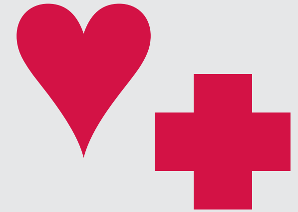
Life & Health Insurance Advisor



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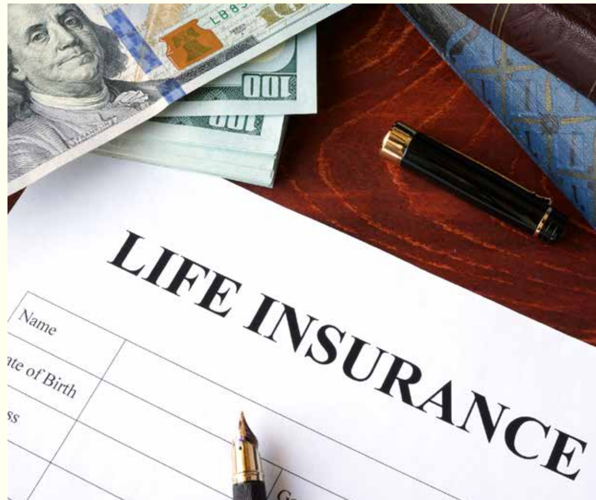
Life Insurance for any Age — Especially During Retirement

There are many reasons why life insurance can make sense in retirement.

It's not always easy to save enough money to cover your retirement needs or the needs of your dependents once you're gone. Having to retire early or suffering through poor investments can hinder savings efforts. That's why life insurance can be a good investment — even after you retire.

Term life insurance can be a good fit if you think your children will be on their own, your house will be paid off, and you have enough money to provide for your loved ones. However, that scenario doesn't apply to everyone. Some people may need permanent life insurance. There are many reasons you might need permanent life insurance during retirement.



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Future of Health Care Coverage? Look to the States

The future of the Affordable Care Act (ACA) is uncertain and health benefit costs are skyrocketing, but several states are working to take control of the matter.

Repeal the ACA

The Republican-led House and Senate passed a tax bill in December 2017 that eliminated the ACA's individual mandate, which was established to ensure that healthy Americans purchased health insurance to keep premiums down for everyone else, including those who were ill and needed more care.

Twenty Republican states are planning a lawsuit to abolish the ACA. Although the ACA was upheld in 2012 as constitutional, Texas and Wisconsin Attorneys General called the individual mandate an "unconstitutional and irrational regime" that was forced on the states. They

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What Permanent Life Insurance Provides

A permanent life insurance policy provides coverage for as long as you pay the premiums. It also has a benefit that term insurance does not — the capability to accumulate cash value on a tax-deferred basis. Cash values can be used for any purpose. Unlike loans from most financial institutions, you do not have to pass a credit check or other restrictions to use the money. If you don't repay it, your beneficiaries will receive a reduced death benefit. If you must stop paying premiums, you can use the cash value to continue your insurance protection with a lower death benefit.

Why Life Insurance Makes Sense During Retirement

- **Dependents** — If you're taking care of parents or a special needs relative, you need to ensure there's enough money to pay off the mortgage and other debts and to provide regular financial support. This is especially important if you work during retirement for additional income. Life insurance can provide that financial support to your dependents after you die.
- **Spouse** — Unfortunately, many people take so much out of their pension or retirement savings that nothing is left for the surviving spouse. Life insurance can be used to replace retirement benefits. In addition, your spouse could live 10 to 30 years longer than you. If that happened, would your retirement money last that long?
- **Final expenses** — You might have enough retirement money saved for your dependents, but are your final expenses covered? Those expenses can include funeral costs and estate settlement costs, including estate and inheritance taxes. This is especially important if you have a large estate.
- **Good rate of return** — A permanent life insurance policy can give you a better rate of return than a certificate of deposit. It's a way to have some money invested at no risk.
- **Illness** — It's not pleasant to think about having a terminal illness, but it pays to plan for it. People often live 15 to 20 years longer than planned, and the possibility of having a lingering illness increases with age. It pays to have an accelerated death benefit rider added onto your policy. With this rider you can receive a lump sum portion of your death benefit to pay medical expenses if you become terminally ill or need to live in a nursing home.
- **Create or Protect a Legacy** — Your beneficiaries must pay taxes on inherited assets, including IRAs and tax-deferred annuities. Beneficiaries can use the death benefit to pay those taxes.
- **Replace Employer Policy** — After you retire from your job, your employer may cancel your employer-sponsored group life insurance plan coverage. To make sure you're not left with zero coverage, buy coverage now because it's cheaper when you're younger and have no health issues.
- **Supplement Retirement Income** — You might have enough cash value in a permanent life insurance policy to fund your retirement interests, such as starting a business, pursuing a hobby, or paying for an emergency. Remember that taking out the cash value reduces the death benefit, and you might have to pay taxes on the amount you withdraw.
- **Favorite charity** — You can name a charity as your beneficiary. Gifts to charities are tax deductible, so your gift will not be subject to estate taxes.

