

Financial Decision Points – Ages 50 to 75

Quote: *“It is all too common: After the spouse who was managing the household finances dies, the survivor is left with no idea of how to manage money.”* Just like the household cook might have a collection of recipes, the household finance manager should have a binder, file, or electronic folder listing accounts, bills and adviser contact information, so the other can step in when they need to.

Class Agenda

- Introduction
- Opening quiz
- Dates, dates, and more dates
- Social Security
- Medicare
- Investments
- Taxes
- Final tips & takeaways

Opening Quiz of TLAs (with one exception)

TLA	Three-Letter Abbreviation (Acronym)
IRS	Internal Revenue Service
IRA	Individual Retirement Account
DOB	Date of Birth
AGI	Adjusted Gross Income
SA	Social Security Administration (also SS)
FRA	Full Retirement Age
PIA	Primary Insurance Amount (@ FRA)
SSI	Supplemental Security Income
HSA	Health Savings Account
HDHP	High-Deductible Health Plan
FSA	Flexible Spending Account
HMO	Health Maintenance Organization
PPO	Preferred Provider Organization
PCP	Primary Care Physician

Dates, dates, and more dates

Age 50

- You can join OLLI 😊
- Increase IRA contributions by \$1,000 per year (from \$7,000 for 2024) (indexed for inflation in future years)
- Increase 401K and 403b contributions by \$7,500 per year (from \$23,000 for 2024)
- Start SS Widow(er) benefits if disabled and married more than 1 year

Age 59½

- No more early withdrawal penalty (10%) from IRAs and 401ks

Age 60

- Earliest possible age to collect SS widow(er) benefits if not disabled and no qualifying children (natural, step-, adopted, or legal guardian grand-children)

Age 62

- Earliest possible retirement age to collect SS reduced retirement benefits or SS reduced spousal benefits (only if spouse collecting SS)
- If you keep working, you are limited to \$22,320 for 2024 before losing \$1 in benefits for each \$2 earned.

Age 65

- Need to sign up for Medicare part A (+/- 3 months)
- Optional sign up for part B & Part D & Medigap
- HSA contributions cease (you must stop them, I believe)
- Submit OV65 exemption with county appraisal district at beginning of year

Age 66 & 6 months, 8 months, 10 months, or 67

- Earliest possible retirement age to collect Social Security full benefits

Ret. Age	66+6	66+8	66+10	67
Birth	1957	1958	1959	1960
Jan	Jul-23	Sep-24	Nov-25	Jan-27
Feb	Aug-23	Oct-24	Dec-25	Feb-27
Mar	Sep-23	Nov-24	Jan-26	Mar-27
Apr	Oct-23	Dec-24	Feb-26	Apr-27
May	Nov-23	Jan-25	Mar-26	May-27
Jun	Dec-23	Feb-25	Apr-26	Jun-27
Jul	Jan-24	Mar-25	May-26	Jul-27
Aug	Feb-24	Apr-25	Jun-26	Aug-27
Sep	Mar-24	May-25	Jul-26	Sep-27
Oct	Apr-24	Jun-25	Aug-26	Oct-27
Nov	May-24	Jul-25	Sep-26	Nov-27
Dec	Jun-24	Aug-25	Oct-26	Dec-27

- If you keep working, you are limited to \$59,520 for 2024 before losing \$1 in benefits for each \$3 earned. Only earnings up to the month before you reach FRA are counted.
- If planning to retire at FRA, consider doing so in January if birthday is early in the year and you don't expect to hit the limit in the prior bullet.

Age 70

- File for maximum Social Security benefits (24% to 32% bonus); **Don't wait any longer**

Age 70½

- Able to make Qualified Direct Contributions (QCDs) to charities from IRAs (not 401Ks) and not have those amounts show on your tax return as ordinary income

Age 73

- RMD (Required Minimum Distribution) begins for folks with DOB (1950-1959)

Age 75

- RMD begins for folks with DOB 1960 or later

Notes

- RMDs for Roth IRAs are not required during life of owner
- First RMD must be taken by April 1st of the year following age 73 (or 75)
- Second and later RMDs must be taken by 12/31 each year (possible double-up in first year, don't recommend)
- 25% penalty if not taken by deadline

