NEWS YOU CAN USE

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Part D Premiums Could Rise as Federal Support Ends

MILLIONS OF MEDICARE beneficiaries with standalone Part D prescription drug plans may see higher monthly premiums in 2027 after the Centers for Medicare & Medicaid Services announced it will end a temporary premium stabilization program a year earlier than planned.

The program was created in 2024 to ease the transition to major changes in Medicare Part D under the Inflation Reduction Act.

CMS has estimated that without the program, an average beneficiary enrolled in a standalone Part D plan could see monthly premiums increase by about 10% in 2027. Actual premium changes will vary by plan.

Why the program was created

The Inflation Reduction Act made some of the most significant changes to Medicare prescription drug coverage in years. Among the most important for beneficiaries were:

- Elimination of the Part D "donut hole," or coverage gap.
- A new annual $2,100 cap on out-of-pocket prescription drug costs for covered medications.
- Greater financial responsibility for Part D insurers covering high-cost medications.

While these changes have provided important financial protection for Medicare beneficiaries who use many medications, they have also increased costs for insurers offering standalone Part D plans. To prevent sharp premium increases while insurers adjusted to the new benefit structure, CMS launched the temporary Part D Premium Stabilization Demonstration.

The program helped keep premiums in check by reducing the base beneficiary premium used to calculate plan costs and limiting annual premium increases. Many beneficiaries therefore saw smaller premium increases than they otherwise would have.

CMS now says insurers have gained sufficient experience operating under the new Part D rules and no longer need the additional federal financial support. As a result, the agency will end the demonstration after the 2026 plan year.

What beneficiaries can expect

Once the program ends, standalone Part D plans will no longer receive the extra subsidies that helped hold down premiums. Final 2027 premiums will not be announced until later, but standalone drug plan beneficiaries should prepare for potentially higher monthly costs.

Premium changes will vary by plan. Premiums for some may increase more than others, while some could remain stable.

However, higher-cost specialty medications, including GLP-1 therapies, and continued growth in prescription drug spending and prices are expected to keep financial pressure on many Part D plans, potentially affecting premiums.

See 'Medicare' on page 2

Welcome to Our Newsletter

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

We hope the articles 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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Your Estate Planning Checklist

ONE OF the most important acts you can pursue to make sure your family is taken care of after your passing is having an estate plan.

But there are many moving parts in a plan, and you'll want to pay attention to all of them so you don't miss anything important that could get in the way of a smooth transition from you to your loved ones.

Ask yourself the following questions to get started on an your own estate plan.

Do you have a will?

A will specifies who you want to inherit your property and other assets. It also allows you to name a guardian for your minor children.

Do you have health care documents in place?

Health care documents spell out your wishes if you become unable to make medical decisions for yourself. They also authorize a person to make decisions on your behalf if that proves necessary.

These include a living will (see story on page 3), a power of attorney agreement and a durable power of attorney agreement for health care.

Do you have financial documents in place?

Certain financial documents can outline your financial wishes. If you become unable to make decisions for yourself, these documents can empower a person to act on your behalf.

They may include joint ownership, durable power of attorney and living trusts.

Have you filed beneficiary forms?

Naming a beneficiary for bank accounts and retirement plans makes these accounts "payable on death" to your beneficiaries. In other cases, you need to fill out a Payable on Death form.

Do you have the right life insurance?

Have you compared the life insurance benefit with your financial obligations?

Several factors affect the cost and availability of life insurance, including age, health and the type and amount of insurance purchased.

You should consider whether you are insurable before implementing a strategy involving life insurance.

Have you taken steps to manage your estate tax?

If you and your spouse have more than $30 million in assets (for 2026), you may want to consider taking steps to manage federal estate taxes, which will be due at the second spouse's death.

Have you created a letter of instruction?

A letter of instruction is a non-legal document that outlines your wishes. A well-written letter may save your heirs time, effort and expense as they administer your estate.

Do your heirs know where your documents are?

Your heirs may need access to essential documents like your estate plan, life insurance and financial documents.

Essential documents

- Your will.
- Trust documents.
- Life insurance policies.
- Deeds to real estate and certificates for bonds and annuities.
- Information on financial accounts and safe deposit boxes.
- Information on your retirement plans.
- Information on debts (credit cards, mortgages and loans).

Note: Power of attorney laws vary from state to state. An estate strategy that includes trusts may involve a complex web of tax rules and regulations. Consider working with a knowledgeable estate management professional before implementing such strategies.

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Medicare Advantage Drug Coverage Likely Less Affected

MA may be less affected

Medicare Advantage plans that include prescription drug coverage may see less of an impact.

Unlike standalone Part D plans, MA insurers can often use rebate funds generated by their medical plans to offset prescription drug premiums. This financial flexibility allows many MA plans to keep drug premiums lower than those for standalone Part D plans, even as prescription drug costs rise.

Review your coverage

The Annual Open Enrollment Period (Oct. 15 to Dec. 7) remains the best opportunity to review your prescription drug coverage.

Be sure to compare premiums, formularies, pharmacy networks, deductibles and estimated out-of-pocket costs for drugs you take.

Because every beneficiary's situation is different, reviewing your options each year can help ensure you have coverage that best matches your health needs and budget. Call us for assistance.

Importance of a Will to Ensure Your Heirs' Inheritance

MANY PEOPLE think that only their closest relatives will inherit what is specified in their will. However, inheritance laws are much more complex than that and can come with some unexpected consequences.

