Life & Health Insurance Advisor

PomeroyGroup
INSURANCE BROKERS & CONSULTANTS

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

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Getting Ahead of the Curve: Planning Now for Social Security Deficiencies

If you're like most people, Social Security will provide 40 percent of your income during retirement. Unfortunately, without changes, the federal government may not have enough money in 16 years to fully fund the program.

The Social Security Administration (SSA) paid $952 billion in benefits in 2017; and received $911 billion in taxes and $85 billion in interest earnings. Social Security's costs have exceeded revenue from payroll taxes since 2010, but interest income has covered the difference.

However, Social Security is on track to run a $2 billion deficit in 2018. If the deficit continues, SSA officials said asset reserves in the Old-Age and Survi-

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Co-Pay Accumulators Used as a Bargaining Tool

Brand name life-extending drugs can be costly. To make these medications affordable, pharmaceutical companies and charities often give patients coupons to help pay their out-of-pocket prescription drug costs.

Some insurers argue that the coupons mask the real cost of the medications and make it easier for drug makers to keep costs high. They also believe patients who have access to coupons will opt for more expensive treatments without investigating less costly drugs.

That's why many insurers are implementing co-pay accumulators.

Under the co-pay accumulator system, merchants accept copay assistance coupons, but the coupon money no longer counts toward patients' deductibles.

Detractors say that coupon pro-

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vors Insurance program will be exhausted by 2034. SSA will reduce benefits by 23 percent and will make payments strictly from payroll tax revenue.

SSA officials are encouraging Congress to take action.

Fortunately, you don't have to wait for Congress to improve your financial future. You can take proactive steps to provide retirement funds and avoid depending heavily on Social Security.

Social Security Tactics

Experts recommend waiting until you're 70 to take benefits. After age 62 and before age 70, benefits are temporarily reduced $1 for every $2 earned over $15,480. If you wait to retire, your benefits continue to be adjusted upwards each year.

The expected shortfall has future retirees contemplating applying for benefits sooner rather than later. Retirees often need more money early in retirement when they want to travel and pursue hobbies, so taking the money early may make sense.

This is especially true for people with health issues. The typical retirement is usually 20 years. If you believe you might not live long after retirement, then the extra Social Security money could help pay medical expenses.

You also might want to take benefits sooner if you think you can outperform the increase you would get if you delayed claiming benefits. Waiting until age 70 to claim Social Security benefits will result in an eight percent increase each year past your full retirement age until you reach 70. However, experienced investors who think they can do better than an eight percent annual increase might be better off claiming early benefits and investing the money. Remember: you won't have a large income to cover you if your investments fail.

First — Determine Your Financial Needs

Prepare a budget for how much money you think you will need when you retire. For instance, will your house be paid off or will you have a mortgage? Do you plan to travel? Do you have money set aside for medical expenses? Keep in mind that some expenses will decrease once you retire — such as commuting, clothing or eating-lunch-out costs.

You should determine your net worth by listing all your assets and liabilities. Assets are your valuable personal possessions, such as cash, real estate and investments. Liabilities are your debts and other legal obligations.

If you have debt, work on getting rid of it before retirement. Ideally you should be debt free when you retire. Focus on first paying off the debts with the highest interest rates, such as credit cards. Pay your mortgage off last because it probably has the lowest interest rate.

The best time to start your child's college savings fund is when they're young. Waiting until they're older — and when you're short of your retirement fund goals — is too late. Don't put money you need for retirement towards your child's college fund. College students can take advantage of student loans, grants, scholarships and work programs.

grams are necessary because they give patients greater access to potentially lifesaving medications recommended by their doctors. If coupons no longer count toward the deductible, then consumers have difficulty meeting their deductible in any 12-month period; insurers don't share in health care costs; and patients may skip costly treatments. These factors could lead to increased emergency room visits.

Insurers say the co-pay accumulator system is necessary as a bargaining tool and increases the likelihood drug makers will negotiate with insurers since fewer patients will be able to afford the expensive medications.

