Life & Health Insurance Advisor

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Financially Sound Ways to Give to Minors

There are many options for helping a child secure his or her financial future.

One of the best presents you can give a grandchild is the gift of a secure future. Money you give them when they are young will grow, increase in value and be used for a variety of purposes. Going to college, buying a car or home, taking a trip around the world or starting a business are just a few. Remember, once you give a monetary gift, the money is the recipient's to spend as they choose — although you can delay granting access until they're an adult.

If you want to help your grandchildren financially, here are some options:

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Will Americans Support a Single Payer Health System?

The Affordable Care Act (ACA) is facing serious problems. Premiums are skyrocketing, insurance companies are pulling out of the Marketplace Exchanges, and only five percent of Americans gained coverage — far less than promised.

The solution? Many Republicans support repealing the ACA, while others like a single-payer. Former presidential candidate Bernie Sanders introduced a "Medicare for All" plan this year.

A slim majority of the public — 53 percent — favor single-payer, according to the results of a Kaiser Health Tracking poll conducted this summer. This is up from 1998 to 2004 when roughly four in 10 supported a national

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Financial Security Now

- **Cash –** You can give someone $14,000 a year without having to pay a gift tax or report the gift to the Internal Revenue Service. If you and your spouse both decide to give a cash gift, the total amount can be as high as $28,000 a year. Be aware that it's a lot of money for someone younger than 18 to manage. One option is to put the money in a custodial account and appoint someone to manage the money. While the child's parent may be the logical choice, that person might not be the best money manager. Also, when your grandchild is 18, they can spend the money any way they like. To make sure you are not paying more taxes than you need to on a gift, be sure to talk to a tax advisor before making any decisions.

Financial Security Later

- **Savings Bonds –** When you purchase a savings bond as a gift, you are loaning the U.S. government money from one to 30 years. Bonds can be redeemed for face value after a year, but the longer they are held, the more interest they will earn. Savings bonds are not as popular as they once were because of poor performance due to low interest rates, but they still can be a sound financial gift. You can put the bond in your grandchild's name; and, if your grandchild uses the money for qualified education expenses, they may be able to get some tax benefits. Savings bonds are available as Series EE or Series I bonds. Both accrue interest monthly and compound interest semiannually. The difference between the two is that Series EE bonds earn a fixed rate of interest and are guaranteed to double in value from their issue price no later than 20 years after their issue date. The interest rate of Series I bonds is based on both a fixed rate of return and a variable semiannual rate, indexed for inflation. There is an annual limit on how many savings bonds you can purchase — a combined $10,000 in Series EE electronic bonds; $10,000 in Series I electronic bonds; and $5,000 in paper Series I bonds.
- **Stocks –** If you already own stock that has appreciated and you give it as a gift to your grandchild, they will not have to pay as much tax on the capital gains. You also can buy shares directly, through a custodial account at a brokerage house, or online.

For An Education

A College Board survey of tuition and fees for the 2016-2017 school year shows that the average annual cost of a private college is $33,480; $9,650 for state residents at public colleges; and $24,930 for out-of-state residents attending public universities. These numbers don't include room and board or books. With costs expected to increase two times the rate of inflation each year, in-state public college could run more than $13,900 in 10 years.

Another way to help your grandchild: earmark funds for college and limit your tax liability by setting up a tax advantaged, state-sponsored 529 College Savings Plan or a 529 Prepaid Tuition Plan:

health plan, with about half opposed.

Political affiliation seems to have an effect on attitudes. Sixty-four percent of Democrats and 55 percent of independents are in favor, while 67 percent of Republicans oppose. A recent increase in single-payer support largely has been driven by independents.

Observers believe that even if a single-payer system was proposed that would reduce costs and improve quality, it would face several hurdles. Americans would have to change their insurance plans, even if they like their current plan. And, money being spent on private health care would instead be funneled into higher taxes.

- **529 Savings Plans –** This plan is similar to a 401K or IRA because contributions are invested in mutual funds or other investment products. The owner of the fund is the parent or grandparent, but the child is the beneficiary and can take money out tax free for certain higher education expenses.
- **529 Prepaid Tuition Plans –** You can lock in today's tuition rate by pre-paying tuition at a higher education institution. If your grandchild decides to attend an out-of-state or private college or university, you can set aside an equal amount of money for that option instead.

