

# Cape Ann Savings

Trust & Financial Services



**John T. Brennan, Esq. CFP®**  
Vice President/Senior Trust Officer  
Cape Ann Savings Bank  
Trust & Financial Services

109 Main Street • Gloucester • MA • 01930  
978-283-7079  
john.brennan@castrust.com • <http://www.capeannsavings.bank>



## Rising Premiums

Approximately 157 million Americans are covered by employer-sponsored health insurance. From 2010 to 2020, premiums increased much faster than the rate of general inflation, although the increase has slowed somewhat in recent years. Employers absorbed the largest share of the premium increases, and the percentage paid by workers dropped over the period. However, workers are paying additional costs in the form of higher deductibles and other out-of-pocket expenses.

**Average annual employer and worker premium contributions for family coverage**



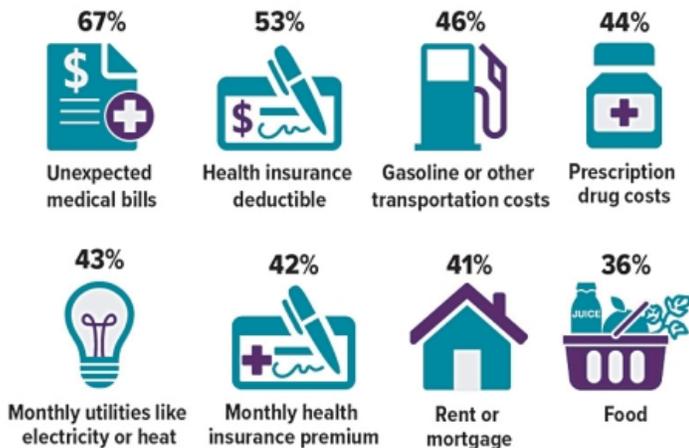
# What a Relief! Congress Acts Against Surprise Medical Bills

If you have ever been caught off-guard by a large medical bill, a long-running practice known as balance billing might be the reason. A balance bill — which is the difference between an out-of-network provider's normal charges for a service and a lower rate reimbursed by insurance — can amount to thousands of dollars.

Many consumers are already aware that it usually costs less to seek care from in-network health providers, but that's not always possible in an emergency. Complicating matters, some hospitals and urgent-care facilities rely on physicians, ambulances, and laboratories that are not in the same network. In fact, a recent survey found that 18% of emergency room visits resulted in at least one surprise bill.<sup>1</sup>

## Who's Afraid of High Health-Care Costs? Most People

Percent of surveyed adults who say they are worried about being able to afford the following expenses



Source: Kaiser Family Foundation and JAMA, 2020

## Coming Soon: Comprehensive Protection

The No Surprises Act was included in the omnibus spending bill enacted by the federal government at the end of 2020. The new rules will help ensure that consumers do not receive unexpected bills from out-of-network providers they didn't choose or had no control over. Once the new law takes effect in 2022, patients will not receive balance bills for emergency care, or for nonemergency care at in-network hospitals, when they are unknowingly treated by out-of-network providers. (A few states already have laws that prevent balance billing unless the patient agrees to costlier out-of-network care ahead of time.)

Patients will be responsible only for the deductibles and copayment amounts that they would owe under the in-network terms of their insurance plans. Instead of charging patients, health providers will negotiate a fair price with insurers (and settle disputes with arbitration). This change applies to doctors, hospitals, and air ambulances — but not ground ambulances.

## Consent to Pay More

Some patients purposely seek care from out-of-network health providers, such as a trusted family physician or a highly regarded specialist, when they believe the quality of care is worth the extra cost. In these nonemergency situations, physicians can still balance bill their patients. However, a good-faith cost estimate must be provided, and a consent form must be signed by the patient, at least 72 hours before treatment. Some types of providers are barred from seeking consent to balance bill for their services, including anesthesiologists, radiologists, pathologists, neonatologists, assistant surgeons, and laboratories.

## Big Bills Will Keep Coming

The fact that millions of consumers could be saved from surprise medical bills is something to celebrate. Still, many people may struggle to cover their out-of-pocket health expenses, in some cases because they are uninsured, or simply due to high plan deductibles or rising costs in general. Covered workers enrolled in family coverage contributed \$5,588, on average, toward the cost of premiums in 2020, with deductibles ranging from \$2,700 to more than \$4,500, depending on the type of plan.<sup>2</sup>

When arranging nonemergency surgery or other costly treatment, you may want to take your time choosing a doctor and a facility because charges can vary widely. Don't hesitate to ask for detailed estimates and try to negotiate a better price.

If you receive a bill that is higher than expected, don't assume it is set in stone. Check hospital bills closely for errors, check billing codes, and dispute charges that you think insurance should cover. If all else fails, offer to settle your account at a discount.

1-2) Kaiser Family Foundation, 2020

# Year-End 2021 Tax Tips

Here are some things to consider as you weigh potential tax moves before the end of the year.

## Defer Income to Next Year

Consider opportunities to defer income to 2022, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services in order to postpone payment of tax on the income until next year.