Social Security

1935: Social Security enacted for retired workers age 65 or older

1939: Added benefits for dependent wife, age 65 or older and minor children

Survivor's benefits for dependent widow age 65

Minor children of deceased worker

Widowed mother of any age caring for those children

Dependent parents of deceased worker

1940: First monthly benefits paid to any of the above

1950: Sexism eliminated with benefits for dependent husband age 65 or older, and dependent widower

Dependent wife caring for minor children of retiree

Divorced widowed mother caring for the minor child of deceased if married at least 20 years

1956: Disability benefits for those over age 50, later amended to all ages

Disabled adult children of retired, disabled and deceased workers

Reduced retirement benefits to women, spouses, dependent wives & widows beginning at age 62

1961: Reduced retirement benefits to men and widowers

1965: Benefits for divorced wives at least age 62 and married for 20 years

1972: Delayed retirement benefit to age 70

1977: Retirement pensions for teachers and government employees treated same as SS pensions

Time of marriage for divorcees reduced to 10 years

1983: Retirement age increased from age 65 to 67

Benefits to children over age 18 eliminated

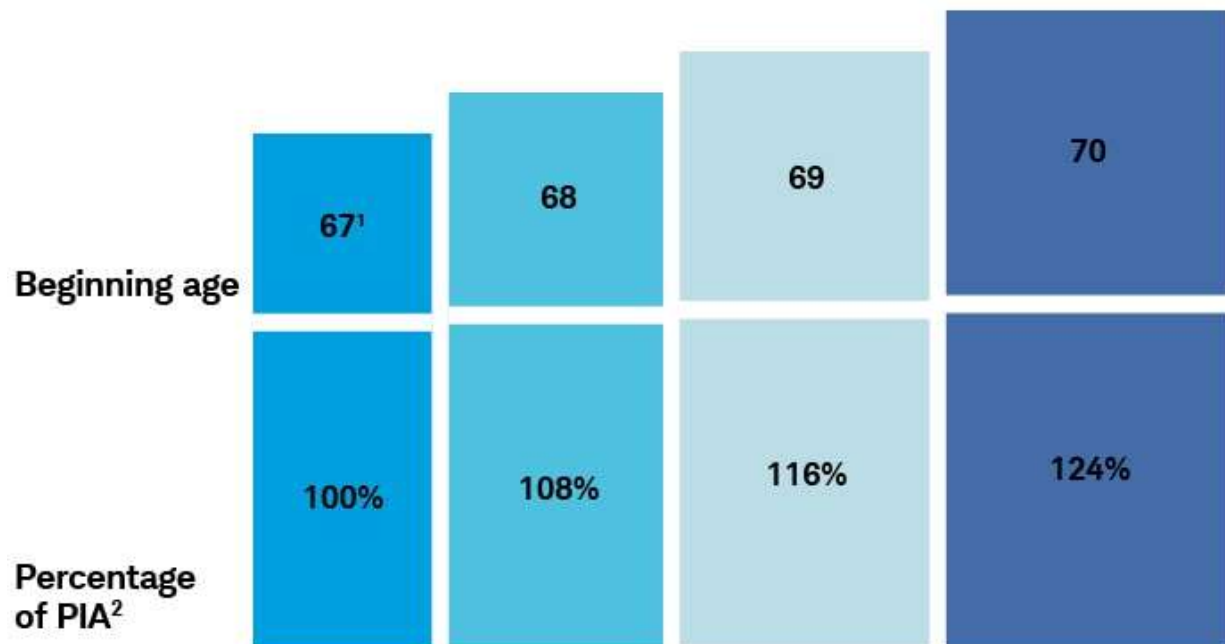
SS benefits became taxable

1996: Earnings penalty provisions eliminated for anyone over Full Retirement Age

Effect of delaying retirement benefits (DOB: January 2, 1960)



Effect of delaying retirement benefits (DOB: January 2, 1960)



Source: SSA.gov

For illustrative purposes only.

¹Represents full retirement age based on DOB January 2, 1960

²PIA = The primary insurance amount is the basis for benefits that are paid to an individual.

How should I decide when to take Social Security benefits?

Consider the following factors as you decide the best age for you to begin taking Social Security.

