Upcoming Financial Events as You Approach 65

Abstract: This course is primarily intended for those 50-65 years old to aide in planning their financial future. Topics to be discussed include:

- When to File for Social Security (strategies surrounding that decision)
- When to File for Medicare (Parts A, B, C, & D)
- What is Medicare Supplement Insurance (Medigap) and which plan should I choose
- When should I tap into my 401K, IRA, Roth 401K, Roth IRA
- RMDs (Required Minimum Distributions) and how do they affect my taxes
- If I have a pension, should I take it as a Lump Sum or Periodic Payments and what about Survivor Benefits
- What about Long-Term Care Insurance
- What about Property Tax Caps for those over 65, Property Tax payment plan, and Property Tax Deferral
- Income tax implications on retirement income

Anyone over 65 is also encouraged to attend especially if they haven't hit all of these milestones yet, or would like to share their experiences on any of these topics. Class participation will be strongly encouraged.

Slide 1 – Header

Slide 2 – Class Outline

- Social Security
- Medicare (Parts A, B, C, & D)
- Medicare Supplement Insurance (Medigap)
- 401K & IRA
- RMDs (Required Minimum Distributions) when over 70 ½
- Roth 401K and Roth IRA
- Pension payouts
- LTC (Long Term Care) Insurance
- Property Taxes when over age 65
- Income tax implications on retirement income

Slide 3 – Social Security

- Dallas Morning News – every Tuesday in the Senior Section
  - Tom Margenau has Q&A about SS (Thomas.Margenau@comcast.net)
  - Retired lifetime employee with SSA
- [www.SSA.gov](http://www.SSA.gov)
  - Set up an online account
- Local Offices
  - Denton – 2201 Colorado Blvd – M,T,H,F 9-4; W 9-Noon – 1-888-717-1530
  - McKinney – 3250 Craig Dr – M,T,H,F 9-4; W 9-Noon – 1-866-931-2731
Slide 4 – Social Security Benefits
- Retirement (Age 62-70)
- Widow/er (Age 60+, or w/child <18)
- Dependents (Limited to 2x FRA, parent of child(ren) <18, and child(ren) <18 or <22 & full-time student)
- Disability – Administered by SSA (General Fund Expense)

Slide 5 – Social Security Eligibility (birth year)
- 1952-54 – FRA 66 years 0 months
- 1955 – FRA 66 years 2 months
- 1956 – FRA 66 years 4 months
- 1957 – FRA 66 years 6 months
- 1958 – FRA 66 years 8 months
- 1959 – FRA 66 years 10 months
- 1960+ – FRA 67 years

Note: If you were born on January 1st, use the preceding year

Slide 6 – Comparison of early / regular / deferred SS benefits

![Graph comparing early, regular, and deferred Social Security benefits.](image)
Slide 7 – Medicare (Parts A, B, C, & D)
- Part A – Hospitalization – Available at age 65 or later – No premium
- Part B – Doctors, services, DME – Available at age 65 w/ no penalty, later with potential penalty - Premium
- Part C – Medicare Advantage (like an HMO or PPO) – Probable premium
- Part D – Prescription Drug coverage – Available at age 65 w/ no penalty, later with potential penalty – Premium
- Annual reenrollment: October 15 – December 7
- If working beyond age 65, company may require you to acquire all Medicare and company will act as Medicare Supplement (Medigap)

Slide 8 – Medicare Part A – No premium
- Hospital care
- Skilled Nursing Facility (SNF) care
- Nursing Home care (if custodial care (6 ADLs) is not the only care you need)
- Hospice
- Home Health services
- Available at age 65 or later

Slide 9 – Medicare Part B – Premium
- Medically necessary services, Preventive services
- Ambulance services, Clinical research
- Durable medical equipment (DME) (e.g. CPAP)
- Mental Health (Inpatient, Outpatient, Partial hospitalization)
- Getting a second opinion before surgery
- Limited outpatient prescription drugs
- Available at age 65 w/ no penalty, later w/ potential penalty
- Increased premium – Married > $170K, Single > $85K

