gross domestic product increases.

Researchers believe that during challenging economic times, workers feel stress because they're worried about job security. But when the economy improves and workers feel more secure, their pent up stress and anxiety take a toll.

To qualify for benefits, you must meet the definition of disability listed in your insurance company's summary plan description. Most policies

*continued on next page*

**Health:** Even if you're healthy now, you'll likely want to live close to good medical care. How close depends on your judgment and how prepared you are to handle a medical emergency. If you have a chronic condition, you'll need access to specialists. In later years, you may need to hire a health aide, or, if you live close to family, they may be able to assist you.

Remember that if you move out of country, Medicare doesn't cover out-of-country medical expenses. Plus, care in some countries is substandard, so you might have to come back to the United States for some treatments. Columbia and Malaysia are exceptions and have high-quality health care that's affordable by U.S. standards. The U.S. News Guide to Best Hospitals is a good resource to compare health systems in other countries.

**Housing:** Housing will be your most expensive budget item. Downsizing can save you on mortgage payments, taxes, insurance and upkeep. A medium-size house is 2,400 square feet — which generally is more than many retirees need. Equity from selling your house could provide substantial cash.

Housing costs vary from state to state and city to city. However, don't base a decision on home prices you find on the Internet. A Realtor knows the territory and has access to current prices and can match your needs to your budget.

**Location:** Look for a location that supports your interests. If you love the outdoors, want to continue your education or have a specialized hobby, look for locations that will support those pastimes. You should also con-

sider whether being close to your family is a priority.

Many retirees move abroad for the adventure and cost savings. Nicaragua, Panama and Ecuador are considered some of the most affordable countries. Estimates show that a retiree could easily live there on \$2,000 per month, but you quickly can deplete your savings if you fly back to the States frequently to visit family. The Council for Community and Economic Research has statistics on the cost of living in many locations.

Experts recommend retirees choose areas with a population of 10,000 or more. Anything smaller will probably have lower levels of health services and fewer amenities such as shopping areas, public transit, an airport and recreational and educational opportunities. Retirees often choose college towns or state capitals because they have educational and recreational resources. To learn more about a town, visit its Chamber of Commerce, city website and Visitors Bureau.

The *FBI's Annual Crime in the United States – Uniform Crime Reports* will give you an analysis of crime in the places you're researching.

**Taxes:** Twenty states offer favorable tax breaks on retirement income. Some states don't tax Social Security benefits.

Seven states — Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming — have no income tax, according to the Tax Foundation. And while that might be a compelling reason to move if you're paying 10 percent income tax, it might not be an attractive factor if you currently pay two per-

cent income tax. Also, that savings can be offset by other taxes. New Hampshire and Tennessee tax interest and dividend income even though they don't tax most other types of income. New Hampshire, generally a low-tax state, has the highest property taxes in the nation. Texans pay few taxes, but they have a steep state sales tax.

**require you to be unable to perform the essential duties of any occupation for which you are suited by experience and education. The most desirable policies cover you when you are able to perform the duties of your "own occupation." However, these policies are more expensive and difficult to obtain.**

**The insurance company will want medical evidence that you meet the policy's definition of disability before it will pay your benefits. Once you qualify, most policies will pay 50-60 percent of your pre-disability salary.**

**If your employer does not offer long-term disability coverage, or if that coverage doesn't meet your income replacement needs, please call us about individual long-term disability insurance.**

cent income tax.

While doing your research, look for hidden expenses. A town or state may have low taxes, but you might have to pay significant money for insurance. In Florida, you'll probably need hurricane insurance, and in low-lying areas, you might have to buy flood insurance.

Life insurance, annuities and other financial instruments can help you finance your retirement dreams while protecting your assets. For more information, please contact us.



# Take Charge – DIY Healthcare Cost Reduction

Although healthcare costs are expected to grow modestly in 2017, you still can be hit with some high medical bills.

**T**he cost of an average stay in a state- or government-run hospital in 2016 was \$1,974 per day. With an average hospital stay of just over four days, that comes to a grand total of \$8,883. If your insurance plan has a high deductible, you might have to cover all or most of these costs out-of-pocket.

Additionally, the cost of health plans purchased on the Affordable Care Act marketplace exchanges soared for 2017. Michigan residents saw price hikes of 16.7 percent, while Oklahomans had to contend with plans that jumped 50 percent.

With a little research, you can keep your medical costs down. Here are some areas where you can cut costs:

**Health Insurance:** It's tempting to choose the health insurance plan with the lowest monthly premium. But, if you or your family are prone to illness, paying a higher premium in exchange for lower out-of-pocket costs could save money in the long run.