- Your cash needs
- Your life expectancy
- Your marital status
- Your employment status

Deciding when to take Social Security depends heavily on your circumstances. You can start collecting benefits—based on your work history—as early as age 62 (or sooner if you're disabled), wait until your full retirement age, or hold off until age 70. (If you're a survivor of another Social Security claimant, you can start receiving benefits—based on *their* earnings—as early as age 60). While there is no "correct" claiming age for everybody, the rule of thumb is that if you can afford it, delaying Social Security can pay off over a long retirement.

Consider taking Social Security benefits earlier if . . .

- You're no longer working and can't make ends meet without your benefits.
- You're in poor health and don't expect the surviving member of the household to make it to average life expectancy.
- You're the lower-earning spouse, and your higher-earning spouse can wait to file for a higher benefit.

Consider waiting to take Social Security benefits if . . .

- You're still working and make enough to impact the taxability of your benefits. (At least wait until your normal retirement age so benefits aren't further reduced due to earnings.)
- Either you or your spouse are in good health and expect to exceed average life expectancy (at age 65: men 84, women 87).
- You're the higher-earning spouse and want to be sure your surviving spouse receives the highest possible benefit.

Other Social Security benefits:

- Retiree Benefit Notes: PIA is the monthly average of highest 35 years of inflation-adjusted earnings
- Spousal benefits: Once primary earner has retired, spouse can receive benefits starting at age 62 (32.5%) up to FRA (50%)

- Divorcee benefits: Starting anywhere from age 62, currently unmarried, but previously married to ex-spouse 10+ years, ex-spouse does not need to be retired, doesn't matter if ex-spouse remarried: 32.5% - 50% of PIA
- Widow(er) benefits: Starting anytime if qualified dependents, and again at age 60, or 50 if disabled)
- Dependent benefits: Unmarried child <age 18 or <age 19 if in K-12, or any age if disabled <22, 50%, spouse 50%, family maximum: 150-188% of PIA)
- Disability benefits: Any age if worked 5 of last 10 years

What if I change my mind?

- You may withdraw your Social Security application within the first 12 months and pay back to the government any benefits you received (including Medicare payments, if applicable, and taxes deducted). You'll have to reapply later when you want to restart your benefits but be aware that you may cancel your application only once.
- For example, let's say you elect to receive early benefits at a reduced rate at age 62, but then after a few months, you decide to go back to work. You could withdraw your Social Security application, return the months' worth of benefits, and then wait until you quit your job or need the income to restart your monthly checks at a higher payout.
- Once you reach full retirement age, you also have the option to voluntarily stop benefits at any point before age 70 to receive delayed retirement credits (spousal benefits will be stopped as well). Benefits will automatically restart at age 70 at a higher amount—unless you choose to collect benefits before then.
- Note that when you withdraw your application or stop your benefits after full retirement age, you must specify if your Medicare coverage—if you have it—should also be discontinued.

What about taxes on Social Security?

- Social Security benefits may be taxable, depending on your "combined income." Your combined income is equal to your adjusted gross income (AGI), plus nontaxable interest payments (e.g., interest payments on tax-exempt municipal bonds) and half of your Social Security benefit. As your combined income increases above a certain threshold (from earning a paycheck, for instance), more of your benefit is subject to income tax—up to a maximum of 85%.

Single		Married	
< \$25,000	0%	< \$32,000	0%
\$ 25-34,000	50%	\$ 32-44,000	50%
> \$34,000	85%	> \$44,000	85%

What is the future of Social Security?

For years, the Social Security Board of Trustees has warned against a projected shortfall that would require the program to reduce benefits to recipients. In 2014, the board estimated a 23% cut in benefits after 2033; today, it predicts a 17% reduction after 2035. That, of course, is only if Congress fails to act, which seems unlikely, and it's doubtful that Social Security retirement benefits would go away entirely.

The most obvious solutions include raising the retirement age or increasing the payroll tax rate, both which Congress has implemented in the past to address similar insolvency concerns. By some estimates, raising the payroll tax from 12.4% to 15.73%—the cost of which is split evenly between employer and employee—would allow the program to remain fully solvent for another 75 years.