Slide 10 – Medicare Part C – Medicare Advantage (like an HMO or PPO) – Probable premium
- Includes both Part A (Hospital Insurance) and Part B (Medical Insurance), may include Part D (Prescription Insurance)
- Coverage provided by private insurance companies approved by Medicare
- You may need to use health care providers who participate in the plan’s network
- You usually pay a monthly premium for your plan (in addition to your monthly Part B premium)
- Plans have a yearly limit on your out-of-pocket costs; once you reach a certain limit, you’ll pay nothing for covered services for the rest of the year
- Your out-of-pocket costs are typically lower in an MA plan; this option may be more cost effective for you
Slide 11 – Medicare Part D – Prescription Drug coverage – Premium
- Premium determined by plan you must choose (each year preferably)
- Pick plan based upon drugs you take, pharmacy you use and zip code in which you live
- Medicare.gov will show you all plans for your zip code based upon the drugs you entered and the pharmacy you prefer to use
- If you don’t enroll at age 65 and don’t have other prescription insurance, you will pay an ever-increasing penalty whenever you do enroll

Slide 12 – Medicare Supplement Insurance (Medigap) – Optional – Premium
- Ten different plans (A, B, C, D, F, G, K, L, M, N)
- If an insurance company sells any Medigap, they must sell plan A, and plan C or F
- 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
- Plan F – Same as C plus Part B excess charges
- 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 $5,240
- Plan L – Same as K except 75% of all payments with out-of-pocket limit of $2,620
- 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

Slide 13 – Medigap Plan C & F demise
- New subscribers cannot purchase after 12/31/19
- Current subscribers can continue to keep plans C or F
- Current subscribers cannot transfer to plans C or F after 12/31/19 from another Medigap plan
- See attached document for further details

Slide 14 – 401Ks
- If you are not already, increase your 401K contributions to maximize your employer match
- Annual 401K deferral limit for 2018 is $24,500
- Withdrawals are taxed at ordinary income rates (not capital gains rates)
- Withdrawals before age 59 ½ are assessed a 10% penalty
- May have to move 401K account to an IRA when you retire based upon company policy (no tax implication)
- Consider withdrawing 401K funds for retirement before applying for Social Security to minimize tax impact to social security income
Slide 15 – IRAs
- Annual IRA deferral limit for 2018 is $6,500
- Withdrawals are taxed at ordinary income rates (not capital gains rates)
- Withdrawals before age 59 ½ are assessed a 10% penalty
- Consider withdrawing IRA funds for retirement before applying for Social Security to minimize tax impact to social security income
- Must begin withdrawing funds by April 15th of the year following the year you reach 70 ½
- A second withdrawal will be required by December 31st of that year
- See Publication 590-B at IRS.gov

Slide 16 – RMDs (Required Minimum Distributions) when over 70 ½

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Slide 17 – Roth 401K and Roth IRA

Roth 401K
- Like 401K, however, distributions are not taxed if made after age 59 ½
- Distributions must begin no later than age 70 ½

Roth IRA
- Like IRA, however, distributions are not taxed or penalized if made after age 59 ½
- No requirement to start taking distributions while owner is alive
Slide 18 – Pension payouts
- If you have a pension plan with your employer or former employer, you need to determine what payout options are available to you. Choices could include:
  - Lump Sum (would need to reinvest to continue income stream)
  - 100/100 Joint Annuity (lowest monthly payout)
  - 100/75 Joint Annuity
  - 100/50 Joint Annuity
  - Single Annuity (highest monthly payout)
  - 10-Year Guaranteed Term
  - 5-Year Guaranteed Term

Slide 19 – LTC (Long Term Care) Insurance
- Provides an income stream to cover long-term care in a nursing home, assisted or independent living (including home)
- Best purchased before age 60 to obtain lower rates
- This is term insurance, if not used, premiums are forfeited
- To lower premiums, increase waiting period (90-100 days is typical)

Slide 20 – Property Taxes when over age 65
- Property Tax Caps for those over 65
  - School Tax (as established by school district)
  - City Tax (as established by city-wide vote)
  - County and other taxing districts are not capped
- Property Tax payment plan
  - Four quartile payments – 1/31, 3/31, 5/31, 7/31
- Property Tax payment option
  - Before 12/31 or 1/31, understand income tax implications if itemizing
- Property Tax Deferral
  - May be deferred until the home is sold (by you or heir at time of death)
  - Tax lien placed on home
  - 8% interest accumulated annually

