NEWS YOU CAN USE

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Life Insurance and Living Benefits

THE PRIMARY purpose of life insurance is to deliver a large cash benefit to beneficiaries when the insured dies. Protection is the most important purpose of life insurance, by far.

But today's life insurance policies are versatile and flexible tools. Depending on your carrier and the type of policy you own, the living benefits of your life insurance policy create an asset that can help you and your family achieve a variety of financial objectives, even while the insured is still alive.

Cash value

Permanent life insurance can accumulate cash value over time, and growth inside the policy generally is tax-deferred. Policyowners may be able to withdraw amounts up to their cost basis (generally the premiums paid, less prior withdrawals) without current income tax.

Death benefits are generally received income tax-free by beneficiaries, although there can be exceptions.

Dividends

Mutual insurance companies — ones owned by their policyholders — generally distribute profits to policyholders in the form of dividends.

You can have dividends accumulate in the insurance policy (also increasing the death benefit over time), or you can withdraw them. Dividends withdrawn are tax-free — Congress regards them as return of premium.

Dividends are not guaranteed. Many insurers pay them every year, but insurers can have bad years, which could affect their dividend.

Borrowing

Because death is a certainty for all of us, permanent life insurance makes great collateral for loans.

It's very safe for the lender, since eventual repayment is practically assured. If you own a permanent life insurance policy, you can borrow against the death benefit, up to the current surrender value of the policy.

This gives you ready access to cash for any purpose. There's no underwriting and very little paperwork to fill out.

See 'Possible' on page 2

Welcome to Our Newsletter

Black Belt Insurance Group is pleased to present you with our newsletter.

We hope the articles in this and future editions will provide insight into an array of health, life and financial matters, and we urge you to contact us with questions and comments.

Our agency works in the areas of health and life insurance, investment and benefit planning for individuals and families. Our goal is to provide excellent service, competitive pricing and products tailored to meet the special needs of each client.

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Book a Consultation

Trulicity, Other Costly Drugs Teed Up for Price Talks

THE CENTERS for Medicare & Medicaid Services has announced the next 15 drugs slated for Medicare price negotiations. The list includes costly medications many seniors rely on.

This year's lineup includes six highly prescribed drugs that the American Association of Retired Persons identified as having some of the largest list price increases, including Trulicity (up 51% since 2014), Cozentyx (up 55% since 2015) and Orencia (up 71% since 2021).

This will be the third round of drug price negotiations conducted by the CMS under a 2022 law that allows it to bargain with drugmakers over prices Medicare Part D plans will pay for these medicines. Negotiated prices will take effect in 2028 and benefit both Medicare and seniors.

Also, this is the first year drugs covered by Medicare Part B are on the list. Part B drugs are typically administered at doctors' offices and health facilities.

The pharmaceuticals proposed for dealmaking and what they treat

Anoro Ellipta – Chronic obstructive pulmonary disease and asthma
Biktarvy – Human immunodeficiency virus, or HIV
Botox and Botox Cosmetic – Chronic migraines and muscle spasticity in addition to cosmetic uses
Cimzia – Crohn's disease
Cosentyx – Psoriasis
Entyvio – Inflammatory bowel disease
Erleada – Prostate cancer
Kisqali – Breast cancer
Lenvima – Several types of cancer
Orencia – Arthritis
Rexulti – Major depressive disorder, schizophrenia and agitation associated with dementia due to Alzheimer's disease
Trulicity – Diabetes (this is a GLP-1 drug)
Verzenio – Breast cancer
Xeljanz and Xeljanz XR – Arthritis
Xolair – Asthma

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It's Possible to Convert Life Insurance into an Annuity Tax-Free

You can pay down the loan and replenish your cash value, or let it ride. The loan will accumulate at interest, and the insurance company will pay itself back out of the death benefit. The choice is yours.

Loan proceeds are tax-free.

However, if you withdraw the money, you may pay capital gains tax on any profits over what you've paid in. (If you have accumulated dividends, however, you can withdraw dividends tax-free.)

Conversion to annuities

Many people buy life insurance while young and find they don't need the coverage in later years.

However, they may want or need guaranteed income. Section 1031 of the Internal Revenue Code allows you to exchange your life insurance for an annuity tax-free.

That is, you won't have to pay capital gains or income taxes on the conversion transaction. You can also make a Section 1035 exchange to a different life insurance policy.

Supplementary life insurance retirement income programs

If you pay into your permanent insurance for years, you may accumulate significant cash value.

You can use this cash value to supplement your income without the restrictions of IRAs and 401(k)s.

There are no penalties for taking it early and no required minimum distributions. Dividends are withdrawn tax-free.

To Roth or Not to Roth? Choosing an IRA

WHICH IS better for you: a Roth IRA or a traditional IRA? The answer depends on your individual situation and whether you believe income tax rates will be higher or lower in the future.

The biggest difference between traditional and Roth IRAs is the timing of the tax benefits. The traditional IRA potentially gives you a tax break now.

Contributions are tax-free, if you meet the income requirements. The account grows tax-deferred. You pay ordinary income tax when you begin to take money out.

Furthermore, you cannot leave your money in a traditional IRA to compound tax-deferred forever. The law requires you to begin taking annual minimum distributions (and paying income taxes on them) commencing the year after the one in which you turn 70½.

