cpi lights

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President

Financial Literacy is becoming more important to younger Americans. They want to understand the basics, and complexities, of budgeting, saving, and retirement investing.

Perhaps now more than ever our up and down inflation, and recession, has made people more aware of the need to save.

According to a survey by banking giant BMO, 85% - 90% of Americans ages 18-44 have a strong desire to become more knowledgeable about their financial security. Interestingly, the survey also revealed a little more than 50% said they had no discussions about financial security when they were growing up. This speaks volumes about the continued need in the industry to help educate and enlighten employees.

It is incumbent on us, as agents, to advocate for you and your employees to help improve and meet your retirement goals. Make sure to ask your agent about what strategies you could implement in your business or personally.

Thanks for continuing to read CPILights!

As always, if you would like to submit an idea or comment in writing you can reach me at **Jcyganiaksr@cyganiakplanning.com**

Regards,

Jon A. Cyganiak

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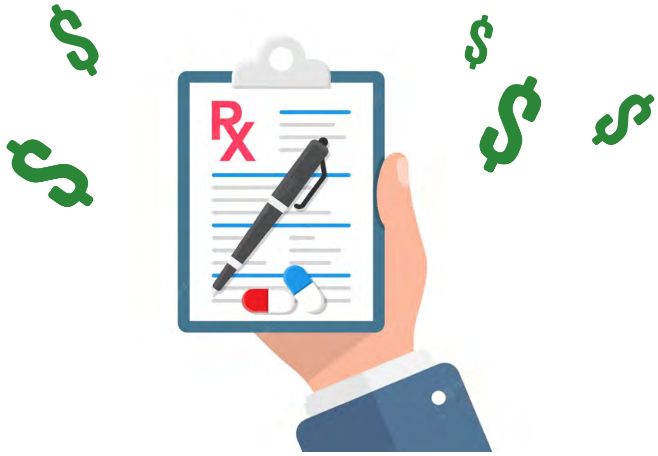

BRAND TO BIOSIMILAR/GENERIC

Some brand name medications will come off patent this year and may see some competition with lower cost alternatives. Once the manufacture's patent protection expires other companies are free to market their own product, so long as it meets the FDA standards for approval.

Here are some of the top autoimmune illness drugs that may be losing exclusivity this year:

- Humira – some arthritis, Crohns disease, plaque psoriasis
- Stelara – plaque psoriasis, psoriatic arthritis, Crohns disease, UC
- Vyvanse – attention deficit problems and eating disorders
- Aubagio – multiple sclerosis
- Actemra – rheumatoid arthritis, juvenile idiopathic arthritis
- Xyrem - narcolepsy
- Symbicort – asthma and COPD
- Lexiscan – cardiac stress tests
- Gattex – short bowel syndrome
- Trokendi XR – epilepsy, migraine prevention

Source: NABIP

Managing Editor: Laura Bagin

UNDERSTANDING YOUR MEDICAL BILL

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Opening your medical bill for just about any procedure or service can be confusing, and sometimes alarming. There are a lot of moving parts to medical bills, and it can often be hard to determine if it is correct. It may take a little bit of research to make sure, but you should always verify it is correct.

Here are a few things to consider when looking at the bills you are getting:

1. **This seems obvious, but are you being billed for the actual care you received?**
   There are thousands of medical billing codes that represent how you will be billed for the care you received. The insurance carrier will only process claims based on the codes they receive from the providers.

2. **Has the bill been processed through the insurance carrier yet?**
   Sometimes bills will generate before the insurance has processed your claim. You will want to check the bill to make sure the correct insurance carrier has been sent the claim, the provider's office may not have the most recent insurance card on file. A good way to verify this is checking to see if the bill has the costs reduced by insurance payment, discount (negotiated rate for in-network claims), or both.

3. **Have you received all the bills related to the care you received?**
   There is a good chance you will be billed separately by the provider and the facility. You may also receive a separate bill for lab work, imaging, prescriptions, and other services.

