



# Insurance Care

Life • Health • Disability • Long Term Care

## INSURANCE CARE

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Janice A Nieman is a Registered Health Underwriter and Certified Life Underwriter with 30 years of experience in the insurance and financial service industry. She offers life, health, dental, disability, medicare supplement and long term care insurance with many well known providers, including Anthem BCBS, Humana, United Health Care, Genworth, Midland National and others.

The purpose of this Newsletter is to provide information which may be useful to you or someone you know. Feel free to call me regarding any questions or concerns.

### 2018 SPRING NEWSLETTER

Don't Wait to Ask Aging Parents These Important Questions

College Saving: How Does a 529 Plan Compare to a Roth IRA?

Is buying an extended warranty worth it?

Will a government pension reduce my Social Security benefits?

## Settling an Estate: Executors Inherit Important Title



Being named as the executor of a family member's estate is generally an honor. It means that person has been chosen to handle the financial affairs of the deceased individual and is trusted to help carry

out his or her wishes.

Settling an estate, however, can be a difficult and time-consuming job that could take several months to more than a year to complete. Each state has specific laws detailing an executor's responsibilities and timetables for the performance of certain duties.

If you are asked to serve as an executor, you may want to do some research regarding the legal requirements, the complexity of the particular estate, and the potential time commitment. You should also consider seeking the counsel of experienced legal and tax advisors.

### Documents and details

A thoughtfully crafted estate plan with up-to-date documents tends to make the job easier for whoever fills this important position. If the deceased created a letter of instruction, it should include much of the information needed to close out an estate, such as a list of documents and their locations, contacts for legal and financial professionals, a list of bills and creditors, login information for important online sites, and final wishes for burial or cremation and funeral or memorial services.

An executor is responsible for communicating with financial institutions, beneficiaries, government agencies, employers, and service providers. You may be asked for a copy of the will or court-certified documentation that proves you are authorized to conduct business on behalf of the estate. Here are some of the specific duties that often fall on the executor.

**Arrange for funeral and burial costs to be paid from the estate.** Collect multiple copies of the death certificate from the funeral home or coroner. They may be needed to fulfill various

official obligations, such as presenting the will to the court for probate, claiming life insurance proceeds, reporting the death to government agencies, and transferring ownership of financial accounts or property to the beneficiaries.

**Notify agencies such as Social Security and the Veterans Administration as soon as possible.** Federal benefits received after the date of death must be returned. You should also file a final income tax return with the IRS, as well as estate and gift tax returns (if applicable).

**Protect assets while the estate is being closed out.** This might involve tasks such as securing a vacant property; paying the mortgage, utility, and maintenance costs; changing the name of the insured on home and auto policies to the estate; and tracking investments.

**Inventory, appraise, and liquidate valuable property.** You may need to sort through a lifetime's worth of personal belongings and list a home for sale.

**Pay any debts or taxes.** Medical bills, credit card debt, and taxes due should be paid out of the estate. The executor and/or heirs are not personally responsible for the debts of the deceased that exceed the value of the estate.

**Distribute remaining assets according to the estate documents.** Trust assets can typically be disbursed right away and without court approval. With a will, you typically must wait until the end of the probate process.

The executor has a fiduciary duty — that is, a heightened responsibility to be honest, impartial, and financially responsible. This means you could be held liable if estate funds are mismanaged and the beneficiaries suffer losses.

If for any reason you are not willing or able to perform the executor's duties, you have a right to refuse the position. If no alternate is named in the will, an administrator will be appointed by the courts.



**The best time to start a conversation with your parents about their future needs and wishes is when they are still relatively healthy. Otherwise, you may find yourself making critical decisions on their behalf without a roadmap.**

**Note: There are costs and ongoing expenses associated with the creation of trusts.**

**Note: A complete statement of long-term care insurance coverage, including exclusions, exceptions, and limitations, is found only in the long-term care insurance policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.**

## Don't Wait to Ask Aging Parents These Important Questions

It's human nature to put off complicated or emotionally heavy tasks. Talking with aging parents about their finances, health, and overall well-being might fall in this category. Many adult children would rather avoid this task, as it can create feelings of fear and loss on both sides. But this conversation — what could be the first of many — is too important to put off for long. The best time to start is when your parents are relatively healthy. Otherwise, you may find yourself making critical decisions on their behalf in the midst of a crisis without a roadmap.

Here are some questions to ask them that might help you get started.

