SUMMARY OF 2026 PRELICENSING CHANGES FROM 2025

The changes affecting Life and Accident and Health are related to tax code changes and are included below.

There are no changes to Property and Casualty.

There are no changes to insurance law.

LIFE

■ **Traditional Individual Retirement Account (IRA) – is an example of a tax-qualified retirement plan and has the following key characteristics:**

- Available to ANY tax-paying individual.
- Contributions made to the plan in **cash** (checks, money orders, cash, etc.) **are tax deductible**.
- The 2026 limit per year per individual is $7,500 for those age 49 years old and younger, and $8,600 for those age 50 and older (also, you can't put in more than you earn).
- Distributions (income) from the IRA must be started by age 73 (Secure 2.0 Act 2022 starting in 2023).
- **ALL WITHDRAWALS** are TAXED. If younger than 59½, there is also a 10% tax penalty.

■ **ROTH IRA – is a retirement account option with the following key characteristics (compare to traditional IRA above):**

- There is no magic age limiting contributions to a ROTH IRA (i.e., can still contribute beyond age 72).
- Contributions are **NOT tax deductible** but still grow tax deferred.
- The 2026 limit per year per individual is $7,500 for those age 49 years old and younger, and $8,600 for those age 50 and older (also, you can't put in more than you earn).
- Distributions **do not have to begin at 73**; however, premature withdrawal before 59½ incurs a tax penalty of 10%.
- As long as the individual is older than 59½ and has made no withdrawals for a certain period of time (five years), **withdrawals are received TAX FREE**.

NOTE: Although the Roth IRA is a qualified plan in the sense that the IRS has restrictions on use and amounts, since the money deposited is after-tax, it is similar to life insurance premiums in this regard, and therefore the money put in is *nonqualified*.

Programs Using Pretax Dollars to Pay Out-of-Pocket Expenses

6) Flexible Spending Account (FSA) – Also called a *flex plan* or a *cafeteria plan* (IRS Sec. 125), a **flexible spending account (FSA) is an employer-sponsored benefit** that allows an employee to pay for eligible medical expenses on a pretax basis (similar arrangements are available for dependent and child-care expenses). Employees expecting to incur medical expenses that won't be reimbursed by the regular health insurance plan can take advantage of an employer-sponsored FSA if one is offered.

An FSA saves individuals money by reducing their income taxes. The contributions you make to an FSA are deducted from paychecks *before* federal, state, and Social Security taxes are calculated and are never reported to the IRS. Taxable income decreases while spendable income increases. The limit on **health care** FSA contributions per individual is **$3,400 per year** (2026). Some businesses offer dependent care FSAs for **dependent expenses**, which has an IRS **per household limit of $7,500** (2026) per year, $3,750 if married filing separately.

FSAs are notorious for their **"use it or lose"** rule, which means that if money is left in an FSA account, it *cannot* be rolled over for reimbursement use in the next calendar year (a 2.5-month grace period began in 2012). Today, **employers can amend their plan** to allow a carryover from one year to the next of **up to a maximum of $680** (this alters the previous FSA "use it or lose it" rule). If allowed by the plan through amendment, this carryover does not impact the indexed $3,400 pretax contribution an employee plan participant can make for the tax year. If the plan is not amended, a carryover is not allowed.

7) High-Deductible Health Plan (HDHP) and Related Health Savings Accounts

Currently (2026), the plans are all similar in the fact that HDHPs **have deductibles that range** from **$1,700 and $8,500** for singles, and from **$3.400** and **$17,000** for families. Once an HDHP insurance policy has become effective, the funding of the HSA may commence. Annual contribution levels for 2025 HSAs are as follows:

- **Maximum annual** HSA contribution for an **eligible individual with self-only coverage is $4,400**.
- **For family coverage, the maximum HSA contribution is $8,750.** These limit ranges and contribution levels can change from year to year, so consult your carrier or account for specific details for any given tax year.
- In addition, there is a ***catch-up*** contribution provision for HSA account holders **aged 55 and older of $1,000 per year (added to single or family limits, above)**.

SECTION III) <u>SOCIAL INSURANCE</u>

A) Medicare Parts A, B, C, D

Enrollees age 65 and over who have **fewer than 40 quarters of coverage** and certain persons with disabilities **pay a monthly premium** in order to receive coverage under Part A. Individuals with 30–39 quarters of coverage may buy into Part A at a reduced monthly premium rate, which is $311.00 while those with fewer than 30 quarters of coverage pay the **full premium of $565.00 a month**.

<u>The Coverages of Part A include</u>:

- **Hospital care –** All covered services for 60 days **except in-hospital deductible charge ($1,736) due for each benefit period**. After 60 and up to 90 days, the **daily coinsurance** amount is $434, and for the 91st day and thereafter, $868 is charged daily to the insured (up to
  coverage day 150, when all Medicare Part A lifetime days are exhausted, and a supplement covers hospital charges after this limit is reached).
- **Inpatient skilled nursing** facility care as medically necessary – **All covered expenses first 20 days**, then next 80 days with a $217 daily deductible. (After 100 days, Medicare no longer pays for nursing home expenses). This does ***not*** cover custodial or long-term care.
- **Home health visits for services such as** intermittent skilled nursing care, physical therapy, speech-language pathology services, or continued occupational services.
- **Hospice care – Which is making terminally ill patients more comfortable in the last few days of life with pain medications, is also covered**.

■ **<u>Medicare Part B – Medical Insurance</u>** – Part B helps to pay **physician's bills, home health service, psychiatric care, and other medical and health services**. **A deductible is paid ($283 for 2026), and then cost is split 80%/20%; that 20% does not end (expenses that are *medically necessary*). Part B will also cover *preventive services* (e.g., flu prevention)**. Unlike Part A, **Part B coverage is not mandatory**, although most people covered under Plan A also have Part B coverage (an additional premium is charged by the government). The insured must have Part A to receive Part B coverage.

The insured under Part A must opt for Part B, which requires the insured to pay a monthly premium, to be eligible to purchase a Medicare supplement policy. In 2026, this monthly amount equals $202.90 for the lowest income tier ($109,000 individual and $218,000 filing jointly).

Part B covers certain drugs, such as injections you get in a doctor's office, certain oral cancer drugs, and drugs used with some types of durable medical equipment, such as a nebulizer or external infusion pump. Under very limited circumstances, Part B covers certain drugs given in a hospital outpatient setting. The insured pays 20% of the Medicare-approved amount for these covered drugs. Part B also covers flu and pneumococcal shots. **Generally, Medicare drug plans cover other vaccines, such as the shingles vaccine, needed to prevent illness.**

There are five tiers of premium cost based on the insured's income level. The **lowest individual tier is for less than $109,000 income** (the cost cited in a previous paragraph) while the highest tier level is greater than $500,000, at which level the monthly cost of Part B is $689.90. For married filing jointly taxpayers, double the income (up to a limit of greater than or equal to $750,000) levels shown above.