Upcoming Financial Events as You Approach 65

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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 pay-outs
- LTC (Long Term Care) Insurance
- Property Taxes when over age 65
- Income Tax implications on retirement income

Social Security

- Dallas Morning News – every Wednesday in the Senior Section
  - Tom Margenau has Q&A about SS [Thomas.Margenau@comcast.net]
  - Retired lifetime employee with SSA
- 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
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)

Social Security Eligibility - FRA (Full Retirement Age - birth year)

- 1953-54 – 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

Comparison of early / regular / deferred SS benefits
### 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)

Contact: [www.Medicare.gov](http://www.Medicare.gov) or 1-800-Medicare (633-4227)

### 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
- May not contribute to HSA once Medicare coverage begins

### Medicare Part B – Premium

- Medically necessary services, Preventive services
- Ambulance services, Clinical research
- Durable medical equipment (DME) (e.g. CPAP, walker)
- 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
### Medicare Part C – Probable premium Medicare Advantage (like an HMO or PPO)

- Includes both Part A (Hospital Insurance) and Part B (Medical Insurance), may include Part D (Prescription Insurance) and vision, hearing, or dental, as well
- 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

### 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 late-enrollment penalty whenever you do enroll

### 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 coins and/or co-pay, Hospice co-ins/coins, blood (3 pints)
- Plan B – Same as A plus Part A deductible
- Plan D – Same as B plus SNF coins 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 coins, plus 50% of Part B coins/coins/co-pay, blood, Hospice, SNF coins, 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 coins, 50% Part A deductible and 80% foreign travel
- Plan N – Same as B plus SNF coins and 80% foreign travel with $20 office co-pay and $50 non-admittance hospital co-pay
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

401Ks

- If you are not already, increase your 401K contributions to maximize your employer match
- Annual 401K deferral limit for 2019 is $25,000
- Withdrawals are taxed at higher *ordinary* income rates (not lower 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

IRAs

- Annual IRA deferral limit for 2019 is $7,000
- Withdrawals are taxed at higher *ordinary* income rates (not lower 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
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

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
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)

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, e.g. Denton)
  - 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

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
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Questions...

Comments...

Please don't forget to submit your Class Evaluation!