4. **Have you reviewed your Explanation of Benefits (EOB) from your insurance carrier?**
   This is really your best way to audit the bills you are receiving to make sure they have been properly processed by the insurance carrier. They will show you what was covered and how the claim was processed. They usually show you what your responsibility should be for in-network claims that they have processed.

If you feel the bill is incorrect or need an explanation, ask your provider's office for more information. Many consumers do not ever question their medical bills, even though they may be paying too much. Your insurance carrier is also a good advocate for you and can help you understand the claims they were presented. However, they cannot adjust your bills, they can only process them the way they are presented. Only the provider's office (usually the billing department) can make corrections if they are needed. If you need further assistance you can always reach out to your agent or sales/service associate.

★ ★ ★ ★ ★ ★ LEGISLATIVE UPDATES ★ ★ ★ ★

FEDERAL

At the end of June the IRS provided additional guidance regarding the COVID-19 PHE (Public Health Emergency) exceptions as they related to Health Savings Accounts.

The IRS issued guidance in 2020 permitting HDHPs to maintain HSA-qualified status while covering items and services related to testing and treatment of COVID-19 without subjecting such care to a deductible.

The new guidance clarifies that this relief will only remain in place for HDHPs with plan years that end on or before December 31, 2024. This means that groups with calendar year plans will need to begin subjecting such services to their HDHP's deductible once their plan renews in 2025. However, COVID vaccinations continue to be treated as preventive services with 100% coverage.

Source: NABIP

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The IRS has announced the [2024 employer mandate penalties] under the Affordable Care Act for employers with 50 or more full-time equivalent employees. Under the ACA, employers may be subject to an employer mandate penalty for (1) failing to offer minimum essential coverage to 95% of full-time employees (Penalty A) or (2) offering coverage that is not affordable (Penalty B).

The 2024 Penalty A will increase $90 over 2023 to $2,970, while Penalty B increases $140 over 2023 to $4,460. The new amounts will be effective for taxable years and plan years beginning after December 31, 2023.

CONVERTING A 529 PLAN TO ROTH IRA

College bound students benefit from 529 Plans that are usually set up by parents or grandparents. These plans provide a tax-incented way to save funds for college expenses. Earnings grow tax-deferred, and funds can be used tax-free, if they are used for higher-education expenses.

But what happens when your 529 plan is overfunded? What do you do if you're done with college and you still have funds leftover? Any disbursements that are not related to education are subject to taxation, and possibly a 10% penalty if you are younger than age 59½.

The SECURE Act 2.0 has a provision that allows the tax-free conversion of a 529 Plan to a ROTH IRA subject to certain guidelines.

1. ***Must be a long-term 529 Plan and directly transferred.*** The 529 Plan must be at least 15 years old, and the "newest" funds have been in the account for 5 years or longer. And a direct 529 to Roth transfer must be made.

2. ***Annual Limit Subject to Regular IRA Contribution Limits.*** Contributions across all IRAs are cumulative to the annual limit of $6,500.

3. ***Aggregate Conversion Total is $35,000.*** Tax-free 529-to-Roth conversions are capped at $35,000 for all years.

4. ***Roth IRA Distribution rules apply.*** Qualified distributions are tax-free and not subject to the early distribution penalty if:

   o The distribution occurs 5 years after the first Roth IRA the owner funded.

   o The distribution occurs after the owner is 59 ½, is disabled or has died.

5. ***A Path Around the Compensation Requirement.*** No earnings requirements are needed to make a 529-to-Roth conversion. However, any future contributions to the new Roth IRA that is created will be subject to the normal compensation/earnings requirement.

6. ***Effective Date.*** The 529-to-Roth conversion provision is effective January 1,2024 and after.

If you meet the above criterion, it may make sense to move forward with a conversion. Always talk to your agent or financial advisor before making any changes.