The same holds true for deductibles. A deductible is the amount you pay for covered medical expenses before your insurance plan starts to pay its share of costs. If you have a \$6,000 deductible, you'll have to pay \$6,000 of medical costs before your coverage kicks in (except for certain preventive treatments, which are covered outside the deductible).

Once you have a plan, carefully read it to



see what procedures are covered. It can save you money if you know beforehand if preapprovals are needed, what it costs to see a doctor, or visit an emergency room.

**Health Savings Accounts:** If your plan comes with a high deductible, it's worth contributing to a Health Savings Account (HSA). You're not taxed on the money you put into an HSA; the money grows tax free and you can withdraw funds with no tax consequences for qualified medical expenses. Your employer may even contribute matching funds. Any money not used can be rolled over into

the next year. When you retire, you can use any leftover funds for future medical expenses.

**Choose the Best Level of Care:** It's important to choose the correct facility for the illness. For instance, don't go to an emergency room when a clinic will work just fine. An article published by the Mayo Clinic Health System in 2011 listed the prices for the treatment for strep throat at various medical centers. The prices ranged from \$60 for a visit to a convenience care clinic at a store to \$402 for an emergency room visit.

Likewise, consider cost when choosing where to have non-emergency surgery. A 2010 study by McKinsey & Company for The Alliance, an employer group interested in controlling employee health costs, found big differences in costs between inpatient and outpatient surgeries. A cystoscopy (a bladder procedure) cost an average of \$22,673 as an inpatient and about half that, or \$11,704, as an outpatient.

**Determine What's Necessary:** Talk to your doctor if you're concerned about costs. Your doctor may be able to recommend a lower-cost test or medication or skip a test altogether.

**Check for Errors:** When you get your itemized bill, review it to ensure you are charged for services you actually received and whether the items were coded correctly.

**Negotiate:** If you receive an expensive procedure, ask the billing department whether you qualify for financial aid or if they'll negotiate a discount for a cash payment. If the bill is astronomical, you might want to work with a consumer organization to look for billing errors and negotiate costs.

**Lower-Cost Brand-Name Drugs:** Check the website of the brand name drug you're taking to see if a coupon is available to help lower costs. You sometimes can receive a 120-day supply of medication for the cost of a 90-day supply if your provider is willing to write the larger prescription.

**Wellness Programs:** Many employers will give their employees a discount on health insurance premiums if they participate in wellness activities such as completing a health risk assessment or enrolling in a fitness program.

**Preventive Care:** All ACA-compliant health insurance plans have a number of free preventive features such as cancer screenings, and well-woman and well-child visits. In addition to screenings offered by your health plan, you often can get free screenings for diabetes, HIV, high blood pressure or other health needs at community health fairs.

**Online or Telephone Consultations:** Some health plans offer free or low-cost email, video or telephone consultations with doctors and nurses. Many will also write prescriptions and usually are open 24 hours a day. Check your health insurance company's website, or read your plan's policy or Evidence of Coverage to see if this option is available.

**Healthy Lifestyle:** Perhaps the most important thing you can do to save money is to protect your health. The Centers for Disease Control and Prevention says chronic diseases are responsible for seven of every 10 deaths each year. So, eat a balanced diet, stay active and avoid risky behaviors. See a doctor when you have a problem so it doesn't get worse. ■

## Ensuring a Good Life for Your Family with Life Insurance

Once you've decided you want to purchase life insurance to protect your family, you have more decisions to make. For example, how much life insurance coverage do you need, and how much will it cost?

The answer to these questions depends on your family's needs and your current financial situation.

### How Much Coverage

Before you start figuring out how much coverage you need to purchase, you will want to know how much income your family will need if you're no longer in the picture. Here are a few average prices for 2017:

\$7,000 – Funeral  
 \$245,000 – Cost to raise a child  
 \$188,900 – Home price  
 \$50,500 – Income

Based on just these four items, the "average" fam-

ily would need \$500,000 in coverage. But who is truly average? To avoid being under- or over-insured, here are some other quick ways to figure out how much life insurance coverage your family will need:

- ✱ Purchase a policy that's seven to 10 times the amount of your annual income.
- ✱ Use an online life insurance calculator to do some quick calculations.
- ✱ At a minimum, buy enough insurance to cover your funeral expenses and debts.
- ✱ Decide what amount of annual income you want to leave to your heirs and subtract other in-

come sources that will be available to them. The resulting number is the shortfall you'll need to replace.

Of course, to calculate a more accurate plan that's just right for you and your family, there are many details to take into consideration.

