Health & Retirement Services of Illinois

Newsletter May 2021

OUR NEWS LETTER HRSI

In Our Newsletter

Coronavirus disease 2019 (COVID-19) vaccine

Medicare covers FDA-authorized COVID-19 vaccines.

Your costs in Original Medicare

You pay nothing for the COVID-19 vaccine. You won't pay a deductible or copayment, and your provider can't charge you an administration fee to give you the shot.

What it is

A COVID-19 vaccine helps reduce the risk of illness from COVID-19 by working with the body's natural defenses to safely develop protection (immunity) to the virus.

Things to know

- Be sure to bring your red, white, and blue Medicare card so your health care provider or pharmacy can bill Medicare. You'll need your Medicare card even if you're enrolled in a Medicare Advantage Plan.
- If you fill out a form to get the vaccine, you may be asked for your insurer's group number. If you have Part B, leave this field blank or write "N/A." If you have trouble with the form, talk with your vaccine provider.
- Medicare also covers COVID-19 tests, COVID-19 antibody tests, and COVID-19 monoclonal antibody treatments.

Pharmaceutical manufacturers are distributing vaccines to federally and state-approved locations. Each state has its own plan for deciding who they'll vaccinate first and how residents can get vaccines. Contact your local health department for more information on COVID-19 vaccines in your area. Learn more about COVID-19 vaccine progress.

If you paid to get a COVID-19 vaccine

When you get a COVID-19 vaccine, your provider can't charge you for an office visit or other fee if the vaccine is the only medical service you get. If you get other medical services at the same time you get the COVID-19 vaccine, you may owe a copayment or deductible for those services.

If you paid a fee or got a bill for a COVID-19 vaccine, check this list to see if your provider should have charged you:

- Check the receipts and statements you get from your provider for any mistakes.
- Call your provider's office to ask about any charges you think are incorrect. The person you speak to may help you better understand the services you got, or realize they made a billing error.

- If you have Original Medicare, review your "Medicare Summary Notice" for errors. Report anything suspicious to Medicare by calling 1-800-MEDICARE (1-800-633-4227).
- If you have other coverage like a Medicare Advantage Plan, review your "Explanation of Benefits." Report anything suspicious to your insurer.

If you think your provider incorrectly charged you for the COVID-19 vaccine, ask them for a refund. If you think your provider charged you for an office visit or other fee, but the only service you got was a COVID-19 vaccine, report them to the Office of the Inspector General, U.S. Department of Health and Human Services by calling 1-800-HHS-TIPS or visiting TIPS.HHS.GOV.

Be alert for scammers trying to steal your Medicare Number. Medicare covers the vaccine at no cost to you**,** so if anyone asks you for your Medicare Number to get access to the vaccine, you can bet it's a scam.

Here's what to know:

- You can't pay to put your name on a list to get the vaccine.
- You can't pay to get access to a vaccine.
- Don't share your personal or financial information if someone calls, texts, or emails you promising access to the vaccine for a fee.

Microsoft attack could result in a flood of cyber claims

by Ryan Smith 29 Mar 2021

Cyber analytics specialist CyberCube is warning the insurance industry of the potential for a large volume of claims related to cyberattacks on the servers running Microsoft's email services.

Tens of thousands of Microsoft Exchange servers in businesses and organizations around the globe may have been infected during a series of attacks that commenced at the beginning of the year, according to a new report from CyberCube. Businesses in North America are more at risk than those in Europe, but large to medium-sized businesses around the world are vulnerable.

US organizations are more likely to have been using the compromised Microsoft Exchange servers, as are larger businesses, the report found. Germany, Africa, the Middle East, and Australasia were also identified as high-risk regions. Many smaller companies weren't affected by the attacks, as they opted to use cloud-based email systems, which weren't targeted.

The attacks, which are believed to have been carried out by Chinese state-sponsored hackers, exploited vulnerabilities in Microsoft Exchange servers to allow malicious code to be placed on them. The code can be used for ransomware, espionage, or redirecting system resources to mine for cryptocurrency on behalf of the criminals.

CyberCube's report concluded that the insurance and reinsurance industries are "likely to see a long-tail of attritional claims resulting from this attack."

"The insurance industry is only just beginning to understand the scope of possible damage," said report co-author William Altman, cybersecurity consultant at CyberCube. "It is too early to calculate potential losses from the theft of a corporation's intellectual property. These kinds of data breaches could have delayed – but long-lasting – impacts on commercial competitiveness. An accumulation of loss could result in multiple – in theory, tens of thousands – of companies making insurance claims to cover investigation, legal, business interruption and possible regulatory fines. There is still the ongoing possibility that even more attackers will launch ransomware or other types of destructive cyberattacks."