reason that eliminating the penalty, which was deemed a tax, means the rest of the ACA won't stand.

Bring Back the Individual Mandate

Nine states are considering the opposite action — possibly bringing back the individual mandate.

Maryland lawmakers are developing a plan to replace the mandate. California, Connecticut, Hawaii, Rhode Island, Washington, Minnesota, New Jersey, and Vermont, and the District of Columbia also are considering similar moves.

How Much Coverage Do I Need?

Talk to your agent about how much money you'll need to meet the needs listed above. That amount will determine how much coverage you need.

Am I too Old to Buy Insurance?

You can still buy a policy in retirement, although the premiums will probably be higher than if you were much younger.

Please contact us if you still have questions about whether life insurance is right for your situation. ■

Annuity Sales to Pick-Up in 2018

Rule changes in 2017 caused a decline in annuity sales. Still, annuities remain popular with investors for a number of reasons.

Have you considered what you're going to do when you retire and no longer receive a regular paycheck? What are you going to do if you outlive your 401(k) retirement plan?

Many retirees depend on payments from an annuity.

An annuity is a contract you make with a life insurance company. In exchange for the premiums you pay the company for an insurance policy, you receive the benefits of tax-deferred growth and a steady income during retirement — no matter how long you live. You can choose to receive payments monthly, quarterly or in a lump sum.

LIMRA, formerly known as the Life Insurance and Market Research Association, expects annuity sales to increase by up to four percent this year.

It was a different picture last year. Annuity sales declined in 2017 after the Department of Labor partially implemented impartial conduct standards. The conduct standards required brokers and advisors to only recommend products that are in the best interest of investors, and to only charge reasonable compensation. Some brokers hesitated to recommend annuities because of uncertainty about the extensive new contractual requirements. The entire rule is scheduled to be implemented in July 2019.

Still, annuities are popular with investors because, in addition to providing guaranteed income payments, there is no annual contribution limit. If you are nearing retirement, you can use an annuity to make "catch up" contributions to increase your savings account to the level it needs to be. Plus, the annuity compounds without your having to pay taxes during this period, which helps your retirement fund grow even faster.

Annuities can provide either immediate or deferred income streams. An immediate annuity starts as soon as you pay the entire premium — either with a single payment or a series of payments. A deferred annuity provides a lower guaranteed income, but also gives you greater access to your investment. You can choose investments that work toward long-term growth or you can lock in a specific interest rate.

Annuities also come in fixed and variable forms:

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Fixed — If you choose a fixed annuity, the insurance company will guarantee a certain interest rate for a fixed period. This option is popular with people who are more comfortable knowing exactly how much their money is earning. However, the downside is less growth opportunity for your investment.

- **Fixed Indexed —** With an indexed annuity, the insurance company offers a minimum rate of return, such as 1 to 3 percent. This helps preserve the principal and allows the funds to grow when the market is doing well. If the market has a good year, you receive a higher rate, but if it does poorly, you get at least the minimum rate. The annuity interest rate is determined in part by reference to an investment-based index, such as the S&P 500 Composite Stock Price Index, a collection of 500 stocks chosen to represent a broad segment of the market.

Variable — A variable annuity gives you more control over your investment dollars. You can allocate your funds among a variety of stock options and choose whether to make those investments aggressively or conservatively. Variable annuities carry more risk, but have the benefit of possible higher returns — plus your investments are tax deferred. Variable annuities do not guarantee you will get a payout.

Is an Annuity Right for You?

Annuities are not for everyone. Some insurance companies charge high fees — two to three percent. Others impose high surrender charges if you withdraw your money before age 59 and a half. Surrender charges usually decline annually until they get to zero. You also must decide whether you feel the insurance company offering the annuities you're interested in is financially sound, because you are depending on the company to support you throughout your retirement.

