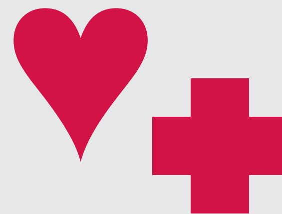
Life & Health Insurance Advisor



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Individual Health Care Marketplace Faces Serious Hurdles

There is good news and bad news on the individual health care front. First the bad news.

Bad News

Today it's much more difficult for individuals in certain parts of the country to purchase federally subsidized health care coverage on the Affordable Care Act (ACA) marketplaces. Many major insurance companies, such as UnitedHealth Group, Humana and Aetna — tired of operating at a loss — have announced their intention to pull out of the marketplaces. Another provider, Anthem, plans to leave the Ohio marketplace in 2018.

Observers worry that without choices, lower-income individuals will be faced with higher health plan costs or no coverage at all.

The ACA set up the marketplaces so individuals who don't have access to employer sponsored health coverage could get easy access to insurance – and in many cases subsidized insurance. Subsidies are available to people who earn less than 400 percent of the poverty level, which is about $48,240 for an individual and $98,400 for a family of four.

Insurers, however, have found that many of the regulations af-

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Protecting Your College Investment

College is a major expense for most families. Tuition, fees and room and board average $20,090 annually for an in-state public college and $45,370 at a private college, according to a recent report by College Board, a not-for-profit organization working to expand access to higher education.

If the unthinkable happens, and your student has to leave school early because of illness or injury, you can protect your investment by purchasing a tuition refund insurance policy. Most plans cost several hundred dollars annually.

To collect on the plan, you will need to document all claimed expenses and provide the doctor's recommendation that your student should withdraw. If a student

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fecting ACA-compliant coverage often make it too expensive for them to operate at a profit.

In November 2016, the Kaiser Family Foundation reported that 32 percent of U.S. counties only have one insurer available for residents looking to buy subsidized health insurance through the ACA online marketplace. In several states, including Alabama, Alaska, Oklahoma, South Carolina and Wyoming, there's only one participating insurance provider in each state's online marketplace in 2017. Just a few months earlier in those states, only seven percent of counties — and the entire state of Wyoming — were limited to one insurance provider on the online exchanges.

Worse yet, the *New York Times* estimates that as many as 45 counties could have no insurance carriers available in 2018.

In short, of the approximately 9.2 million people enrolled in Affordable Care Act exchanges in 2017, about 1.9 million can only purchase insurance from one company. They do have the ability to purchase coverage outside of the marketplace, but they won't have the ability to apply for federal subsidies to help with the cost.

The price of an average plan on the exchange already has risen substantially since 2014. The U.S. Department of Health and Human Services reports that a family of four, with a household income of $60,000, paid 38 percent more in premiums on the second-lowest-cost Silver plan. Costs could continue to rise, since some insurers are threatening to leave the Marketplace unless they get double-digit premium increases.

Factors that May Complicate the Situation

Last January, the Trump administration instructed the Internal Revenue Service to stop enforcing the requirement that Americans have health insurance or pay a penalty.

The Administration also is threatening to withhold billions of dollars owed to insurance companies. The ACA requires the federal government to reimburse insurance companies for payments designed to help policyholders with incomes up to 250 percent of the federal poverty level. This helps families afford deductibles and other out-of-pocket payments. Republican House members filed a lawsuit against the U.S. Department of Health and Human Services challenging these cost-sharing subsidies.

Both actions make it more difficult for insurance companies to attract enough healthy people and young people to purchase health insurance to help cover the costs of those who are ill.

Good News:

There's some light at the end of the tunnel. A new analysis released this summer by the Kaiser Family Foundation suggests that the individual health insurance market has been stabilizing and insurers are regaining profitability. Some of this positive financial news results from large premium increases approved by state regulators in 2017. Slower growth in medical expense claims could also be a factor.