CyberCube, using data from more than 20 million companies worldwide, has produced heat maps for the insurance industry to identify regions and industries most at risk. In addition to North American and larger businesses, firms using legacy Microsoft Exchange servers are especially vulnerable, as is the public sector.

Researchers believe that 10 different “advanced persistent threat actors” across the globe are actively exploiting the code used in the attacks, CyberCube said.

Long-Term Care Insurance Tax Deductible Limits Compared

Individuals often overlook the potential tax saving benefits available to those purchasing long-term care insurance according to the American Association for Long-Term Care Insurance (AALTCI).

"There can be significant tax-saving benefits available if you understand the rules and the limits," explains Jesse Slome, director of the long-term care insurance organization. "The tax deductibility generally is not a benefit when one applies for this coverage but in later years, typically after retirement, the tax deductibility can be of enormous value."

Premiums paid for most traditional long-term care insurance policies count towards meeting deductible limits for medical and health-related expenses. "Today, linked-benefit products, life insurance policies that offer a potential long-term care benefit may offer some similar benefits."

The Association has just posted a webpage showing actual tax-deductible benefits for linked-benefit as well as traditional long-term care insurance policies. "Some linked benefit products offer no benefit," Slome notes. "With others a portion of the premium paid may count towards the tax deductible limits."

According to the examples, a couple who are both age 60, could each buy coverage that would pay $162,000 of benefits when care is needed. The yearly combined cost for coverage would be approximately $2,572. "The full amount of the premium paid would count towards the medical tax deductible limits," Slome explains. "After retirement, many seniors find they are more likely to qualify for medical-related deductions and that's when the tax deductibility of LTC premiums is a significant value."

By comparison, the examples looked at three different hybrid or linked benefit products. "For one company's product, none of the premium would be deductible," Slome points out. "A second company offers a policy with a 10-pay premium costing $17,510 each year for the next 10 years. Of that amount, some $1,627 would count towards the tax deductible limit amount."

"A good long-term care insurance specialist can help compare policy costs and explain what portion may be tax deductible," Slome advises. "That's your best route to getting this important protection."

The American Association for Long-Term Care Insurance (AALTCI) advocates for the importance of planning and supports insurance professionals who market both traditional and hybrid LTC solutions. To obtain long-term care insurance costs call the organization at 818-597-3227 or visit their website at www.aaltci.org.

5 Things You Need To Know About The Rise Of State-IRA Programs

By Amie Agamata

As advisors, we're often speaking with our clients about the importance of saving for retirement. We change clients' lives through financial planning and helping them understand why putting money aside for their future is critical.

However, many Americans tend to have a difficult time saving a proper amount for retirement. The Federal Reserve reported that nearly 25% of Americans have no retirement savings and about 44% of those still in the workforce believe they're not on track for retirement.

A main reason why Americans aren't saving is because roughly 55 million of them don't have access to a 401(k) plan at work. While there are alternative solutions like Individual Retirement Accounts, most without access to an employer-sponsored retirement plan do not properly prioritize saving for retirement which leads to procrastination and/or no action being taken.

The realization that most Americans aren't ready for retirement has caused many states across our country to take initiative to help increase retirement plan access and savings by implementing state-run programs.

Twelve states and one city have started taking action into their own hands: California, Colorado, Connecticut, Illinois, Maryland, Massachusetts, New Jersey, New Mexico, New York, Oregon, Seattle, WA, Washington, and Vermont.

California, Colorado, Connecticut, Illinois, Maryland, New Jersey, Oregon, and Seattle, WA have enacted automatic IRAs while the other states' programs are voluntary.

Here are 5 things you need to know about the rise of state-IRA programs across the U.S.:

1) Employers who currently do not offer a qualified plan to their employees may be required to participate in the state-IRA program. Each state's requirements and implementation timeline are a little bit different. Illinois was one of the first states to implement their Secure Choice plan and it only affects employers with 25 or more employees who have operated in the state for two years. Some states like California are currently phasing in the state-IRA program based on the number of employees. For example, employers with 50 or more employees will be required to sign up for CalSavers by June 30, 2021, and then employers with five or more employees will be phased in by June 2022. Maryland$aves will affect all employers who have been in business for two years regardless of the number of employees.

2) Employees must opt out if they don't want to participate. All the state-IRA programs to date are using behavioral finance to drive successful outcomes through the automatic enrollment feature. This means that employees must complete and submit an opt out form if they don't want to save. Those who don't do anything will automatically be enrolled. In California, 7.5 million workers will be automatically enrolled at 5% unless they opt out of CalSavers. This is the same inertia used in many 401(k) plans to increase participation rates and savings habits. Some states have also added the automatic re-en rollment and/or automatic escalation feature. For example, OregonSaves default contribution rate is 5% with an automatic annual increase of 1% in January each year until a maximum of 10% is reached.