Source: https://www.thestreet.com/retirement-daily/saving-investing-for-retirement/how-to-convert-a-529-plan-to-a-roth-ira

DOES SIGNING UP FOR MEDICARE IMPACT MY HEALTH SAVINGS ACCOUNT?

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YES, is the short answer.

Since the HSA is triple tax advantaged, you may fund the account tax free, invest and achieve gains without tax, and withdraw tax free to pay for qualified medical expenses, it is important to know the rules when signing up for Medicare. Also know that HSA funds never expire, they continue to roll over until you spend them down. So, it is a great idea to fund your HSA to the max in your working years and reserve it for retirement.

Your Medicare eligibility begins at age 65. **STOP** funding your HSA when you enroll into Medicare. You do not necessarily have to sign up for Medicare at 65 if you are still working and covered by a plan at work. It may be most beneficial to wait. However, Medicare may be cheaper than the costs of your plan at work.

Medicare Part A covers hospital care and has no charge for those that have worked the required number of quarters, as you have paid for it already as a deduction on your check stub. Medicare Part B covers physician care and does have a premium. The Part B premium you may pay, as a legitimate expense, out of your Health Savings Account. But once you enroll into Medicare you cannot contribute funds to your HSA; penalties for making contributions to your HSA may follow once you enroll in Medicare.

You can continue to pay qualified medical, dental, and vision expenses out of your HSA. Additionally, you may pay premiums for Medicare Part B, Medicare Part D, and Medicare Advantage plans. You may not pay Medicare Supplement premiums with your HSA.

This being true, having money in your HSA can be a valuable asset for your medical costs even when on Medicare. Remember, it is a good idea to fund your HSA ***before*** you become enrolled in Medicare, and contributing only the prorated amount for that year, the year you turn 65 and enroll in Medicare.

IRS CONFIRMS CERTAIN "WELLNESS" PROGRAMS CANNOT BE USED TO AVOID TAXATION

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Over the past several years, the employer-plan marketplace has seen a rise in "fixed-indemnity wellness policies," which promise to help both employers and employees save on income and employment taxes. Under these arrangements, employees elect to defer cash on a pre-tax basis through a Section 125 cafeteria plan and then receive reimbursements (that are not taxed) through their employer for participating in certain "wellness-related" activities. In many cases, these arrangements cost the employee very little (if any) effort or money. In a memo released on June 9, the IRS Office of Chief Counsel indicated that this strategy is too good to be true, concluding that fixed indemnity plans cannot be used to avoid taxation if the employee does not have unreimbursed medical expenses related to the payment.

This kind of IRS memo is known as a "letter ruling," which in this case was used to determine the legality of a specific group health plan that includes a fixed indemnity "wellness arrangement." In the wellness arrangement described in the memo, cash payments were made to employees for activities like receiving preventive care (such as vaccinations). However, all the services triggering the payments were also covered at no cost by the group's major medical plan and the fixed-dollar indemnity policy. This means that the employees received cash payments for medical care even though they did not have any unreimbursed medical expenses associated with that care. This payment structure is very different from traditional medical indemnity policies, which are based on a specific event, such as a cancer diagnosis or hospitalization, and provide beneficiaries cash payments to compensate for *unreimbursed* medical costs. Accordingly, the memo from the Office of the IRS Chief Counsel concludes that the "wellness" policy under review is impermissible because "the activity that triggers the payment does not cost the employee anything or… the cost of the activity is reimbursed by other coverage."

While this IRS memo is directed at a specific employer group plan and may not technically be used or cited as legal precedent for other plans, the fact that it was publicly released shows that the IRS wants to send a message to others. This memo serves as a strong warning that programs such as the one described above, which seem "too good to be true," typically are, and therefore should be avoided.

Source: NABIP

GARDENING AS EXERCISE

It's summertime and people are out in their yards and gardens just puttering around. Up and down, pulling weeds, raking grass, and generally walking around outside definitely gets the body moving. But does it really count as exercise? According to the US Physical Activity Guidelines for Americans it certainly does!