Some insurers are finding the marketplaces profitable in certain parts of the country. For instance, some states have 15 insurance providers participating in the exchanges this year, while others have up to 11.

Other insurance companies, concerned about whether the individual mandate will be enforced and whether they will be repaid for the cost-sharing discounts, have said they will stay in the marketplace — if they're allowed to impose huge rate hikes.

Despite the unknowns, many insurance analysts believe the market could rebound — although it could be in turmoil for some time. Many nonprofit insurers are dedicated to remaining in the marketplace in order to serve their communities. Other insurers believe the rapidly growing self-employed economy means more room for growth and sales of individual policies.

What can you do if you purchase health coverage on the individual marketplace? Talk to your broker. Your broker has access to some of the most reliable information on conditions in your local market and can help you access a variety of plans to best fit your needs. ■

withdraws for a mental health reason, the illness must be serious enough to require 24 to 48 hours of hospitalization.

Remember that most students are healthy. Many drop for academic reasons, some are expelled or others are just unhappy at school.

In addition, while tuition insurance might seem like a good idea if you child has chronic health issues, many policies exclude pre-existing conditions. Also, most schools have a refund policy so you may be able to get some of your money back for a medical issue.

Smart Ways to Plan for Retirement Savings

If you have already started saving for your retirement, congratulations! You're on the right path. However, just saving money will not be enough to ensure a comfortable retirement if you don't make the right decisions concerning your plan.

The following tips will help you get the most out of your retirement savings:

Find a Plan That Works for You

If your employer provides a 401(k), you are fortunate and should take maximum advantage. Congress created 401(k) plans in the 1980s as a supplement to pensions. Pensions provided retirees with a steady income, but they became more expensive and most employers replaced them with 401(k)s. With a 401(k), employees agree to have a certain percentage of their paychecks deposited in an account. These funds are not taxed until withdrawn for retirement. Additionally, most employers will match the amount of money the employee contributes up to a set amount.

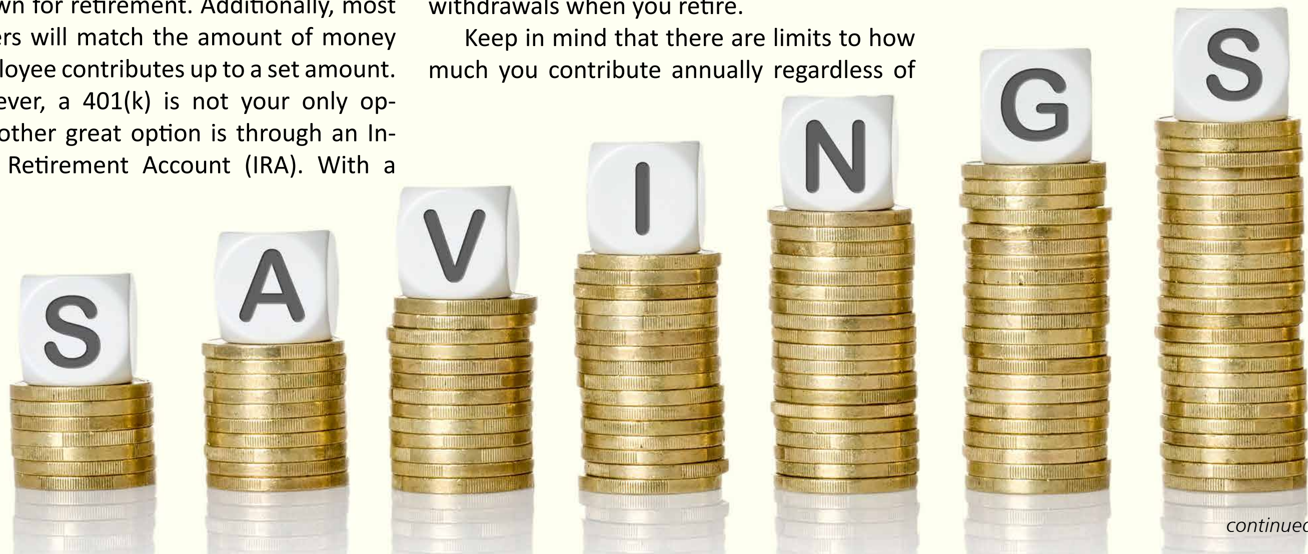
However, a 401(k) is not your only option. Another great option is through an Individual Retirement Account (IRA). With a traditional IRA, you don't have to pay taxes on your investments until you withdraw the funds during retirement. For instance, if you earn $50,000 and contribute $5,500 to an IRA, your taxable income amount falls to $44,500. In addition, your contribution grows tax-deferred. You save not only by deferring tax payments but typically paying taxes at a lower rate, since you probably will be earning less when retired.