- ✱ **Planning for Your Children** – You'll need enough coverage for each of your children through their college years. Take into account that average college tuition costs have been increasing as much as 5.2 percent annually. Are your children in day-care or private school, or do they or have special medical or care needs? You may need to provide long-term care for a child who has a disability. Don't forget to also make provisions for your pets or livestock.
- ✱ **Planning for Your Spouse** – How much will your spouse or partner need to maintain their current standard of living? Does he or she work? If yes, you can subtract their work income from the amount of coverage you need.
- ✱ **Debt** – Look at your debt, which includes your mortgage, credit card debt, car loans, medical bills, legal fees, business debt and legal and tax expenses.
- ✱ **Final Expenses** – The average funeral is about \$7,000 but can go much higher, while cremation usually ranges from \$2,000 to \$4,000. Make your arrangements ahead of time so your family isn't left making big decisions during an emotional time.

- ✱ **Charities** – You may want to include your favorite charity or religious organization as a beneficiary on your policy.
- ✱ **Inflation** – Keep in mind that inflation increases about three percent each year.



### Types of Coverage

The price you pay will depend on how much coverage you need. Other factors include your age, sex, health issues and whether you are a smoker or overweight.

Another consideration is if your employer offers coverage. You may only need to take out just enough supplemental insurance to reach your coverage goal.

There are two basic kinds of life insurance — term (no cash value) and permanent (potential cash value). The biggest difference be-

tween the two is that term insurance doesn't accumulate cash value. Term life insurance only pays benefits when the policy is active. Insureds buy coverage for a specified period, such as 10, 20 or 30 years. It is the most common type of insurance because it's the less expensive of the two types.

With a permanent, or whole life, policy, you pay the same premiums throughout the life of the policy. It builds cash value throughout the life of the policy, which you can withdraw tax-free or borrow against, without affecting your credit score. For that reason, it can make a great investment vehicle for people who want to fund a future expense, such as college tuition, a child's wedding or retirement.

Within these two categories, there are other life insurance options, including:

- ✱ **Universal Life** – Provides a death benefit and a cash value component.
- ✱ **Variable Life** – This is a form of permanent life insurance coverage where the policyholder chooses different investment options. It offers death benefits and a cash component.
- ✱ **Variable Universal Life** – The policyholder invests the policy's cash value into different types of investments such as mutual funds.

Whatever coverage you decide to purchase, remember that your coverage needs change throughout your life. If it's been a while since you've had an insurance review, please contact us for a no-obligation discussion of your situation and coverage needs. ■

# Retired? Need a Dentist? Here Are Your Options

Medicare does not cover dental procedures, unless they are part of a medical emergency and you receive care in a hospital. That means Medicare enrollees usually must pay for dental care out-of-pocket.

**T**his is a serious issue, because good dental coverage is essential to good health. Gum disease can cause tooth loss, worsen diabetes and create heart disease problems. Tooth pain also can make it difficult to maintain a healthy diet.

If you will retire soon or if you have already retired, here are some options for dental coverage:

**Health Savings Account** – Health Savings Accounts (HSA) complement high-deductible health plans. You can use funds from an HSA to cover qualified out-of-pocket medical expenses. Money you take out to pay qualified expenses is tax exempt. Retirees enrolled in Medicare cannot add money to an HSA, but they can make withdrawals.

**Medicare Advantage Plans** – Private insurers offer Medicare Advantage Plans, also known as Medicare Part C. Part C plans can offer minimal dental care coverage depending on the type of plan you choose.

**Medicaid** – Medicaid is a federal-state insurance program for low-income people and those in need — including the elderly, blind or disabled people who are receiving federally assisted income maintenance payments. The level of dental benefits Medicaid provides varies from state to state. Most states cover at least emergency dental services for adults, but fewer than half the states cover comprehensive dental care.



**Veteran's Benefits** – The VA Dental Insurance Program gives enrolled veterans and other beneficiaries the opportunity to purchase private dental insurance through Delta Dental and MetLife at reduced cost.

**Private Dental Coverage** – Private dental coverage is an option for anyone. Please contact us for information.

For more information on your dental coverage options, please contact us. ■

Life & Health  
Insurance Advisor



The information presented and conclusions within are based upon our best judgment and analysis. It is not guaranteed information and does not necessarily reflect all available data. Web addresses are current at time of publication but subject to change. Smarts Publishing does not engage in the solicitation, sale or management of securities or investments, nor does it make any recommendations on securities or investments. This material may not be quoted or reproduced in any form without publisher's permission. All rights reserved. ©2017 Smarts Publishing. Tel. 877-762-7877. <http://smartspublishing.com>. 30% total recycled fiber. Printed in the U.S. on U.S.-manufactured paper.