Life & Health Insurance Advisor

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Watch for Health Insurance Premium Increases

Reinstating the Health Insurance Act and repealing the individual mandate to purchase insurance could both contribute to a rise in premiums.

Two new federal regulations will most likely affect the cost of health insurance premiums you pay in the coming years. One regulation, the Individual Mandate, has been repealed; the other, the Health Insurance Tax, has been reinstated.

Individual Mandate

When the Affordable Care Act (ACA) was signed into law in 2010, it required all individuals to have certain minimum essential health benefit coverages or

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Best Interest Standards Debated

New York state regulators recently proposed "best interest" standards for the sale of life insurance and annuity products. A best interest standard is an ethical requirement that brokers recommend products that are in their clients' financial interest, not in the broker's. Nevada passed a similar law in June 2017 for financial planners and broker-dealers.

The two states said the standards were necessary because the Department of Labor under the Trump administration has delayed implementation of the penalty phase of its "best interests" requirements until July 1, 2019.

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pay a penalty. That penalty in 2017 was $695 or 2.5% of household income, whichever was higher.

In December 2017, the House and Senate passed a tax reform bill that also repealed the Individual Mandate. The repeal will not take effect until 2019, so most Americans are still required to have health care coverage or pay a penalty.

This does not mean that the ACA, or ObamaCare as it is commonly known, has been repealed. The Marketplace Exchanges are still open, and low-income Americans (making between 100 to 400 percent of the Federal Poverty Level) can still receive subsidies to help pay costs..

If you receive health care coverage from your employer or through Medicare, Medicaid or military health services, you will still receive coverage and you probably won't notice any changes in your premiums. Health insurance experts are more concerned about premiums for individuals who earn about $48,000 or more annually and get their coverage through the federal Marketplace. Many insurers are leaving the Marketplaces because they are losing money, despite the subsidies paid on behalf of low income individuals. Fewer choices could mean higher premiums and no subsidies.

The Obama administration believed that for the ACA to work, insurers need a large, diverse pool of individuals buying coverage. Without the mandate that requires everyone to have coverage, experts are worried that those who can afford to self-insure or are very healthy — people who are well-off or or younger — will exit the market, leaving only sicker individuals to pay premiums. The Congressional Budget Office estimates that the repeal of the individual mandate means 13 million fewer Americans will be insured by 2027. If this happen, the CBO predicts that insurers will increase premiums in the Marketplace Exchanges by as much as 10 percent to make up for lost revenues. This also could happen on the open market.

We will know more this spring after insurers submit their requests for 2019 individual market premiums.

Health Insurance Tax

The Health Insurance Tax (HIT) is basically a sales tax on health insurance. The ACA in 2014 imposed the tax on all insurers who sell fully insured coverage — on or off the Marketplace Exchange, large and small group markets, and any insured public programs, including Medicare Advantage, Medicare Part D, and Medicaid Managed Care.

The tax was designed to help fund the federal and state marketplace exchanges. As the Congressional Budget Office pointed out, excise taxes such as these are usually passed along to consumers in the form of higher premiums. As a result, in 2015, Congress approved a one-year moratorium on collecting the taxes in 2017. That moratorium is set to lapse this year.

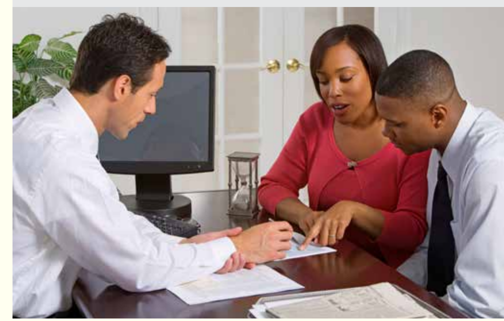
Unless postponed again, the tax is expected to collect $14.3 billion in 2018. In 2019 and subsequent years, it will increase annually based on premium growth.

According to Oliver Wyman Actuarial Consulting, the tax could cause premiums to increase between 2.6 and 2.8 percent over the next few years. For an individual purchasing insurance on the open market, that could mean about $165 extra. The increases are expected to be higher in states like Alaska, where the increase could add an additional $386 to an individual premium.

Talk to us before your next enrollment period about your options for finding coverage that best suit your needs and budget.

Meanwhile, the DOL says, financial advisers have an obligation to give advice that adheres to "impartial conduct standards." However, "the Department will not pursue claims against fiduciaries working diligently and in good faith to comply with" its fiduciary rules.

Detractors of the various "best interest" regulations are concerned that they are too vague and will encourage consumers to file lawsuits that will be hard to defend. Nevada's new law has many brokers wondering if they must constantly monitor the financial impact of their advice.



Haven't Saved Enough for Retirement? Here's a Few Ideas

If you aren't on course to save $1 million by the time you retire, you'll have to get creative. The Motley Fool, a multimedia financial-services company, says that's the amount of money a couple will need to live comfortably after they retire.

Unfortunately, few people are on track to have adequate savings for retirement. According to a CareerBuilder report, 78 percent of full-time workers said they live paycheck to paycheck.

Of course, starting to save early in your career is the easiest way to save enough money. If you were to save $4,830 annually at 7 percent interest beginning when you are in your 20s, you would reach $1 million by age 65.

If you're among the many who need to boost the amount of money in your retirement fund, your options range from cutting unnecessary spending to investing wisely. Here are a few ways you can work toward a comfortable retirement:

Cut Expenses

Take a good look at how you spend your money. Some of the top ways we fritter away money are through dining out at restaurants, drinking alcoholic beverages, paying credit card interest, buying clothes, wasting electricity by not turning off lights, smoking tobacco, keeping the house too warm, gambling, playing the lottery or choosing conve-

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nience packaging.

