MARSH & McLENNAN AGENCY

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BENEFITS NEWS AND VIEWS

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IRS ANNOUNCES NEW 2017 HEALTH SAVINGS ACCOUNT CONTRIBUTION AND HIGH DEDUCTIBLE HEALTH PLAN LIMITS

The Internal Revenue Service has announced the new contribution limits to health savings accounts for tax year 2017. They also confirmed that the limitations and deductible guidelines on high deductible health plans will remain unchanged for tax year 2017.

Health savings accounts, or HSAs, are tax-advantaged savings accounts that individuals and families can use to save money pretax to fund future medical expenses. However, taxpayers may only contribute to these HSAs if they are covered by a qualified high deductible health plan, or HDHP.

HSA CONTRIBUTION LIMITS

The new HSA contribution limit for 2017 is $3,400 for individual coverage. This is an increase of $50 from the 2016 maximum contribution amount.

For family plans, the maximum HSA contribution limit for 2017 is unchanged from 2016 levels at $6,750.

Taxpayers ages 55 and older are eligible for an additional catch-up contribution of $1,000 per year in 2017. That figure is unchanged from 2016. Catch-up contributions may be made at any time during the year in which an HSA participant turns 55.

HIGH DEDUCTIBLE HEALTH PLAN

MINIMUM DEDUCTIBLES

For tax year 2017, the minimum deductible for an individual only HDHP is $1,300.

For family coverage, the minimum allowable deductible for a family HDHP in 2017 is $2,600. Again, both numbers are unchanged from 2016 levels.

HIGH-DEDUCTIBLE HEALTH PLAN MAXIMUM OUT-OF-POCKET AMOUNTS

HDHPs are subject to maximum amounts that covered individuals and families may be required to pay out-of-pocket for covered medical services. The maximum out-of-pocket levels apply to deductibles paid, copays, coinsurance costs, and other fees. Premiums, however, are not included in the maximum out-of-pocket cost rules.

For individual plans, the maximum out-of-pocket cost for HDHPs is capped at $6,550.

For family plans, the maximum out-of-pocket costs for HDHPs is capped at $13,100.

Again, both numbers are unchanged from 2016 levels.

NONQUALIFIED EXPENSES

While assets in HSAs enjoy tax-free growth if used for qualified medical expenses, the IRS charges a substantial penalty of 20 percent for any funds you withdraw prior to age 65 for any other reasons, unless the participant is totally or permanently disabled. This 20 percent is in addition to any income tax you may owe on the amount withdrawn.

ADULT CHILDREN

If you cannot claim a child on your individual tax return as a dependent, you generally cannot include them as family members for the purposes of administering a HSA or HDHP. That means you cannot spend HSA money on health services for adult children who are no longer dependents without being subject to taxes and penalties for nonqualified expenses.

Generally, once a child turns age 19, he or she may be considered a dependent only under the following circumstances:

The individual has had the same principal residence as the covered employee for 181 or more days during the year, has not provided more than one half of his or her own support during the tax year, and is not yet 19, or if a student, not yet 24, or is permanently and totally disabled.

SURVEY: ACCESS TO RETIREMENT PLAN, LOW DEBT KEYS TO RETIREMENT CONFIDENCE

Americans are slowly becoming more confident about their ability to afford an acceptable lifestyle in retirement, a recent survey shows. However, only a small percentage of Americans are actually doing the things they need to do in order to be prepared for their retirement years.

In the 2016 Retirement Confidence Survey, an annual report from the Employee Benefit Research Institute, researchers found that 21 percent of workers report that they are 'very confident' they will have enough money to retire comfortably. That's roughly even with last year's figure of 22 percent, but much better than the 13 percent figure from 2013.

Conversely, the percentage of Americans surveyed who reported they were "not at all confident" about having enough money to live on in retirement fell from 28 percent in 2013 to 19 percent in 2016. However, that figure is nearly twice as high as the 10 percent that reported being not at all confident in 2007.

The increase in confidence level compared to 2013 was almost entirely among people who reported they had access to a retirement plan. Workers without a retirement plan were three times more likely to report that they were not at all confident about their financial security (38 percent) than those Americans who do have access to a retirement plan (11 percent).

Americans are significantly more confident about their ability to afford medical expenses this year, with 42 percent saying they are "very confident." That's a major increase from the 24 percent expressing such confidence in 2013.

This year's survey also brought good news on consumer debt levels. 67 percent of retirees report that they do not have a problem with debt - a significant improvement from 2014, when 55 percent of Americans reported that they had a problem with debt.

Among workers in general, 44 percent of Americans reported that they had no problem with debt levels, while 40 percent reported they had a minor problem. 15 percent said they had a major problem with debt - higher than last year's 13 percent, but better than 2011's figure of 22 percent.

Among those who reported debt to be a major problem, 50 percent of them reported they were not at all confident about their ability to live comfortably in retirement. Among those who reported that debt was a "minor problem" or "no problem," the percentages of people who reported they were "not at all confident" were 14 percent and 12 percent, respectively.

Dispite high confidence levels, workers are failing to adequately prepare for retirement. 48 percent of workers reported that neither they nor their spouse have attempted to project how much money they will need to have saved in order to have an acceptable retirement lifestyle.