### Finances

- What institutions hold your financial assets? Ask your parents to create a list of their bank, brokerage, and retirement accounts, including account numbers, name(s) on accounts, and online user names and passwords, if any. You should also know where to find their insurance policies (life, home, auto, disability, long-term care), Social Security cards, titles to their house and vehicles, outstanding loan documents, and past tax returns. If your parents have a safe-deposit box or home safe, make sure you can access the key or combination.
- Do you need help paying monthly bills or reviewing items like credit card statements, medical receipts, or property tax bills? Do you use online bill pay for any accounts?
- Do you currently work with any financial, legal, or tax professionals? If so, ask your parents if they want to share contact information and whether they would find it helpful if you attended meetings with them.
- Do you have a durable power of attorney? A durable power of attorney is a legal document that allows a named individual (such as an adult child) to manage all aspects of a parent's financial life if the parent becomes disabled or incompetent.
- Do you have a will? If so, find out where it is and who is named as executor. If the will is more than five years old, your parents may want to review it to make sure their current wishes are represented. Ask if they have any specific personal property disposition requests that they want to discuss now.
- Are your beneficiary designations up-to-date? Beneficiary designations on your parents' insurance policies, pensions, IRAs, and investment accounts will trump any instructions in their will.
- Do you have an overall estate plan? A trust? A living trust can be used to help manage an

estate while your parents are still living. If you'd like to learn more, consult an estate planning attorney.

### Health

- What doctors do you currently see? Are you happy with the care you're getting? If your parents begin to need multiple medical specialists and/or home health services, you might consider hiring a geriatric care manager, especially if you don't live close by.
- What medications are you currently taking? Are you able to manage various dosage instructions? Do you have any notable side effects? At what pharmacy do you get your prescriptions filled?
- What health insurance do you have? In addition to Medicare, which starts at age 65, find out if your parents have or should consider Medigap insurance — a private policy that covers many costs not covered by Medicare. You may also want to discuss the need for long-term care insurance, which helps pay for extended custodial or nursing home care.
- Do you have an advance medical directive? This document expresses your parents' wishes regarding life-support measures, if needed, and designates someone who will communicate with health-care professionals on their behalf. If your parents do not want heroic life-saving measures to be undertaken for them, this document is a must.

### Living situation

- Do you plan to stay in your current home for the foreseeable future, or are you considering downsizing?
- Is there anything I can do now to make your home more comfortable and safe? This might include smaller projects such as installing hand rails and night lights in the bathroom, to larger projects such as moving the washing machine out of the basement, installing a stair lift, or moving a bedroom to the first floor.
- Could you benefit from a weekly or monthly cleaning service?
- Do you employ certain people or companies for home maintenance projects (e.g., heating contractor, plumber, electrician, fall cleanup)?

### Memorial wishes

- Do you want to be buried or cremated? Do you have a burial plot picked out?
- Do you have any specific requests or wishes for your memorial service?



### **529 plan assets surpass \$300 billion mark**

*As of September 2017, assets in 529 plans totaled \$306 billion.*

*Source: Strategic Insight, 529 College Savings & ABLE, 3Q 2017 529 Data Highlights*

#### **Note**

*Investors should carefully consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. Specific information is available in each plan's official statement. Keep in mind that there is the risk that 529 plan investments may not perform well enough to cover costs as anticipated. Also consider whether your state offers any 529 plan state tax benefits and whether they are contingent on joining your own state's 529 plan. Other state benefits may include financial aid, scholarship funds, and protection from creditors.*

## **College Saving: How Does a 529 Plan Compare to a Roth IRA?**

529 plans were created 22 years ago, in 1996, to give people a tax-advantaged way to save for college. Roth IRAs were created a year later, in 1997, to give people a tax-advantaged way to save for retirement. But a funny thing happened along the way — some parents adapted the Roth IRA as a college savings tool.

### **Tax benefits and use of funds**

Roth IRAs and 529 plans have a similar tax modus operandi. Both are funded with after-tax dollars, contributions accumulate tax deferred, and qualified distributions are tax-free. But in order for a 529 plan distribution to be tax-free, the funds *must* be used for college or K-12 education expenses. By contrast, a qualified Roth distribution can be used for anything — retirement, college, travel, home remodeling, and so on.

In order for a distribution from a Roth IRA to be tax-free (i.e., a qualified distribution), a five-year holding period must be met *and* one of the following must be satisfied: The distribution must be made (1) after age 59½, (2) due to a qualifying disability, (3) to pay certain first-time homebuyer expenses, or (4) by your beneficiary after your death.

For purposes of this discussion, it's the first condition that matters: whether you will be 59½ or older when your child is in college. If the answer is yes (and you've met the five-year holding requirement), then your distribution will be qualified and you can use your Roth dollars to pay for college with no tax implications or penalties. If your child ends up getting a grant or scholarship, or if overall college costs are less than you expected, you can put those Roth dollars toward something else.

But what if you'll be younger than 59½ when your child is in college? Can you still use Roth dollars? You can, but your distribution will not be qualified. This means that the earnings portion of your distribution (but not the contributions portion) will be subject to income tax. (Note: Just because the earnings portion is subject to income tax, however, doesn't mean you'll necessarily have to pay it. Nonqualified distributions from a Roth IRA draw out contributions first and then earnings, so you could theoretically withdraw up to the amount of your contributions and not owe income tax.)

Also, if you use Roth dollars to pay for college, the 10% early withdrawal penalty that normally applies to distributions before age 59½ is waived. So the bottom line is, if you'll be younger than 59½ when your child is in college and you use Roth dollars to pay college expenses, you might owe income tax (on the earnings portion of the distribution), but you

won't owe a penalty.