If one of your grandchildren decides they don't want to go to college, the funds in the 529 plan can be switched to a different child.

For more information about financial gifts for minors, please contact us.

Is Short-Term Medical Insurance a Good Fit for Your Situation?

If you missed open enrollment or have certain "life events" short-term insurance can keep you covered.

The 2018 Open Enrollment period to purchase health insurance on the individual Marketplace Exchange runs Nov. 1 through Dec. 15, 2017. If you miss it or can't afford coverage right now, you have options. You can purchase coverage later if you have a special circumstance or if you qualify for short-term medical insurance (STM).

Certain kinds of "life events" — such as losing health coverage, getting married or having a baby — qualify you for a Special Enrollment Period. During the special term, you can enroll in a Marketplace plan for the rest of the year. If you don't qualify you'll have to wait until the next Open Enrollment Period in late 2018.

You also might qualify to purchase a short-term medical plan. STMs were designed as temporary plans and don't qualify as an Affordable Care Act (ACA) plan. Not everyone can qualify for coverage because unlike an ACA plan, an STM doesn't cover pre-existing conditions or offer coverage for specified medical services.

STM plans were created to assist recent college graduates, people who were between jobs or people waiting for their employer-sponsored coverage to begin.

STM plans became more popular when the ACA took effect in 2014. Some individuals discovered that even though they qualified for a tax credit on the Exchange, those plans were still very expensive. STM plans were less expensive even if individuals skipped having coverage on an Exchange and paid the tax penalty for not being properly insured.

What is the reason for the cost difference? An ACA-qualified plan features minimum essential coverage and is more comprehensive, while an STM plan is similar to only having a catastrophic plan.

New for 2017 is President Donald Trump's order to the Internal Revenue Service to forgo requiring individuals to designate on tax forms whether they have qualified health insurance. Even without that requirement, the IRS maintains that taxpayers still are le-

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gally required to have health insurance or pay a penalty. The agency also maintains that it still has discretion to follow up on tax filers who have not indicated their health-insurance coverage status. Experts are unsure whether the IRS will be able to collect tax penalties because they will not have all the information needed to make a determination. This makes an STM plan even more appealing, because the penalty may become a thing of the past.

If you decide that an STM plan could be a good fit for you, here are some things you should consider:

Pros

- You can buy STM plans anytime during the year.
- The plan goes into effect quickly — the same day or the next.
- Premiums generally are lower than major medical insurance plans.
- You can get the exact type of coverage you need. For example, an older person probably does not need maternity care or newborn coverage.
- It covers basic visits to the doctor, emergency room and hospital.
- Plans can be purchased for periods ranging from 30 days to almost 12 months.
- STM plans often have a broader network of doctors and hospitals than exchange medical insurance.
- Some plans have drug or discount plans.

Cons

- Not the same as major medical coverage.
- You can't get coverage if you have a pre-existing condition.
- STM plans usually don't cover maternity care, preventive services or prescription drugs.
- They typically have high deductibles.
- STM plans include a cap on how much an insurer will pay in claims, whereas there are no caps on ACA plans.
- If you have to reapply, there's no guarantee you'll be accepted again.
- There are no STM plans available for Medicare-eligible adults.

Could Be a Good Fit. Many of the original reasons for purchasing an STM plan still hold — it is temporary coverage until you can afford or have access to a full-fledged plan.

Could Be a Poor Fit. Keep in mind that there's certain types of coverage that are not available. STM may not be the best plan for you if you are planning to get pregnant since STM plans typically do not cover maternity care. If you take brand name drugs, they may not be covered.

You probably will face rejection for coverage if you have a pre-existing condition. Pre-existing conditions include diabetes, heart disease, chronic back pain, high blood pressure or Crohn's disease.

For more information on short-term medical insurance, please contact us.

Take Steps to Improve Your Financial Retirement

Most baby boomers have less than half the assets they expect to need in retirement

If you're nearing retirement and haven't saved enough money, there may be some things you can do to improve your situation.