Call Your Financial/Retirement Advisor

It always helps to get professional assistance. Once you figure out your basic financial situation, talk to your broker — but be prepared to answer more questions and do more work. To recommend the appropriate financial strategies, your broker will probably want to know:

- How much money you've saved for retirement
- When you want to retire
- The lifestyle you want (travel, volunteer work, hobbies)
- Whether you plan to purchase a new home and have a down payment
- The amount of debt or loans you're carrying
- If you have an emergency fund.

Your financial advisor can help you re-evaluate your portfolio and help determine the best path to transition to retirement.

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Call Your Insurance Broker

If you have large debts paid off and well-funded savings and retirement accounts, you might not need life insurance. However, it should be part of your estate planning if your spouse or other beneficiary will need funds after you pass.

Long-term care insurance protects your retirement savings if you need extended or nursing home care. It's a good way to manage the risk of losing your assets. It's not inexpensive, though, so it's wise to purchase coverage when you're in your 50s to avoid high rates.

You also should determine whether a variable annuity is right for you as a long-term investment. Variable annuities provide sustainable, reliable income in retirement. You pay an insurance company a set amount and in return you receive a guaranteed schedule of payments.

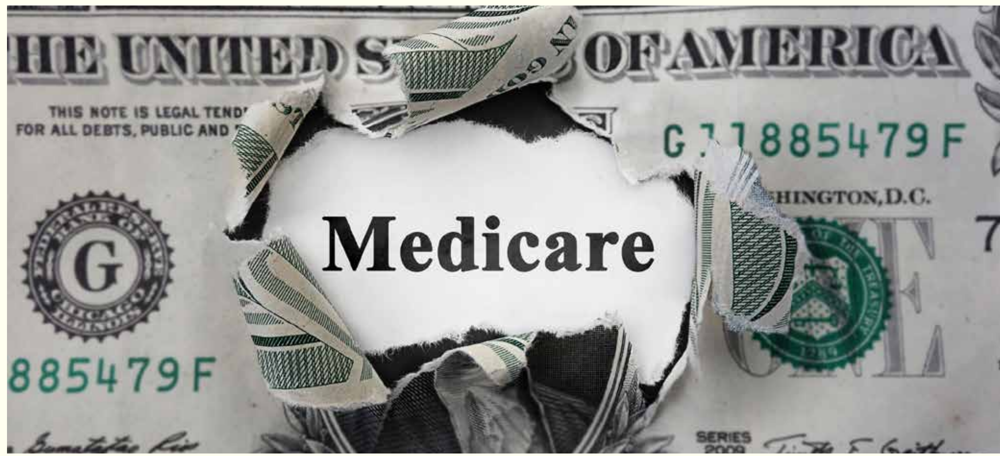
More Steps You Can Take

Consider taking a part time job during retirement to help pay for essentials or for "fun money." Many retirees appreciate the structure a part-time job brings to their lives and the opportunity for regular socialization.

Before you retire, take a close look at your home for possible repairs and remodeling if you want to stay there. You might want to install a shower with a shower seat or a chair elevator if you live in a two-story home. You can investigate purchasing a smaller home — one that better fits your needs and is less expensive with less maintenance. For help with retirement financial planning, please contact us.

The State of Medicare: 2018 and 2026

Medicare, like the federal government's Social Security program, is on track to eventually run out of funds to pay the entire amount of claims made.



Medicare's trustees reported the trust fund for Medicare Part A may "run dry" by 2026. If this happens, the program would only be able to pay 91 percent of promised benefits.

Medicare is the federal health insurance program for people 65 or older; certain young people with disabilities; and people with End-Stage Renal Disease. Different Medicare programs cover specific services. More than 44 million Americans currently receive Medicare benefits. Part A covers inpatient hospital stays, care in a skilled nursing facility, hospice care and some home health care.

Medicare Part B, which helps recipients pay for doctor's bills and outpatient expenses; and Part D, which offers prescription drug coverage, will be financed in full indefinitely. The two programs are treated differently because federal law requires both programs to be financed. Experts expect the costs for the programs to grow from 2.1 percent of gross domestic product in 2017 to 3.6 percent in 2037.