Put spare change toward reducing or eliminating credit card debt, student or auto loans, or your mortgage. The money you save not paying interest is money you can deposit to your retirement fund.

Make Good Investment Decisions.

If you have access to a 401(k) through your employer, take advantage of it. It's an easy way to save and your employer might match some of your contributions — which is the same as free money. Plus, money contributed to a 401(k) is taken out before you get a paycheck, making it easier for you to forget it's being taken out.

If you don't have that option, or if you want an extra retirement savings vehicle, talk to a broker about starting an individual retirement account (IRA). An IRA is an investment account you set up through a brokerage firm or financial institution. You contribute money to the account, which is used to purchase investments including stocks, mutual funds and bonds. By opening an IRA, you can contribute up to $5,500 a year if you're under the age of 50 or $6,500 a year if you're 50 or older.

Don't take a break from saving. When you change jobs, get laid off or just stop working, it will be tempting to stop contributing to your retirement fund. If you're used to saving to a 401(k) fund, you could start an IRA until you're able to contribute again to a 401(k) with employer matching funds.

You also want to try to resist withdrawing money from your retirement account when life becomes financially difficult. The penalties you'll have to pay for withdrawing money from your retirement account before age 59 and a half can be daunting. For instance, if you are in the 25-percent tax bracket and you withdraw $10,000 before you're eligible, you'll have to pay $3,500 in taxes and penalties.

Plan for Health Emergencies

While no one wants to think about getting ill, it happens. Fidelity Investments, a financial services corporation, estimates that the average couple will incur $275,000 in health care costs during retirement, not including long-term care expenses.

If you have a high-deductible health plan where you work and your company offers a health savings account (HSA), any money you save in the account while you're employed is yours to use for health expenses — even after you've retired.

Earn More

If you have the time, creativity, knowledge or energy, investigate ways you can make more money. You can always get a part-time job or work as a consultant in your field of expertise. If you have an extra room, you could rent it out on the weekend to travelers through Airbnb or another rental site. If you're artistically talented, you could sell your crafts on an online site, such as Etsy.

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

Life Insurance: When Free isn't Enough

Employer sponsored life insurance may not meet all your needs.

Many individuals get free or low-cost life insurance from their employers. In 2017 LIMRA, the life insurance industry's research arm, estimated that 108 million Americans obtained life insurance through a group plan as compared to 102 million who purchased individual plans.

If you only have life insurance through your employer, you may think this is enough. A typical employer-sponsored policy offers a benefit of $25,000 to $50,000; a benefit equal to an employee's annual salary; or a benefit that is a multiple of one to three times an employee's salary.

Most likely you need more, much more. Unless you're just out of college or have no debt or dependents, the amount of life insurance your employer offers probably isn't going to be enough to cover your beneficiaries' needs.

Many life insurance brokers recommend purchasing at least 10 times your annual salary and then adding more depending on your needs. At the very least, you should provide enough to pay off your debts. While a federal student loan is cancelled if the borrower dies, a private loan is not likely to be forgiven and will be left to your beneficiaries to pay. You'll also need enough to

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pay off your mortgage. If you have children, you may want to provide them with enough money to cover their education after they graduate from high school. And, if you have people who are dependent on your income, you'll need a policy that provides supplemental income.

Before you rush off and purchase more coverage, though, decide how much coverage you already have and what you and your beneficiaries will need in the future.

Employer-Sponsored Coverage

To accept the employer-sponsored coverage, usually all you have to do is name a beneficiary or beneficiaries.

Some employers will offer you the option to buy supplemental group life insurance up to three or four times your annual salary. If you're young and healthy, this might not be the most cost effective option. It might be less expensive to purchase coverage on the open market. However, if you're chronically ill, supplemental group life insurance might be your best choice because you might not have to go through a health screening to qualify.

Individual Term Life

A term life policy will cover you for a specified time. If you die while the policy is in effect, your beneficiaries will get the full amount.

Once the term is up, you can renew your coverage or let the policy expire. You cannot borrow from the policy or get a cash value amount.

Individual Permanent Life Insurance

A permanent life insurance policy pays benefits to your beneficiaries on your death. This type of policy stays in effect as long as you continue to pay your premiums, unlike a term life policy, which covers a specified period.

A permanent life insurance policy also accumulates cash value on a tax-deferred basis. An important feature of this is that you can take out a low-interest loan from the policy. If you don't pay it back, your death benefit will be lower.

Please contact us to discuss how much life insurance you might need and which kind of insurance is best for you and your familiy's situation.

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How Life Insurance Companies Get to the Truth

Life insurance companies need honest answers to questions about your health to determine appropriate premiums and coverage levels. Some applicants are tempted to leave out or misstate information they don't see as important — or think will adversely affect their benefits.

Some of the areas people "fudge" on are:

- tobacco or drug use;
- depression;
- tickets for driving under the influence and moving traffic violations;
- cancer history;
- travel to dangerous locations; and
- income.

But insurers do their homework. To verify health and life insurance information, they can access the Medical Information Bureau (https://www.mib.com/facts_about_mib.html). (You can get a free copy of your record upon request.) They may also order a medical exam. Discrepancies between your application and their research could lead to a claim denial, higher premiums or policy cancellation.

Also, if an autopsy reveals application misinformation, the insurer could deny the beneficiaries' claim.

Fortunately, most applicants tell the truth!

If you're interested in getting life insurance coverage and are wondering if you'll qualify for a great premium and great coverage, contact your agent.

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