Gardening uses all the major muscle groups: arms, legs, back, and core while giving you some cardio exercise in the process. All the up and down from weeding and planting, digging in the dirt by hand, and mowing your grass, with a push mower, can give your body a similar workout to yoga or Pilates.

Like with any exercise, start slow if you haven't been moving a lot, and build up your routine to incorporate more movement, heavier lifting or a faster pace. You may not drop a lot of weight at once, but you will find you have more energy, are more fit and toned, and may even be in a better mood as a result. Plus you will have the added bonus of fresh vegetables to eat, or a beautiful flower garden to sit back, relax and enjoy.

Source: https://www.cnn.com/2023/04/07/health/gardening-exercise-benefits-wellness/index.html

THE Q & A CORNER

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The Cyganiak Planning Q & A Corner takes questions that our agents and sales/service associates were asked and provides detailed guidance to help you understand and resolve similar scenarios at your workplace, should they ever arise.

QUESTION: What is "at-will employment"? Does that mean I can fire an employee for any reason?

ANSWER: ***At-will employment*** means that the employer or employee can end the employment relationship for almost any reason (with or without cause) at any time (with or without notice).

It does not, however, allow you to terminate someone for an illegal reason, like their inclusion in a protected class or their exercise of a legal right.

Every state (except Montana) assumes the employment relationship is at-will unless there is a legal agreement in place that says otherwise. Assuming you want to maintain the at-will relationship with employees, we recommend including clear language about this in your employee handbook. But keep in mind that even with an at-will relationship, terminations carry risk. A terminated employee can always claim that they were terminated for an illegal reason, at which point you'll want to be able to show otherwise. To reduce that risk and nip any potential claims in the bud, you should have and document a lawful, business-related reason for each termination.

You can find more information on employment termination and at-will employment on the platform. If you would like more information on drafting an employment contract, please contact an attorney.

This Q&A does not constitute legal advice and does not address state or local law.

Disclaimer: Guidance provided above is opinion gathered from Cyganiak Planning Inc.'s Human Resources Advocacy Firm based on their research of specified topics and cannot be considered as legal opinion or legal fact. Please consult with your legal counsel for any specific and final guidance in any situation pertaining to your own company.

HOW MUCH IS ENOUGH?

Retirement Income

No one wants to run out of money in their retirement years. But it can be challenging to calculate just how much is enough. No one has a crystal ball to look into, but there are some basic questions you can ask and answer to help determine "How much is enough?"

Q: How much money will I need to have when I am no longer working?

A: Between 55-85% of your preretirement income. This is a large range,but a lot depends on what you want to do when you retire, and if you have a large or small debt load at the time. If your mortgage is paid off, you may be looking at a lower percentage.

Q: How much should I have saved before I retire?

A: 10 times your salary. But remember, this amount is cumulative over the course of your working years. It includes money not only contributed by you, but your employers and also interest earned on your investments.

Q: What is a safer, conservative level of withdrawals?

A: 4%. But remember, your retirement investment may not be your only source of income. You may be eligible to collect Social Security. You could also have an annuity to draw on depending on your retirement strategy.

Q: How long will my money need to last?

A: Until about age 83. According to the CDC the life expectancy of men is 81.9 years and women is 84.6 years. Factors such as where you live, healthy lifestyle habits and family health history can increase or decrease this number.

Q: What can I do if I have not saved enough for retirement?

A: You can "catch up" or redirect other financial assets to produce income. Take advantage of those "catch-up" options with your 401(k), IRA, and HSA, if you have one. You are allowed to put in a pre-determined amount after age 50 to help maximize your savings potential. Other options to consider are downsizing your home, using cash value in a whole life insurance policy to create an annuity, or turning a hobby into an income generating side job.

Source: https://www.benefitspro.com/2023/04/13/how-much-will-i-need-to-retire-helping-employees-work-their-401ks