Some solutions, however, are likely to be unpopular with Congress and voters alike, and we may not see any changes from Congress until the eleventh hour. If you're skeptical about the future of Social Security or wary of potential changes, you may be tempted to start benefits early, assuming that it's better to have something than nothing. Instead, use your concern as a good reason to save more—and earlier—for your retirement.

- Currently 70 M recipients – 4.6 M Texans (\$83.2 B in benefits in 2022)
- 55,000 employees (lowest level in 30 years) (1 per 1275 recipients)
- 75,000 new recipients each week (60,000 new retirees)
- \$168,600 current earnings limit for 2024. (Warren Buffet hits limit 17 seconds after midnight on Jan. 1st)

Social Security Administration Contact Information

- **Web portal:** www.SSA.gov
- **Phone:** 800-772-1213
- **Local office:**

Denton	2201 Colorado Blvd	888-717-1530
McKinney	3250 Craig Dr	866-931-2731

Medicare

Original Medicare (OM)

- Part A – Hospitalization, SNF, Nursing Home*, Hospice, Home Health
- Part B – Doctors, Ambulance, DME, Mental Health, 2nd surgical opinion
- Part D – Prescription Drugs

Medicare Advantage (MA)

- Part C – Combines Parts A, B, & optionally D
- May offer Dental, Vision, Hearing for a premium or not
- Premium may be covered Part B premium equivalent or may charge extra

Medicare Part A – Hospital +

Signing Up

- Age 65 +/- 3 months
- No premium (Medicare withholding during your working life covers part A)

Covers

- Hospital and SNF (Skilled Nursing Facility) care
- Nursing Home care – if custodial care is not the only care you need
 - Custodial care = 6 ADLs (Activities of Daily Living)
(Bathing, Dressing, Eating, Grooming, Mobility, Toileting)
- Hospice care (facility or home); Home Health services

Medicare Part B – Doctors +

Signing Up

- Age 65 +/- 3 months, unless covered through other insurance
- Premium is deducted monthly from SS benefit or quarterly if self-pay

Covers

- Doctors (preventative or medically necessary)
- Ambulance services, Clinical research
- DME (Durable Medical Equipment) – walkers, oxygen, CPAP, etc.
- Mental Health (In/Out-patient, partial hospitalization)
- 2nd surgical opinions

Medicare Part D – Prescription Drug

Signing Up

- Age 65 +/- 3 months, unless covered through other insurance
- You pick your plan based upon the drugs you take, the pharmacy you use, and the zip code in which you live (in urban areas, many choices)
- Medicare.gov will show all the plans available to you
- Premium determined by plan you choose (repeat every year 10/15-12/7)

Covers

- All drugs in selected plan's formulary
- You pay monthly premium (through SS), copays, and deductibles

Medicare Caveats

Premiums

- If you don't sign up for Part B at 65 or when other coverage stops, you will pay a 10%/year premium uplift for the remainder of your life
- If high AGI (>\$106K single, >\$212K married) an additional \$72-\$432/month
- If you don't sign up for Part D at 65 or when other coverage stops, you will pay a 1%/month premium uplift for the remainder of your life
- If high AGI (see above) an additional \$13.30-\$83.30 / month

Health Savings Accounts (HSAs)

- Stop HSA premiums one month before enrollment in Medicare

Medicare Supplement (Medigap)

- Medicare covers 80% of approved amounts once your deductible has been met
- If you want to insure for paying the other 20%, your deductibles, and possibly needs while traveling, you can purchase Medigap insurance
- You choose which company and which plan type you want
 - Ten different plans labeled: A, B, C, D, F, G, K, L, M, & N
- All companies must sell plan A and any other plans they choose
- Plans are consistent across all companies by plan letter

Medigap Plans

- Plan A – Basic – Part A & B co-ins and/or co-pay, Hospice co-ins/co-pay, blood (3 pints)
- Plan B – Same as A plus Part A deductible
- Plan D – Same as B plus SNF co-ins and 80% foreign travel
- Plan G – Same as D plus Part B excess charges
- Plan C – Same as D plus Part B deductible (no longer available to new participants)
- Plan F – Same as C plus Part B excess charges (no longer available to new participants)
- Plan K – Part A co-ins, plus 50% of Part B co-ins/co-pay, blood, Hospice, SNF co-ins, Part A deductible with out-of-pocket limit of \$7,060 for 2024
- Plan L – Same as K except 75% of all payments with out-of-pocket limit of \$3,530 for 2024
- Plan M – Same as A plus SNF co-ins, 50% Part A deductible and 80% foreign travel
- Plan N – Same as B plus SNF co-ins and 80% foreign travel with \$20 office co-pay and \$50 non-admittance hospital co-pay