The Roth IRA, in contrast, doesn't provide a tax break on contributions. But once the money has been in the account for five years, withdrawals in retirement are tax-free.

Also, since you've already paid taxes on your Roth contribution, there are no required minimum distributions once you turn age 70½. You can let assets in a Roth IRA accumulate tax-free for as long as you like.

Note: The deduction for traditional IRAs is "above the line," meaning you don't have to itemize in order to get the benefit of the deduction.

To Roth or not to Roth?

For most people, the biggest factor in deciding between a Roth and a traditional IRA is their expectations for future tax rates. Consider the following:

Generally, if you believe your income tax rate will be higher in retirement than it is now, you may be better off with a Roth IRA.

If you expect your income tax rate will be lower in retirement than it is now, you may be better off with a traditional IRA.

If you earn too much to contribute to a Roth IRA, you may be better off making a non-deductible contribution to a traditional IRA.

There are a number of other factors that could tilt the balance one way or another. For example, a traditional IRA may be better for you if your income for the current year is relatively high, but you can still qualify for a full tax deduction.

You may also prefer a current tax deduction to a Roth IRA if your health is relatively poor or you have a low life expectancy in retirement.

When a Roth IRA is a good match

There are times when a Roth IRA may be preferred, including:

- You are relatively young and your money has a long time to compound.
- You earn too much to deduct your traditional IRA contribution.
- Your income in the current year is relatively low.
- You are in a relatively low effective tax bracket.
- You expect your earnings to be significantly higher in the future.
- You have a long life expectancy in retirement.
- You want to maximize the amount of wealth you pass on to heirs.
- You don't want to have to worry about required minimum distributions.

Non-deductible IRAs

Even if you earn too much to deduct traditional IRA contributions in the current year, you can still make non-deductible IRA contributions, up to the maximum contribution limit for your age, regardless of income. Non-deductible contributions still compound tax-deferred.

Once you begin withdrawing them, you only pay income taxes on the growth. This may be a good option if you have no other retirement plan to contribute to, or you make too much money to qualify to contribute to a Roth.

How to Get Financial Help for Medicare

FOR MANY older Americans living on a fixed income, paying for health care can feel overwhelming. Even with Medicare coverage, premiums, deductibles, prescription drug costs and copays can quickly add up.

The good news is that several federal and state programs are available to help seniors and people with disabilities pay for Medicare-related expenses. Unfortunately, many people who qualify either do not know these programs exist or assume they do not qualify.

Understanding Medicare and Medicaid

Medicare is the federal health insurance program primarily for people age 65 and older and some younger individuals with disabilities. Medicaid is a joint federal-state program designed for people with limited income and resources.

Some individuals qualify for both programs at the same time. These beneficiaries are known as “dual eligibles.”

For dual-eligible individuals, Medicare generally pays first for covered medical services, while Medicaid may help pay Medicare premiums, deductibles, copays and services Medicare does not cover. Many dual eligibles also enroll in specialized Medicare Advantage plans called Dual Eligible Special Needs Plans, which coordinate Medicare and Medicaid benefits under one plan.

Because rules vary by state, seniors should contact their state Medicaid office or local State Health Insurance Assistance Program for guidance.

Medicare Savings Programs

One of the most valuable but underused forms of assistance is the Medicare Savings Program. These state-run programs help pay Medicare Part A and Part B costs for people with limited income and savings.

There are four main Medicare Savings Programs:

1. Qualified Medicare Beneficiary — This helps pay for:

- Medicare Part A premiums
- Medicare Part B premiums
- Deductibles
- Copayments
- Coinsurance

In many cases, providers are prohibited from billing QMB participants for Medicare-covered services.

2. Specified Low-Income Medicare Beneficiary — This program helps pay Medicare Part B premiums for individuals whose income is slightly above QMB limits.

3. Qualifying Individual — This program also helps pay Medicare Part B premiums. Funding is limited and generally provided on a first-come, first-served basis each year.

4. Qualified Disabled and Working Individual — This program helps certain disabled individuals who returned to work pay their Medicare Part A premiums.

Eligibility requirements vary by state, but qualification is generally based on income and available resources.

Prescription drug program

Another major assistance program is Medicare’s Extra Help program. Extra Help assists eligible beneficiaries with Medicare Part D prescription drug costs.

2026 Extra Help eligibility limits

Household	Annual income limit	Resource limit
Individual	About $23,475	About $18,210
Married couple	About $31,725	About $36,450

Resource limits generally include bank accounts, investments and certain other assets, but not a primary residence, vehicle or personal belongings. Cerify current limits before applying.

State Pharmaceutical Assistance Programs

Some states also operate SPAPs, which help residents pay for prescription medications, Part D premiums or other drug-related expenses. Programs vary by state. Some provide direct financial assistance, while others help seniors coordinate benefits with Medicare Part D coverage.

Not every state offers an SPAP, but where available, these programs can provide savings for seniors facing high drug costs.

Where seniors can get help applying

Seniors should not assume they earn too much to qualify. Even modest assistance with premiums or prescriptions can save hundreds or thousands of dollars annually.

Free counseling and enrollment help

Apply for and explore available options, including:

- State Health Insurance Assistance Programs
- State Medicaid offices
- Local area agencies on aging
- Social Security offices
- BenefitsCheckUp through the National Council on Aging
- Licensed Medicare professionals like Black Belt Insurance.