## Accelerate Deductions

Look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as medical expenses, qualifying interest, and state taxes before the end of the year (instead of paying them in early 2022) could make a difference on your 2021 return.

## Make Deductible Charitable Contributions

If you itemize deductions on your federal income tax return, you can generally deduct charitable contributions, but the deduction is limited to 60%, 30%, or 20% of your adjusted gross income (AGI), depending on the type of property you give and the type of organization to which you contribute. (Excess amounts can be carried over for up to five years.) For 2021 charitable gifts, the normal rules have been enhanced: The limit is increased to 100% of AGI for direct cash gifts to public charities. And even if you don't itemize deductions, you can receive a \$300 charitable deduction (\$600 for joint returns) for direct cash gifts to public charities (in addition to the standard deduction).

## Bump Up Withholding

If it looks as though you're going to owe federal income tax for the year, consider increasing your withholding on Form W-4 for the remainder of the year to cover the shortfall. The biggest advantage in doing so is that withholding is considered as having been paid evenly throughout the year instead of when the dollars are actually taken from your paycheck.

## Increase Retirement Savings

Deductible contributions to a traditional IRA and pre-tax contributions to an employer-sponsored retirement plan such as a 401(k) can help reduce your 2021 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so. For 2021, you can contribute up to \$19,500 to a 401(k) plan (\$26,000 if you're age 50 or older) and up to \$6,000 to traditional and Roth IRAs combined (\$7,000 if you're age 50 or older). The window to make 2021 contributions to an employer plan generally closes at the end of the year, while you have until April 15, 2022, to make 2021 IRA contributions. (Roth contributions are not deductible, but qualified Roth distributions are not taxable.)

## RMDs Are Back in 2021

While required minimum distributions (RMDs) were waived for 2020, they are back for 2021. If you are age 72 or older, you generally must take RMDs from traditional IRAs and employer-sponsored retirement plans (an exception may apply if you're still working for the employer sponsoring the plan). Take any distributions by the date required — the end of the year for most individuals. The penalty for failing to do so is substantial: 50% of any amount that you failed to distribute as required. After the death of the IRA owner or plan participant, distributions are also generally required by beneficiaries (either annually or under the 10-year rule; there are special rules for spouses).

## Weigh Year-End Investment Moves

Though you shouldn't let tax considerations drive your investment decisions, it's worth considering the tax implications of any year-end investment moves. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses above the amount of your gains can be used to offset up to \$3,000 of ordinary income (\$1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

## More to Consider

Here are some other things to consider as part of your year-end tax review.

### Consider postponing income and/or accelerating deductions if



You expect to be in a lower tax bracket next year (perhaps you'll retire next year)



Your itemized deductions are greater than the standard deduction this year



You want to delay payment of tax

### Consider accelerating income and/or postponing deductions if



You expect to be in a higher tax bracket next year (perhaps you have a lower income this year)



The standard deduction is greater than your itemized deductions this year



You're subject to alternative minimum tax this year and certain deductions are disallowed

# Smarter Spending on Deep-Discount Days

Unless you complete your holiday shopping before Halloween, you might be enticed by Black Friday and Cyber Monday deals. These tips may help you save time and money.

**Create a budget.** Before you start shopping, establish an overall budget. Make a list of gifts you will need to buy and decide exactly how much you can afford to spend on each person.

**Beat the crowds.** If you shop early in the season, items are more likely to be in stock and you may face fewer shipping delays. Sales often start well before Black Friday, so keep an eye out for special promotions at least a week or two ahead. Signing up for online or social media deal alerts can help.

**Research pricing.** Knowing whether a deal is truly good can be tricky, but many websites and phone apps are available that can help you compare items and prices as you shop.

**Set up accounts.** To complete purchases quickly, consider saving your information and shipping addresses on trusted online accounts with your favorite retailers. Make it a habit to search for promotional and coupon codes that you can use at checkout. Review shipping costs, too, to avoid paying more than you expect.

**Track purchases.** To help you stick with your budget, keep track of what you spend. If you're shopping with

credit, try using one card for everything so you can quickly review your spending. A rewards card may give you cash back, points, or miles that you can redeem in the future, but watch out for high interest rates if you can't pay off the balance in full.



*Holiday retail sales totaled \$789.4 billion in 2020, rising 8.3% over 2019.*

Source: National Retail Federation, 2021

**Use cash.** Consider using a debit card or cash for in-store purchases. Carrying only a predetermined amount of money in your wallet may help you avoid overspending.

**Pay attention to the fine print.** Retailers may have special policies in place for the holiday season. Knowing the time limits for exchanges or returns is especially important when you're shopping early. Ask for gift receipts and keep your own copies.

**Watch out for exclusions.** Promotional prices might be limited to certain items and may expire quickly, so understand the details.

**Look for price guarantees.** If you buy an item that later goes on sale, some retailers will refund the difference within certain time limits. Retailers may also match a competitor's price on an identical item (you may need to provide proof of the purchase).

---

Investments purchased through the Cape Ann Savings Bank Trust & Financial Services department are not FDIC insured, not FDIC guaranteed, not bank guaranteed and may lose principal value.