First things first. You must determine how much money you'll need for retirement. According to BTN Research, if you think your retirement will last 20 years, you'll need to save $196,000 for every $1,000 per month in income. So, if you want $10,000 per month, you must have a lump sum of $1.96 million. If you think you will live 30 years in retirement, then you would need to save $2.69 million to bring in $10,000 per month.

While you might not need $10,000 each month, you will need money for health care expenses, plus housing and food costs. A 2015 annual study by Fidelity Investments on retiree medical costs found that a couple, each 65 years old, and retiring in 2015 could expect to spend $245,000 on health care costs during their retirement, up from $220,000 in the 2014 study.

Inflation is partially to blame for the increasing costs. An inflation rate of three percent cuts purchasing power in half within 24 years; an inflation rate of two percent cuts purchasing power in half within 36 years. If you haven't talked to your invest-

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ment advisor recently, call now and find out if any of these investment options would improve your financial future. Keep in mind though, now is not the time to take huge risks. Don't expect to make up for lost time or money overnight.

Take at Least Some Risk

It always pays off to review your portfolio — particularly if you haven't made any changes for several years.

To determine whether you need to take more risk, don't just look at whether the market has been weak or strong recently. Consider instead your needs. Your financial plan should reflect what is important to you, including goals, values and priorities. Once you decide these issues, it's time for you and your adviser to determine how much risk you should take.

Increase your Stock Allocation

If you retire and spend four percent of your nest egg annually but only earn two percent on the remaining investments, you run the risk of depleting your portfolio. One solution is to increase the portfolio's stock allocation. Stocks can be volatile, but they also can pay better returns than other investments.

Delay Social Security Payments

You'll receive larger payments if you don't start taking Social Security early. According to the Social Security Administration, if you start receiving benefits at age 66 you get 100% of your monthly benefit. You'll get 108% of the monthly benefit if you wait until age 67; and you'll get 132% if you wait until age 70.

Keep Working

While it might be fun to think about retiring at age 66, when you can begin receiving full Social Security payments, working until you're 70 gives you four more years of earnings to invest. And, if you get a part-time job during retirement, that will stretch your retirement savings even further.

Cut Expenses

Start cutting expenses now so you can become comfortable with using a more budget-conscious lifestyle. For example, you might want to move into a smaller home, start eating out less often and begin using the many senior discounts that are available to you.

In addition, if you start cutting costs now, you can invest those savings back into your retirement fund.

For more information on ways to improve your retirement outlook, please contact us.

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Will Your Health Insurance Cover Your Trip Overseas?

The day has come! You're headed overseas for the trip of your lifetime. But what happens if you get sick on the trip? Really sick?

Don't assume your health insurance will cover doctor or hospital visits while traveling outside the United States.

Get Recommended Vaccinations. Visit the Centers for Disease Control and Prevention website at www.cdc.gov/ to learn about health risks and the health care system in the countries you'll be visiting, including the vaccinations you should get before leaving the U.S.

Call Your Health Insurance Company. Contact your health insurer to find out if you'll be covered for emergency medical expenses. Most companies define an emergency as one in which your life would be in danger if you didn't get treatment – like a heart attack or accident.

However, injuries incurred during a risky activity, such as mountain climbing, probably won't be covered. You also might not be covered for injuries sustained during a terrorist attack or natural disaster.

If something happens, present your insurance policy identity cards and claim form when you receive care. The provider probably won't bill you directly, so have cash and credit cards available and expect to pay "out-of-network" costs. You can submit the proper paperwork for reimbursement after you return home.

Don't Rely on Basic Medicare. Medicare doesn't cover expenses overseas, unless you are on a ship within U.S. territorial waters. However, a Medigap or Medicare Advantage plan may cover most emergency care, even overseas.

Purchase Travel Insurance. Travel insurance can act as primary or secondary coverage. Costs will run about five to eight percent of your trip cost, though it's usually cheaper for a younger traveler. Some plans may not cover pre-existing medical conditions, but you can purchase a waiver. A comprehensive insurance plan also will cover trip cancellation or interruption costs.

Purchase Evacuation Insurance. Emergency evacuation insurance comes in handy when you're in a remote area that doesn't have access to good care. It pays for evacuation to another hospital or home. Evacuations can run $100,000 or more, but check your credit card benefits to see if they cover these costs.

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