Slide 21 – Income tax implications on retirement income
- Income Tax impact on Social Security income
  - Single – No tax impact if other income is less than $25,000
  - Married – No tax impact if other income is less than $32,000
  - Above these limits, social security income will be taxed on a sliding scale capping at 85% taxable (at least 15% of SS income will always be tax free)
- If possible, defer SS income until other taxable income is minimized
  - Withdrawing Roth IRA and Roth 401K funds are a non-taxable event
    - If invested for five years and over 59 ½

Slide 22 – Upcoming Financial Events as You Approach 65
- Questions ...
- Comments ...
 Please don’t forget to submit your Class Evaluation!
What is Medicare Supplement Plan F?

After enrolling in Original Medicare (Part A and Part B) many Americans choose to also enroll in a Medicare Supplement plan (also called Medigap) to help cover Medicare’s out-of-pocket costs such as coinsurance, copayments and deductibles. According to the Kaiser Family Foundation (KFF), about one-fifth of 65-year old Medicare beneficiaries purchased a Medicare Supplement policy in 2010.

Of the 500,000 beneficiaries enrolled in Medicare Supplement in 2010, more than half (53%) had Plan C or Plan F, reports KFF. Of the ten Medicare Supplement plans available in most states (A, B, C, D, F, G, K, L, M, N), Plan C and Plan F are the only two Medicare Supplement plans that cover the Medicare Part B deductible. Plan F is one of the most comprehensive Medicare Supplement plans available. As well as the Part B deductible, it also covers:

- Medicare Part A deductible
- Medicare Part B excess charges
- Part A hospital and co-ins costs up to an additional 365 days after Medicare benefits are exhausted
- Part B coinsurance or copayment
- First three pints of blood used in an approved medical procedure (annually)
- Part A hospice care copayment or coinsurance
- Skilled Nursing Facility (SNF) coinsurance
- Foreign travel emergency medical care (80% up to plan limits)

Among the Medicare Supplement plans, Plan F may leave you with the fewest Medicare out-of-pocket costs to pay and perhaps the easiest way to budget your health-care spending.

Is Medicare Supplement Plan F being discontinued?

The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) passed by Congress and signed into law on April 16, 2015 changed the law on various aspects of health care, including some Medicare Supplement plans. The new law states that on or after January 1, 2020, a Medicare Supplement policy that provides coverage of the Part B deductible may not be sold or issued to a newly eligible Medicare beneficiary. That means that people whose birthday is December 31, 1954 (turning 65 on December 31, 2019) may be the last group able to enroll in Medicare Supplement Plan F. After January 1, 2020, you will not be able to enroll in Medicare Supplement Plan C, one of the closest alternatives to Plan F, either, since it also covers the Part B deductible. If you already have Plan F, you can keep it. The law only affects new enrollees.

The good news for enrollees buying a Medicare Supplement plan after January 1, 2020 is that the Part B deductible, which will not be covered in your plan, is not one of the biggest health-care costs under Medicare. In 2018 the Part B deductible is $183 per year. The Part A deductible is more than seven times that amount. Almost all the standardized Medicare Supplement plans available in most states (except Medicare Supplement Plan A) still may cover at least 50% of the Medicare Part A deductible, which in 2018 is $1,340 for each benefit period. If you are unable to enroll in Plan F or Plan C, you may consider buying Medicare Supplement Plan G, which generally covers everything Plan F covers except the Part B deductible. Plan G may cover:

- Medicare Part A deductible
- Medicare Part B excess charges
- Part A hospital and coinsurance costs up to an additional 365 days after Medicare benefits are exhausted
- Part B coinsurance or copayment
- First three pints of blood used in an approved medical procedure (annually)
- Part A hospice care copayment or coinsurance
- Skilled Nursing Facility (SNF) coinsurance
- Foreign travel emergency medical care (80% up to plan limits)