Three out of ten workers report they have not saved money for retirement. Access to a retirement plan is key: 88 percent of workers who have access to a retirement plan have saved money for retirement. Among those workers who don't have access to a retirement plan, that figure is just 21 percent.

A significant number of Americans who have saved for retirement have not saved much: 9 percent of Americans with access to a retirement plan have saved less than $1,000, and 24 percent of them have saved less than $10,000.

Among those Americans who don't have access to a retirement plan, two-thirds report they have saved less than $1,000. 83 percent of these workers have saved less than $10,000.

The data comes from the *2016 Retirement Confidence Survey*, Employee Benefit Research Institute and Greenwald & Associates. You can view the complete findings at www.ebri.org/files/RCS_16.FS-3_Preps.pdf.

MOST AMERICANS LACK DISABILITY INSURANCE OR MEANS TO FINANCIALLY SURVIVE A LONG-TERM DISABILITY

According to a Cigna survey, about 50 percent of workers in the United States liked their jobs, and 10 percent would continue working the same job even if they had enough money to never work again. However, the survey also found that most workers did not have solid plans for sustaining income if they suffered a severe injury or disability. In 2014, more than 1.5 million American workers suffered illnesses or injuries that resulted in long-term work absences.

Of the workers who reported taking steps to financially protect themselves, these are some examples of their positive actions:

- Adopting a healthy lifestyle to prevent chronic illnesses
- Saving money for unexpected health issues
- Taking steps to avoid injuries at work

Only 10 percent of survey responders had disability insurance or a similar plan such as critical illness insurance. The Bureau of Labor Statistics reported that less than 40 percent of those who work in the private industry have short-term disability insurance, and even fewer carry long-term disability coverage.

In the Cigna study, almost 45 percent of participants reported worrying about how they would pay medical costs that their plans would not cover if they were seriously injured. Government disability benefits provide only a fraction of a worker's previous income. However, supplemental personal policies can help fill those gaps. Many disability plans also include services designed to help people stay at work even if they cannot return to the exact same position. If they are unable to return to work at all, most disability plans offer assistance in obtaining Social Security benefits as well.

Employers can help their workers prevent these struggles by offering disability insurance and other beneficial policies such as accidental injury, critical illness, and hospital indemnity. Also, employers must educate their workers about the importance of supplemental coverage. Many survey respondents mistakenly believed that the Family and Medical Leave Act's provisions would suffice for a long-term absence after an injury. However, FMLA provisions only cover periods of absence and do not offer any financial assistance. To learn more about employer-sponsored disability coverage and other supplemental options, discuss concerns with your MMA Account Manager.

PREVENT THE SPREAD OF FLU IN THE WORKPLACE THROUGH FLU SHOTS

Every year, when flu season approaches, the Centers for Disease Control try to help Americans learn how to protect themselves and their families. They offer information about vaccinations, how vaccines work, and facts about the flu virus. The CDC hopes to help people prevent the spread of influenza in the workplace.

Flu season runs concurrently with cold season, typically beginning in November and lasting through April. Both flu and cold viruses often spread from one surface to another in the workplace with the help of human hands. Experts at the CDC say that people are more contagious during the first two to three days after contracting a cold, but they are contagious immediately after contracting the flu virus. This means that people are infectious even before they develop symptoms, which is a major reason why the flu is spread so easily. People with the flu virus continue being contagious for about five days after initial infection.

Research shows that between 5 and 20 percent of Americans become infected with the flu annually, and the virus costs a cumulative amount every year of more than $10 billion in medical expenses. It also accounts for more than $16 billion in lost wages. Of people hospitalized with the flu, about 60 percent are between the ages of 18 and 64. This is the typical age range for working Americans, so experts urge all people who work with others to take the proper precautions.

EMPLOYERS CAN HELP PREVENT THE SPREAD OF FLU IN THE WORK PLACE BY:

- Encouraging employees to be vaccinated every year
- Hosting vaccination clinics at the workplace or at a designated pharmacy
- Providing literature about vaccines that shows the benefits of being vaccinated
- Offering discounted flu vaccines for workers' family members as well as workers themselves
- Making sure doorknobs, counter tops, and all other common area surfaces are properly sanitized at least once daily during flu season

EVERYONE CAN HELP STOP THE SPREAD OF FLU BY DEVELOPING HEALTHY HABITS SUCH AS:

- Staying home from work at the first sign of flu symptoms to reduce the possibility of infecting others

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- Avoiding being around people who have been infected with the flu and have symptoms
- Always covering the nose and mouth when sneezing. Cover your sneeze with a tissue or your elbow rather than your hand.
- Washing hands frequently, and always before eating or touching your face. Flu germs are easily spread when someone touches an infected surface and then rubs their nose or touches food.
- Turning off the faucet with a paper towel when washing hands. Use that towel to open the door as well.

In addition to these practices, employers should encourage their employees to drink plenty of fluids and avoid sharing cups or straws. They should also encourage employees to get plenty of fresh air, eat healthy foods, and exercise adequately.

For more information about Employee Benefits and other solutions from Marsh & McLennan Agency, visit marshmclennanagency.com, or contact your local representative.

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