Medicare Trustees originally predicted

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that the Part A trust fund would go broke by 2017, but a robust economy stalled the decline. They now believe there will be a decline in revenue because of recent tax cuts, which they believe will reduce the taxes people pay for Social Security and Medicare benefits.

The federal government is mandated to set aside funds to cover future costs and to invest the funds in special government securities, which collect interest. Unfortunately, the government has continually borrowed from that fund

The problem of insufficient funding does not have an easy solution. The millions of baby boomers who soon will need care, and the unpredictability of health care costs, complicate the situation.

President Donald Trump has pledged to not cut Medicare funding. House Speaker Paul Ryan (R-Wis.) has pledged that an overhaul of Medicare will be a priority this year, although there have been no specific plans announced. Democrats are leaning more toward implementing tax increases to keep the two programs solvent.

Your Options Today

The sign up period to receive benefits begins three months before you turn 65 and ends three months after the month you turn 65. If you don't enroll when you become eligible, you may have to pay a Part B late enrollment penalty. However, if you are still employed and receive employer-sponsored health insurance, you may be able to delay Parts A and B without having to pay a penalty when you enroll later.

You can choose from three different types of Medicare coverage — Original Medicare (Part A and Part B) or a Medicare Advantage Plan (Part C). You also can pay for additional coverage, such as Medicare prescription drug coverage or Medicare Supplement Insurance (Medigap).

Here's what each type covers.

Medicare Part A (Hospital Insurance)

Part A covers inpatient hospital stays, care in a skilled nursing facility, hospice care, and some home health care. You can receive Part A coverage premium free if you are 65 years or older and you or your spouse worked and paid Medicare taxes for at least 10 years.

Medicare Part B (Medical Insurance)

Part B covers certain doctors' services, outpatient care, medical supplies, and preventive services. In 2018, the standard Part B premium amount is $134 (or higher depending on your income).

Medicare Part C (Medicare Advantage Plans)

Part C is a Medicare health plan offered by a private company which contracts with Medicare. Medicare Advantage Plans provide your Part A and Part B benefits. Consult with your broker, because costs vary by plan.

Medicare Part D (prescription drug coverage)

Part D adds prescription drug coverage. Again, consult with your broker, because costs vary by plan.

Medicare can seem complicated and intimidating when you first get started. Give us a call and we'll help you understand your options.

Insurance That Goes Beyond Health Benefit Coverage

Health Insurance will not always protect you from financial devastation if you suffer from a critical illness.

Harvard University conducted a study revealing that almost 78 percent of individuals who filed for bankruptcy because of an illness had health insurance. Many of the families were under-insured. The average out-of-pocket cost for these families was $17,749. For patients who initially had private coverage but lost it when they were unable to work and get employer-sponsored health care coverage, the family's out-of-pocket expenses averaged $22,568.

Out-of-pocket health care costs are not the only challenge many critically ill individuals face. They also may find themselves in a situation where they can't work and can't pay for their mortgage, food and other essentials.

That's why Critical Illness Insurance is growing in popularity. Already established in South Africa, the United Kingdom, Ireland, Australia and New Zealand, it moved to the

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United States in the late 1990s. Critical Illness Insurance helps consumers cover expenses associated with serious illness by providing a lump-sum, tax-free payment if the policyholder suffers from certain specific conditions.

Conditions Covered

Some of the conditions Critical Illness Insurance covers includes:

- Life-threatening forms of cancer
- Alzheimer's disease
- Parkinson's disease
- Heart disease
- Loss of limbs
- Organ transplants

The list is subject to change. As diagnosis and treatments improve, illnesses now deemed critical may not be as serious in the future. And some diseases currently not on the list, such as diabetes and rheumatoid arthritis, might be added at policyholders' requests as insurers seek to be more competitive.

Keep in mind that the definition of what is considered a critical illness can vary between insurers, although many insurers are starting to standardize their claim definitions so that policyholders can more easily compare policies and benefits offered by different carriers.