If 529 plan funds are used for any other purpose besides the beneficiary's qualified education expenses, the earnings portion of the distribution is subject to income tax *and* a 10% federal tax penalty.

### **Financial aid treatment**

At college time, retirement assets aren't counted by the federal or college financial aid formulas. So Roth IRA balances will not affect financial aid in any way. (Note: Though the aid formulas don't ask for retirement plan *balances*, they typically do ask how much you *contributed* to your retirement accounts in the past year, and colleges may expect you to apply some of those funds to college.)

By contrast, 529 plans do count as an asset under both federal and college aid formulas. (Note: Only parent-owned 529 accounts count as an asset. Grandparent-owned 529 accounts do not, but withdrawals from these accounts are counted as student income.)

### **Investment choices**

With a Roth IRA, your investment choices are virtually unlimited — you can hold mutual funds, individual stocks and bonds, exchange-traded funds, and REITs, to name a few.

With a 529 plan, you are limited to the investment options offered by the plan, which are typically a range of static and age-based mutual fund portfolios that vary in their level of risk. If you're unhappy with the market performance of the options you've chosen, under federal law you can change the investment options for your *existing* contributions only twice per calendar year (though you can generally change the investment options on your *future* contributions at any time).

### **Eligibility and contribution amounts**

Unfortunately, not everyone is eligible to contribute to a Roth IRA. For example, your income must be below a certain threshold to make the maximum annual contribution of \$5,500 (or \$6,500 for individuals age 50 and older).

By contrast, anyone can contribute to a 529 plan; there are no restrictions based on income. Another significant advantage is that lifetime contribution limits are high, typically \$300,000 and up. And 529 plan rules allow for large lump-sum, tax-free gifts if certain conditions are met — \$75,000 for single filers and \$150,000 for married joint filers in 2018, which is equal to five years' worth of the \$15,000 annual gift tax exclusion.

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## Is buying an extended warranty worth it?

If you've ever purchased an electronic device, a major appliance, or a vehicle, chances are you've been asked if you also wanted to purchase an extended warranty or service contract. Extended warranties are offered by retailers for an additional cost to customers and provide repair or product maintenance for a specific period of time.

Selling extended warranties may be quite profitable for retailers. It's an easy way for them to make money because they get to keep a percentage of what they charge for the service contracts.

Before you purchase an extended warranty, consider the following questions.

- Does your purchase come with a manufacturer's warranty? Many products already come with a warranty from the manufacturer that covers replacement or repairs within a certain time period. Even if the warranty period is short, manufacturers may offer low-cost repair or replacement of items if they are known to be defective, although there are no guarantees unless state or federal laws apply.
- Will the manufacturer's warranty overlap with the extended warranty? You may want to forgo purchasing an extended warranty if it will result in duplicate coverage.
- If you're using a credit card, does your card issuer automatically extend the manufacturer's warranty? Some double the warranty period or extend it up to a year for products purchased using the card.
- Do you plan on purchasing your product from a well-known manufacturer? Research online product reviews to gauge reliability and the potential for problems to occur before you spring for an extended warranty.
- If the product you've purchased needs repairs, will they be costly? You should weigh the cost of the extended warranty against what it will cost to pay for the repairs out of pocket.

If you decide to purchase an extended warranty, read the terms carefully. Extended warranties contain coverage exclusions and limitations. In addition, some extended warranties may require you to pay additional charges to have a covered product serviced (e.g., deductibles, fees, and shipping costs).



## Will a government pension reduce my Social Security benefits?

If you earned a government pension from a job not subject to Social Security tax withholding ("noncovered employment") and are also eligible for Social Security benefits through a job where Social Security taxes were withheld, two provisions might reduce your benefits: the windfall elimination provision (WEP) and the government pension offset (GPO).

The WEP affects how a worker's Social Security benefit is calculated. If you're subject to the WEP, your benefit is calculated using a modified formula, possibly resulting in a benefit reduction. The amount of the reduction depends on the year you turn 62 and the number of years in which you had substantial earnings and paid into Social Security (no reduction applies to those with 30 years or more of substantial earnings). The reduction cannot be more than one-half of your pension from noncovered employment. Spousal and dependent benefits may also be reduced, but not survivor benefits.

The GPO may affect spousal or survivor benefits if the spouse or survivor earned a

government pension from noncovered employment. In this case, the GPO may reduce Social Security benefits by up to two-thirds of the amount of the pension.

For example, if you receive a \$900 monthly government pension and are eligible for a \$1,000 monthly Social Security spousal benefit, you would receive only \$400 per month from Social Security [\$1,000 minus \$600 (2/3 times \$900) equals \$400]. You would still receive your \$900 pension, so your combined benefit would be \$1,300.

Not all government employees are subject to these provisions. For example, federal employees under the Federal Employees Retirement System are exempt because they pay Social Security taxes on earnings. However, public-sector employees in some states do not pay Social Security taxes, and thus could be subject to the WEP. The GPO affects pensions from noncovered federal, state, or local government employment.

Rules and calculations for the WEP and the GPO are complex. Visit the Social Security website, [ssa.gov](https://www.ssa.gov), for more information.