Another option to consider is a Roth IRA. You don't get a tax deduction on your contributions, but you won't have to pay taxes on withdrawals when you retire.

Keep in mind that there are limits to how much you contribute annually regardless of whether you have a traditional IRA or a Roth IRA or both. and those limits often change from year to year. In 2017, you can contribute up to $5,500 if you're under the age of 50 and, if you're 50 or older, you can contribute an additional $1,000 catch-up contribution for a total of up to $6,500.

Don't be Stingy

The Center for Retirement Research at Boston College recommends families save at least 15 percent of their earnings annually. Fifteen percent will allow you to replace 70



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to 90 percent of your income in retirement. Granted, that can be a burden at the start of your career, but the Center recommends you reach that amount as early as possible.

While many plan administrators recommend increasing your savings by one percent annually, the Center advocates increasing your contribution by at least two percentage points each year, up to a minimum 15 percent.

Have a Properly Allocated Portfolio

You have a lot of investment options -- stocks, bonds, CDs, Exchange-Traded Funds and mutual funds. It's easy to get confused about which one or mixture is best for you, and a lot of people are too conservative with their allocations. Talk with your financial adviser about how much risk you can handle and take into consideration how many years you have before you want to retire.

Never, Never Cash Out Your Retirement Savings

Life can take unexpected turns, and if you haven't saved enough money, you might be tempted to withdraw from your retirement savings before reaching retirement age. Don't! You will pay a 10 percent penalty plus taxes, and you'll lose out on the interest growth.

For more information about setting up an IRA account, please contact us. ■

Critical Questions to Consider When Designating a Life Insurance Beneficiary

Life insurance is a wonderful gift to leave your beneficiaries. They can use the proceeds to meet their financial needs, such as paying for housing, or helping them to reach their goals, like going to college.

However, many people assume that once they name a beneficiary, the hard work is over. What they don't realize is that there are still legal, financial and tax-related decisions that they must make. You will ensure your gift doesn't become a headache for your beneficiaries by setting up the policy properly.

Your broker can help you navigate legal issues by asking you these questions:

Who Do You Want as Your Beneficiary? You can choose more than one person or entity to receive the benefit. The insurance company will provide you a beneficiary designation form, where you'll list the names of your beneficiaries, and sign and date the document.

Use the same process for changing a beneficiary. Many people wrongly believe they can change beneficiaries by changing their will, but they must use the beneficiary designation form. Remember, you might not be able to change a beneficiary if you're subject to a divorce decree or settlement agreement.

When choosing your beneficiary, you have many choices:

- Most people choose family members who are dependent on them for support. They could be your spouse or domestic partner, children, grandchildren, brothers and sisters, parents or other family members. Ask your broker about the laws in your state, because some states require you to name a beneficiary who has an insurable interest in your life or is related.
- Some people who feel their family is financially secure want to create a legacy after their death. They can choose a charity as a beneficiary.
- If you own a business, you could take out a key person life insurance policy and name your co-owner as a beneficiary.