Many investors feel the advantages outweigh the disadvantages. Talk to your broker or adviser if you think an annuity might be a valuable addition to your current retirement plan.

Insurance Terminology 101 — What You Don't Know Could Cost You

Health insurance protects you from financial ruin should you have a serious health issue and makes it more likely you'll seek treatment when you're ill.

To get the most from your coverage, you should understand certain financial insurance terms and how they affect your coverage. The more you understand what bills you are responsible for, the better you can avoid financial difficulties if you need medical treatment.

Copay

Each time you see a doctor or buy a prescription, you're asked for a fixed sum payment. That's your copay. Check your insurance card — the amount you have to pay should be listed on the card.

You may not have to pay a copay if your health insurance plan pays for an annual check-up and preventive care services.

Deductibles

When choosing a health insurance plan, varying levels of deductible are often available.

A deductible is the amount you pay out-of-pocket each year for certain medical services or medicines. After you reach the deductible, the insurance company will pay the majority of your eligible bills. For example, if you have a $3,000 annual deductible, you must pay the first $3,000 of your total eligible medical costs before the insurance company starts to cover more or all of the costs of your medical bills.

There's also a deductible for family coverage. Once one or more of your family members meet the family deductible, then an insurance company will start

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paying the expenses for all family members, even if one or more family members haven't met the individual deductible.

Not every medical service or procedure qualifies. Check your insurance policy, but eligible medical services that usually count toward your deductible include bills for hospitalization, surgery, lab tests, MRIs, CAT scans, anesthesia, physical therapy, medical devices, mental health care, and chiropractic care. Copays and premiums usually don't count toward your deductible.

Deductibles range from $0 to thousands of dollars. Usually, the higher the deductible your plan has, the lower the premium you pay. While it might be tempting to go with the higher deductible to save money on your monthly premium, you must also consider how much medical care you or your family might need during the year. For instance, if you know you will have a medical procedure that should be done soon, it would be more cost effective to pay for the lower deductible.

Coinsurance

Coinsurance is the portion of medical costs you and your insurance company will share once you meet your deductible. The amount is usually represented by a percentage. Typical percentages are 100%, 90/10, 80/20 and 50/50. For example, if you met your deductible and later had a $2,000 medical procedure, with an 80/20 coinsurance insurance plan, you will pay $400 and your insurance company will pay $1,600.

Out-of-Pocket Maximums

If your medical expenses are high, there may come a time when you don't have to pay copays and coinsurance. You only pay medical expenses until you meet your out-of-pocket maximum. An out-of-pocket maximum is the most you must pay for covered medical expenses during a policy period. This amount includes the money you spend on deductibles, copays and coinsurance. Once you reach your annual out-of-pocket maximum, your insurance will pay 100 percent of your covered medical and prescription costs for the rest of the plan year. You still will pay your premiums until the end of the plan year.

Insurance language can be hard to decipher sometimes. If you have questions about insurance terminology, don't hesitate to ask us.

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Convert a Roth IRA Once? Yes. Twice? No.

With the passage of the tax reform bill late last year, you can no longer undo Roth IRA conversions.

Roth IRAs were started 20 years ago to provide tax-free income during retirement. Roths are only available to investors below a certain income. Single tax filers in 2018 can use a Roth if their 2018 income is less than $120,000. Eligibility is phased out at $135,000. The phase-out range for married couples filing jointly is $189,000 to $199,000.

Investors can convert their traditional IRA into a Roth IRA. Contributions to a traditional IRA are not taxed until they are withdrawn at retirement. The benefit of conversion (or recharacterization) is any untaxed amounts rolled over or transferred to the Roth are subject to taxation. Investors who recharacterize often expect their tax will be lower based on lower values.

Your Investment Options Now

You can still do a Roth conversion and do it in increments, but you can no longer reverse the conversion. In that case, it pays to:

- Think before you leap — Estimate how much tax you'll owe on the conversion amount to see if it's affordable. Better, wait until year end so you'll have a better idea of your overall finances.
- Opt for smaller annual conversions — Instead of converting your money all at once, consider making smaller annual conversions over several years. That saves you from having to pay a lot of taxes one time.

- Use a backdoor Roth IRA — If you make too much money to contribute to a Roth IRA, you can contribute to a traditional IRA and then move the funds to a Roth IRA. Called a backdoor Roth IRA, it is legal if you meet age and earned income requirements.

If you decide a Roth IRA conversion is right for you, please call us.

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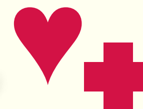

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