It is important to know what will happen, whether there is a will in place or not. Here's a look at how wills work and the issues that may arise if you die without one.

Dying without a will

For people who do not create a will, the remaining estate is divided between the next of kin according to state rules. In most cases, the surviving spouse and children have the right to the property.

If there is no surviving spouse or children, grandchildren or parents are the next to receive property. If this is not applicable, siblings, aunts, uncles and cousins become the heirs.

Community property rules

When it comes to spousal property rights, the law can be complex. People who are unsure if they live in community property states should contact an agent for clarity. In community property states, any property bought or earned during a marriage is considered community or joint property.

Any property that was purchased prior to the marriage or afterward is not included. When property is considered community property, each spouse owns 50% of it. A person may designate half of their property interest in a will to a beneficiary. However, the surviving spouse retains half ownership of the property as well.

A special agreement signed by both spouses that agreeably designates a specific beneficiary may supersede community property laws.

Spousal right of election

There are laws in most states without community property laws that prevent complete spousal disinheritance, often stating that a spouse has a right to at least one-third of the other spouse's estate at the time of death of that spouse.

The rule holds true even if the will states otherwise.

Updating wills following a divorce

When two people divorce, it is important for both parties to update their wills. In some states, ex-spouses may still inherit certain assets if the will is not updated. However, some states have laws stating that ex-spouses no longer have the right to inherit certain assets after a divorce.

Rights of children

Most states have provisions to protect the rights of children who are born after the creation of a will.

For example, consider a woman who creates a will when she has two daughters. She specifies that each one should receive 50% of her assets.

She forgets to update the will after the birth of her third daughter and dies before she has a chance to update it. After the woman dies, under such laws, each of her children would receive an equal amount of her assets, in this case, 33% each. The same idea is applicable for grandchildren when they are included in a will.

Also, a will leaves no right of election for children. When a parent disinherits their child in writing, the only choice left if they want a share of the inheritence is to contest the will in court.

Inheritance taxes

Inheritance tax can be an issue in larger estates whether the assets are transferred through succession, a will or right of election.

For 2026, the federal estate tax exemption is $15 million per individual ($30 million for a married couple). Estates valued below this threshold typically owe $0 in federal taxes. Some states have their own estate taxes as well.

Since inheritance laws are complex, it is crucial to understand state and federal laws when creating an estate plan and drafting a will.

The takeaway

Careful planning about who to include in a will and what to leave to each person can help avoid conflicts among survivors. Careful planning also can ensure that your precious assets are left to the right parties and do not fall into the wrong hands.

Contact us to learn more or discuss any concerns.

More Savers Are Turning to Annuities Amid Growing Volatility

FOR MANY people, the word "annuity" immediately brings investments to mind. They compare annuity returns with stock market returns and wonder whether annuities will outperform other financial products.

That approach may miss the point.

Financial professionals increasingly view annuities not as investments but as a form of longevity insurance. Just as homeowner's insurance protects against the financial impact of a fire or auto insurance helps cover the cost of an accident, certain annuities are designed to protect against one of retirement's biggest risks: outliving your savings.

Unlike traditional investments, which can rise and fall with the markets, many annuities are designed to provide guaranteed lifetime income. No matter how long you live, you'll continue receiving payments, creating a dependable source of retirement income alongside Social Security or a pension.

As traditional pensions have largely disappeared from the private sector, many retirees are looking for other ways to create that same sense of financial security. That's one reason annuity sales have continued to climb as millions of baby boomers reach retirement age.

Uncertainty is fueling demand

Economic uncertainty has only strengthened interest in annuities.

Concerns about conflict in the Middle East, including tensions involving Iran, along with ongoing inflation and questions about the economy have left many investors looking for ways to reduce risk. Even after periods of strong market performance, many retirees and those nearing retirement worry that a sharp market decline could permanently derail their financial plans.

For investors seeking stability, annuities can offer an appealing alternative. Rather than worry about market swings, investors can rely on a portion of their retirement income being guaranteed by the issuing insurance company, subject to its terms and financial strength.

That doesn't mean investors should abandon stocks or other growth investments. Instead, many financial professionals view annuities as one component of a balanced retirement strategy. Investments can help grow wealth, while guaranteed lifetime income can help cover essential expenses regardless of market performance.

Types of annuities

- Some products, like fixed annuities, are designed to provide guaranteed lifetime income. They pay a fixed amount every month in perpetuity. They are the lowest risk option.
- Others combine insurance features with investment components that offer more flexibility but may also involve greater complexity, higher fees or returns tied to market indexes. Payouts may vary depending on market conditions.
- Immediate annuities start payments soon after purchase, while deferred income annuities let buyers lock in lifetime income that begins years later.
- Variable and indexed annuities, meanwhile, often include investment components and optional income riders that may be appropriate for some investors but require careful evaluation of costs, features and restrictions. Payouts from these annuities may vary depending on market performance.

Gauging if an annuity is right for you

Annuities are not a one-size-fits-all solution, but they may make sense for people who value predictable income and want greater confidence that they won't outlive their savings.

Key questions to ask if you are considering an annuity:

- Do you worry about running out of money in retirement?
- Do you prefer safe, steady payouts over stock market growth?
- Can you leave your money locked up for years without needing it for emergencies?

If you answered yes to any of the three questions, you may consider an annuity.

Because annuities vary widely in their features, costs and payout options, it's worth reviewing your retirement goals with a trusted financial or insurance professional before making a decision. The right annuity can provide valuable peace of mind, but only if it complements your overall retirement strategy rather than serving as a substitute for one.