3) Employees are responsible to monitor their own annual contributions across all IRAs. All the state-IRA programs are subject to the same rules as normal IRAs. That means if an employee is already contributing to an IRA outside of the state-run program then that individual must ensure they don't contribute more than the maximum amount. This year, the maximum contribution to all IRAs is $6,000 ($7,000 if you're over the age of 50). Some state-IRAs like California and Illinois are set up as Roth IRAs. Employees not the employer are responsible for determining if they're eligible to contribute to a Roth IRA or not.

4) Employers may face penalties for noncompliance and/or failure to remit payments. It's important for employers to understand their state's requirements and implementation timeline because it may become expensive if they don't comply. Some states might give warnings while others may not be as forgiving if employers don't enroll employees by the state's deadline or fail to remit contributions to the program on time. States may impose penalties for non-compliance generally range from $100 to $750 per eligible employee. It's important to note that some states that didn't originally charge fines recently implemented a penalty system. Oregon as an example now caps fines at $5,000 per year per employer.

5) Employers cannot make contributions. Unlike qualified plans, employers won't be able to help employees save for retirement through the state-IRA programs. Employers that may want to reward employees through retirement savings might consider setting up a qualified plan. Keep in mind if an employer sets up a 401(k) plan in the future, participants cannot rollover Roth IRAs into the Roth 401(k) plans under current regulations.

Buying, Renting, and Selling a Second Home

In the market for a second home? You're not alone. Low interest rates and the COVID-19 pandemic have sparked a buying boom in second homes—whether to serve as a personal getaway or to generate rental income—according to data from the National Association of Realtors.[1]

However you utilize a second home, it's a substantial investment—one that's subject to different rules than your primary residence. "Whether or not you're using it for rental income, a second home comes with its own set of financial considerations," says Hayden Adams, CPA and director of tax and financial planning at the Schwab Center for Financial Research.

Here, then, are the factors to consider when buying, renting, and selling a second home.

Buying

Once you've found the right home for your needs, it's time to figure out how to pay for it. "Paying in cash is one option, though in a low-interest-rate environment that money might be put to better use in the market," says Ken Szymanski, a managing director at Charles Schwab Banking & Trust Services.

If instead you decide to borrow to fund your second home or investment property, there are several financing options open to you, including:

- **A traditional mortgage:** The most popular types include fixed-rate loans—typically for 15 or 30 years (generally speaking, the shorter the loan, the lower the interest rate)—and adjustable-rate mortgages (ARMs), whose interest rates reset after a fixed period of time and adjust in response to prevailing market rates. Jumbo loans—or those that exceed $548,250 in most counties in the United States—may require heftier down payments and have higher interest rates, closing costs, and fees. Under the Tax Cuts and Jobs Act of 2017, you can deduct the interest on up to $750,000 worth of such loans (married couples who file separately can deduct up to $375,000 each). Note that for homes bought before Dec. 16, 2017, you can apply the higher limit of $1 million (or $500,000 for married couples filing separately) for interest deductions.

- **A home equity line of credit (HELOC):** A HELOC allows you to borrow against the equity in your existing residence—and the interest may be deductible if the funds are used to purchase, build, or substantially renovate a primary or secondary residence, up to the limits mentioned previously.
- **A cash-out refinance:** This refi approach replaces your existing mortgage with one that carries a larger balance. The difference between the two loans is distributed as cash, which can be especially useful if you have house-related expenses over and above the new property's purchase price.
- **Securities-based lending:** A non-purpose* line of credit from a bank can allow you to borrow against the value of your non-retirement assets while helping to keep your investment strategy on track (see "Another way to borrow," below).

However you choose to finance your purchase, do your homework to understand the considerations and risks involved in obtaining a second home. Chief among them:

- **Additional debt:** Taking on new debt could impact your cash flow and savings plan.

- **Bigger down payment:** Lenders may require a larger down payment on a second home, in which case you'll need to consider how to come up with the money without putting your other investments at risk.

Finally, be realistic about expenses. Beyond the purchase price, there are an array of ongoing costs, including repairs, utilities, and possibly homeowners' association fees. A good starting point is to calculate what you're paying monthly for the upkeep on your current residence and assume a similar outlay for your second home.

Also, note that many popular vacation spots, particularly in coastal communities, are at increased risk of flooding, wildfires, and other weather-related events, so make sure you're adequately insured and at a price that makes sense.

Renting

You also need to decide up front whether you'll rent out your second home, be it occasionally or on an ongoing basis.

A rental property can provide not only income but also potential tax benefits. For example, you may be able to deduct certain expenses, such as depreciation, from your annual rental income.