Medicare Advantage (MA)

Private Insurance Company Coverage

- Your Medicare Part B premium is sent to the insurance company of your choice for private coverage
- You can switch coverage each year during the annual enrollment period
- You can receive additional insured services like vision, dental, and hearing aids, if offered
- You may have overall lower insurance rates

Things to think about

- If traveling, may have to pay out-of-network costs and file out-of-network claims
- You may not see specialists unless referred by your primary provider
- If you need Hospice care, you will automatically be taken off MA and switched to OM

Medicare Changes for 2025

- \$2,000 out-of-pocket cap for Part D and Medicare Advantage Drug Plans
- Part D deductible can be as high as \$590
- Medicare Prescription Payment Plan can be used to spread your prescription costs across 12 months, rather than high cost at the beginning of the year until \$2,000 is reached
- More weight-loss drugs are expected to be covered by Part D or MA plans
- There may be subtle changes to MA plans to cover the increased expense of a \$2,000 drug cap. If you have an MA plan read the 2025 changes very carefully
- 50.4% of Medicare enrollees have chosen MA plans.
- Program for family caregivers of dementia will be expanded from 96 organizations to 390 on July 1st, 2025; must be enrolled in original Medicare and have a dementia diagnosis
- Mental health practitioners can now enroll as Medicare providers and bill Medicare for services; MA plans may have to change benefits and premiums to comply

Medicare Annual Re-enrollment

- Oct. 15th thru Dec. 7th
- Can switch between MA plans
- Can switch to original Medicare and Medicare Supplement (Medi-gap)
 - Make sure Medi-gap is approved before switching
- Can switch drug plans (Part D), highly encouraged to look and do so, early in re-enrollment period
- You will get bombarded by MA plan advertising. Why? They are in the business of making a profit. If it sounds too good to be true, it probably is
- You will hear almost nothing from the original Medicare, because the government can't advertise against private business

- I highly recommend OM vs. MA
- Note: If you require Hospice, you will automatically be converted to OM

Investments

Long-term Stocks – Capital Gain taxes

- Stock held for more than one year receive favorable capital gains tax treatment
- Stocks held one year or less pay ordinary tax rates on their gains: 10%, 12%, 22%, 25%, 32%, 35%, or 37%
- Long-term stock gains are taxed at 0%, 15% or 20%

Long-term Capital Gain Tax Tables

Tax Rate	Single	MFJ/QSS	MFS	HoH
0%	< \$47,025	< \$94,050	< \$47,025	< \$63,000
15%	< \$518,900	< \$583,750	< \$291,850	< \$551,350
20%	< infinity	< infinity	< infinity	< infinity

IRAs & Roth IRAs

- Money placed into an IRA is normally pretax income, therefore, when it is withdrawn, it is taxed at ordinary rates (not long-term rates)
- Money placed into a Roth IRA has already been taxed, therefore, when it is withdrawn, no taxes are owed if account is at least 5 years old and you are older than 59½

401Ks & Roth 401Ks

- Money placed into an IRA is normally pretax income, therefore, when it is withdrawn, it is taxed at ordinary rates (not long-term rates)
- Money placed into a Roth IRA has already been taxed, therefore, when it is withdrawn, no taxes are owed if account is at least 5 years old and you are older than 59½

Required Minimum Distributions (RMDs)

- Money in regular IRAs and 401Ks are subject to RMDs
- (age 73: if DOB < 1960, age 75: 1960+)
- First RMD by April 1st of year following birthday
- 2nd RMD by 12/31 of that same year
- Suggest you take first RMD in the year of the attained age (doesn't matter when during the year)
- Multiple IRA balances can be combined for one withdrawal
- Multiple 401Ks require separate withdrawals
- See charts below for calculating RMD
- 1st chart for singles and marrieds close in age