Types

If you're interested in Critical Illness Insurance, there are three individual policy categories:

- Simplified Issue is the easiest to get (few health questions) and is the most affordable. It provides up to $50,000 coverage.
- For Fully Underwritten, the interested party must provide medical information to the insurer. It provides up to $500,000.
- Critical Illness or Dread Disease Riders often are available as a rider to your life insurance policy.

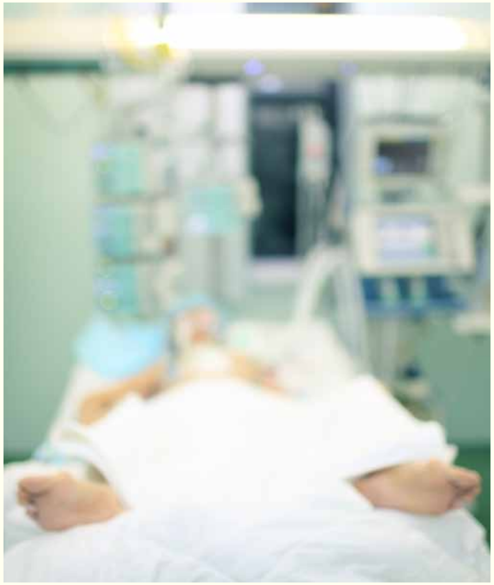
Payout

When a claim is paid, the policyholder usually receives a lump sum ranging from $10,000 to $1 million.

The policyholder must meet certain requirements, such as surviving a minimum period after the initial diagnosis – usually 14 days. Other requirements may include a diagnosis performed by a specialist.

Claims payouts can pay for a number of bills:

- Medical treatments not covered by health insurance
- Health insurance premiums
- Rent or mortgage
- Credit card bills
- School tuition
- Real estate taxes
- Food
- Utilities
- Car payments
- Travel expenses to out-of-town medical facilities
- Experimental treatments not covered by insurance
- Cash to replace a spouse's income while caring for the injured or ill person



Cost

The cost of critical illness insurance depends on how much coverage is needed and whether the policy holder has any pre-existing medical conditions. Premiums range from $180 to more than $1,500 annually and may cost more for tobacco users.

If you're unsure how much coverage you need, a simple way to calculate is to multiply your mortgage payment by 24 months, so you will at least know that your housing is taken care of for two years while you undergo treatment and recovery.

Coverage and costs vary between insurers, so it's essential to work with a knowledgeable broker who has access to multiple insurers and can help compare policies and costs. Give us a call to get started.

Too Much Blue Light? Filtering Lenses May be the Answer

Do you spend a lot of time working on a computer or looking at your smartphone? If so, are your eyes bothering you? Are you having difficulty sleeping?

You could be experiencing sensitivity to blue light. Fortunately, you have options to reduce the side effects.

Check your vision coverage to see if it includes blue light filtering lenses for your eyeglasses. Blue light filtering protection can be added to the lens material or applied as a lens coating.

The reason it's important to reduce your exposure to blue light is because computers, tablets, flat screen televisions, energy-efficient light bulbs and Smartphones all produce artificial blue light. While natural blue light produced by the sun can be good for you, a lot of blue light — particularly from a backlit electronic device — can cause eye strain, fatigue and sometimes permanent damage to your eyesight — such as macular degeneration.

And if you think you're not really being exposed to that much blue light, consider this: a 2014 Internet Trends study shows the average American spends more than seven hours looking at electronic screens and less than eight hours sleeping.

Cutting screen time is one answer. But that's not a viable solution for those who can't cut back on computer time — like when your day-to-day job requires it. Participants in the 2017 "Employee Perceptions of Vision Benefits" survey sponsored by Transitions Optical, said they would prefer to use corrective lenses with blue light protection (44 percent) rather than change the screen settings on their devices (24 percent) or reduce their exposure (17 percent).

If you think blue filter lenses might alleviate some of your eye strain, and you want help with the cost, check your vision policy to see if the lenses are covered by your vision insurance. Don't have a vision policy? We can help.

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