Keep in mind, however, that you'll likely face a host of tax obligations as well. Apart from property taxes, any rental income could potentially push you into a higher tax bracket. Also, if you use a second home as both a rental property *and* for extended personal use, you may not be eligible for all the deductions a rental property alone would provide. A tax advisor can help you maximize the available deductions while helping you fulfill your tax obligations. “Some people think of a rental property as a hobby, but it's not—it's a business,” Hayden says. “That's certainly how the IRS sees it, and that's how you should see it, too.”

Another question to tackle in advance: How will you interact with renters? Some owners take a hands-on approach to everything from collecting rent to making repairs, while others hire handymen and even full-service property managers who can find suitable renters, help refurbish the property between tenants, and do everything in between. Such white-glove service comes at a cost, but it can be especially helpful with a property in a distant locale.

Also be sure to check with a real estate agent and/or your homeowners' association regarding local rental rules. These can vary by municipality and even by neighborhood and are evolving rapidly in response to the rise of vacation rentals through companies such as Airbnb. In New York City, for example, you cannot rent out an entire apartment or home to visitors for fewer than 30 days, even if you own or live in the building.

Owners should also strongly consider setting aside emergency funds to avoid selling securities in a down market to pay for any unexpected expenses.

Finally, Hayden urges those planning to rent out a second home to treat it as a separate business entity. “If your rental isn't structured properly, any renter who brings a lawsuit could potentially take your car, house, or hard-earned savings,” he says. For example, registering a business as a limited liability company (LLC) can help protect your assets in the event you're sued—as can liability insurance.

Selling

Once it comes time to sell a property, it's a good idea to meet with a tax professional first.

In particular, many owners are surprised to learn that any depreciation in the value of a rental property claimed for tax purposes reduces that property's cost basis. If the property is later sold for a profit, the seller will generally owe a 25% tax on any previously claimed depreciation *before* being subject to potential capital gains taxes.

What's more, if the property has not been your primary residence for at least two of the past five years, you may not qualify for the capital gains exclusion, which allows you to shield the first $500,000 in profit from capital gains taxes if you're married and file jointly ($250,000 if you're a single filer). The rules surrounding the capital gains exclusion can be complex, so it's best to check with an accountant before attempting to claim this exclusion for rental properties, in particular.

Another potential option to discuss with a tax advisor is a 1031 like-kind exchange, which allows you to roll the proceeds from one rental property directly into another, thereby deferring any capital gains taxes until the second property is sold. A 1031 like-kind exchange can be done multiple times, potentially deferring for many years the taxation of any capital gains.

"A team effort"

Buying a second home involves a lot of work, not only in advance of buying but throughout the rental process and eventual sale. Finding a reliable team of professionals—an accountant, an attorney, a real estate agent, and possibly a property manager—can help. "More so even than your primary residence, successful second-home ownership is a team effort," says Hayden.

And of course an experienced financial advisor or wealth strategist can help you to realize your dream of second-home ownership to begin with.

Are Your Beneficiaries Up to Date?

Designating beneficiaries on your investment accounts can easily slip to the bottom of your to-do list. But this task shouldn't be forgotten. It can help protect a sizeable portion of your estate and ensure that your assets go to the right people once you pass away.

Here's why beneficiary designations should play an essential role in your estate plan:

- **They're powerful.** You can specify who should inherit your retirement and life insurance assets without making adjustments to your will or trusts. In fact, these designations take precedence over wills and trusts in most cases.
- **They're virtually probate-proof.** Because these designations generally supersede will and trust instructions, they circumvent the probate process and ensure that assets can be transferred to heirs without delay. However, if a designated beneficiary predeceases the owner and there is no contingent beneficiary, probate will likely be required.
- **They're simple.** Many institutions offer the convenience of updating these beneficiary designations by paper or online.

And here's when you should consider making updates to your designations:

- **Family changes.** Marriage, divorce, the birth of a child or grandchild, the loss of a spouse or child—all these events can prompt a change in beneficiary decisions. Keeping your beneficiaries up to date ensures that you don't inadvertently leave money to the wrong people or leave a loved one out of your plan. Just in case a designated beneficiary predeceases you, making a "per stirpes" distribution election can allow the beneficiary's children to inherit their share.
- **Money moves.** If you recently rolled over a 401(k) from a former employer or transferred an existing IRA to a new financial firm, your beneficiary designations won't transfer over with your assets. Make sure you take the time to specify them again.

Finally, make sure you coordinate beneficiary designations with your overall estate plan.

Talk with an attorney for specific advice if you need more help.

Find & compare providers near you

Whether you're looking for a new doctor or information on your current clinician, it's easy to **compare doctors and clinicians** to get the information that's important to you.

At Medicare.gov, you can:

- **Identify doctors and clinicians who accept Medicare-approved payment amounts** (so you pay less out-of-pocket).
- **Get more information about your doctor** like contact information, practice locations, specialty, hospital affiliation, and more.

You can also search and compare other services — like hospitals, nursing homes, and home health services — all in one place at **Medicare.gov.**

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