- 2nd chart for married with spouse 10 years younger or more
- Example: 1st chart – age 75 – factor 14.8
- Example: 2nd chart – age 75, spouse 65 – factor 24.6
- Divide prior year-end total balance by factor

Table I (Single Life Expectancy) (For Use by Beneficiaries)			
Age	Life Expectancy	Age	Life Expectancy
60	27.1	90	5.7
61	26.2	91	5.3
62	25.4	92	4.9
63	24.5	93	4.6
64	23.7	94	4.3
65	22.9	95	4
66	22	96	3.7
67	21.2	97	3.4
68	20.4	98	3.2
69	19.6	99	3
70	18.8	100	2.8
71	18	101	2.6
72	17.2	102	2.5
73	16.4	103	2.3
74	15.6	104	2.2
75	14.8	105	2.1
76	14.1	106	2.1
77	13.3	107	2.1
78	12.6	108	2
79	11.9	109	2
80	11.2	110	2
81	10.5	111	2
82	9.9	112	2
83	9.3	113	1.9
84	8.7	114	1.9
85	8.1	115	1.8
86	7.6	116	1.8
87	7.1	117	1.6
88	6.6	118	1.4
89	6.1	119	1.1
		120+	1

Table II (continued) (Joint Life and Last Survivor Expectancy) (For use by Owners whose Spouses are more than 10 Years younger and are the Sole Beneficiaries of their IRA)										
Ages	60	61	62	63	64	65	66	67	68	69
75	28.3	27.5	26.8	26.1	25.3	24.6	24.0	23.3	22.7	22.1
76	28.2	27.4	26.6	25.9	25.2	24.4	23.7	23.1	22.4	21.8
77	28.0	27.3	26.5	25.7	25.0	24.3	23.5	22.9	22.2	21.5
78	27.9	27.1	26.4	25.6	24.8	24.1	23.4	22.7	22.0	21.3
79	27.8	27.0	26.2	25.5	24.7	23.9	23.2	22.5	21.8	21.1
80	27.8	26.9	26.1	25.3	24.6	23.8	23.1	22.3	21.6	20.9
81	27.7	26.9	26.0	25.2	24.5	23.7	22.9	22.2	21.5	20.7
82	27.6	26.8	26.0	25.2	24.4	23.6	22.8	22.1	21.3	20.6
83	27.5	26.7	25.9	25.1	24.3	23.5	22.7	22.0	21.2	20.5
84	27.5	26.7	25.8	25.0	24.2	23.4	22.6	21.9	21.1	20.4
85	27.4	26.6	25.8	25.0	24.1	23.3	22.6	21.8	21.0	20.3
86	27.4	26.6	25.7	24.9	24.1	23.3	22.5	21.7	20.9	20.2
87	27.4	26.5	25.7	24.9	24.0	23.2	22.4	21.6	20.9	20.1
88	27.3	26.5	25.6	24.8	24.0	23.2	22.4	21.6	20.8	20.0
89	27.3	26.4	25.6	24.8	24.0	23.1	22.3	21.5	20.7	20.0
90	27.3	26.4	25.6	24.7	23.9	23.1	22.3	21.5	20.7	19.9
91	27.3	26.4	25.6	24.7	23.9	23.1	22.3	21.5	20.7	19.9
92	27.2	26.4	25.5	24.7	23.9	23.0	22.2	21.4	20.6	19.8
93	27.2	26.4	25.5	24.7	23.8	23.0	22.2	21.4	20.6	19.8
94	27.2	26.3	25.5	24.7	23.8	23.0	22.2	21.4	20.6	19.8
95	27.2	26.3	25.5	24.6	23.8	23.0	22.2	21.4	20.6	19.7
96	27.2	26.3	25.5	24.6	23.8	23.0	22.2	21.3	20.5	19.7
97	27.2	26.3	25.5	24.6	23.8	23.0	22.1	21.3	20.5	19.7
98	27.2	26.3	25.5	24.6	23.8	22.9	22.1	21.3	20.5	19.7
99	27.2	26.3	25.4	24.6	23.8	22.9	22.1	21.3	20.5	19.7
100	27.1	26.3	25.4	24.6	23.8	22.9	22.1	21.3	20.5	19.7

Taxes

Coming Soon

Final tips & takeaways

Coming Soon