Whomever you choose, your beneficiary designation is considered revocable, meaning you, as the policy owner, can name a different beneficiary any time, without asking permission from the previous beneficiary. Sometimes policyholders, to satisfy child or spousal support orders, set up an irrevocable beneficiary. This means you can't change your beneficiary

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without their consent.

How Do You Plan to Identify Your Beneficiaries? Before signing the beneficiary designation form, you must decide if you want to use the beneficiaries' names or descriptions. Some people will just list "spouse" or "all children born from this marriage." You might think this will make it less likely you have to update your form in the future, but it can cause problems. For instance, if you adopted a child, your son or daughter might miss out on the benefit. Or, if the insurance company has to search to determine exactly who is included in the benefit, it could be some time before your beneficiaries receive the policy's proceeds.

You also can designate your beneficiaries by "branches of the family or lineage." The life insurance proceeds would be divided equally among your surviving beneficiaries.

Who Inherits First? There are two categories of life insurance beneficiaries. You should name at least one person to each category:

- The **primary beneficiary** is the person who receives the proceeds after you die.
- The **contingent beneficiary** is the person who receives the death benefit if the primary beneficiary dies before you do or at the same time.

Who Will Look After the Financial Affairs of Your Minor Children? If your children are beneficiaries and are under the age of legal consent, you must name a legal guardian as a beneficiary. Some policies limit you to appointing people who have a relationship to the child: a spouse, parent, grandparent, brother or sister. You also may designate an adult custodian using the Uniform Transfers of Minors Act. Talk to an estate attorney about the option that best fits your situation.

Do You Have a Lifelong Dependent Child? A child who has a special need could lose out on government assistance, such as Supplemental Security Income or Medicaid, if they receive a gift or inheritance of more than $2,000. Work with an attorney to set up a special needs trust and name the trust as beneficiary. Your appointed trustee will manage the fund for your dependent.

How Often Should I Review My Policy? It's best to review your policy any time you go through a major life change, such as marriage, childbirth, adoption or divorce.

Remember, whomever you choose, make sure they know that they are your beneficiaries, so they will know to claim the benefit after your death.

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Should You Insure Your Loan Payments?

When you take out a loan, you promise to repay it — no matter what. The problem is that life can throw you some serious curves, such as illness or the loss of a job, that can make it difficult or impossible to honor your agreement.

Fortunately, you can purchase insurance to protect your mortgage or personal loan if you can't make your payments. There are three main types of insurance that will work in this situation — life, disability and credit insurance. Your broker can help you choose the type of insurance that's best for you:

Life Insurance

Mortgage life insurance often is offered when you fill out the loan papers for your house. You don't have to go through a medical exam, which can be good news if you have a medical condition that could prevent you from getting other insurance. The coverage will pay off your mortgage if you die or, if the policy includes a disability component, if you become incapacitated in a way that meets the policy's definitation of disability. However, the coverage can be expensive.

Term life insurance can be a better option because it has lower premiums, you can purchase the coverage term and limits you want, and you can designate the beneficiaries yourself and not be locked in to making the lender your beneficiary. That way your beneficiaries can use policy proceeds how they choose.

Disability Insurance

Mortgage disability insurance will make your mortgage payments for you if you're completely disabled because of illness or injury. Coverage can usually be purchased for up to three years.

Individual disability income insurance will replace a portion of your income if an injury or illness prevents you from working. An individual disability income policy may have a more or less restrictive definition of disability than a mortgage disability policy, but the money you receive can be used as you see fit.

Credit Insurance

Lenders will sometimes ask, or insist, that you purchase credit insurance, which guarantees them payment if you are unable to make payments. The insurance often is included in the loan payments. Credit insurance is usually very expensive compared to life and disability insurance The most important thing to know about credit insurance is that you are not legally required to purchase it.

For help deciding which kind of insurance will offer you the most benefit when managing the consequences of your long-term credit decisions, please contact us.

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