

**Silicon Valley Chapter
American Association of Individual Investors**

Financial Planning Workshops

Social Security and Medicare

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Silicon Valley Chapter American Association of Individual Investors

Please check us out!

- Chapter website: www.siliconvalleyaaii.org
- Meetups: www.meetup.com/AAll-Silicon-Valley-Meetup
- Facebook: www.facebook.com/sv.aa
- Slides and Recordings
www.siliconvalleyaaii.org/financialplanning/
- AAI National website: www.aaii.com
- My email address: dstikes.svaaii@gmail.com

Our Next Event and Special Interest Group Webcasts

- **Main Event:** Taxes: Saturday November 8th at 9:00am; webcast only
- **Financial Planning Discussion Group**
 - Debra Stikes: Second Wednesday of each month September to May at 6:30pm
- **Investing Discussion Group**
 - Lynn Gillette: Fourth Monday of each month at 6:30pm
- **Computerized Investing Group**
 - Don Mauer: First Thursday of each month at 6:30pm

Financial Planning Workshops

- **Financial Planning ... The Big Picture**
- **Social Security and Medicare:** Claiming strategies, Medicare traps
- **Taxes:** Changes for 2025, Asset location, QCDs
- **Investing 1:** Modern Portfolio Theory, Building a diversified portfolio
- **Investing 2:** Efficient Market Hypothesis; Can you beat the market?
- **Retirement Planning 1:** Tax-advantaged plans, RMDs
- **Retirement Planning 2:** Safe withdrawal rates, Bengen's 4% rule
- **Risk Management/Insurance:** Annuities, Long-term care, Litigation
- **Estate Planning:** Probate, Executor/trustee duties, Philanthropy

Today We Will Cover ...

- Background of Social Security and Medicare
- Social Security Benefits
 - Full Retirement Age, Early and Late Retirement
 - Retirement, Spousal, Minor and Survivor Benefits
- Claiming Strategies:
 - Singles, Married Couples, Surviving Spouses
- Medicare
 - Parts A, B, C, D, F and G
- Seven Medicare myths and the facts
- Comparison of Traditional Medicare and Medicare Advantage Plans

Background

- 1935 Social Security Act signed by Franklin Roosevelt
- Benefits to worker only
- Funded by 2% tax on first \$3000 earnings
- Approximately 7 workers to support each retiree
- Retirement at age 65
- Expected retirement duration 5 years

Major Current Social Programs

- Old-Age, Survivors, and Disability Insurance, OASDI
- Temporary Assistance for Needy Families, TANF
- Health Insurance for Aged and Disabled, Medicare
- Grants to States for medical assistance programs for low-income families, Medicaid
- State Children's Health Insurance Program, SCHIP
- Supplemental Security Income, SSI
 - Low-income people over age 65, or blind, or disabled
 - Administered by Social Security but not funded from Social Security fund

Maximum Taxable Earnings

Year	Max		Year	Max		Year	Max
1937	\$3,000		2004	\$87,900		2017	\$127,200
1940	\$3,000		2005	\$90,000		2018	\$128,400
1950	\$3,600		2006	\$94,000		2019	\$132,900
1960	\$4,800		2007	\$97,500		2020	\$137,700
1970	\$7,800		2008	\$102,000		2021	\$142,800
1980	\$25,900		2009	\$106,800		2022	\$147,000
1990	\$51,300		2010	\$106,800		2023	\$160,200
			2011	\$106,800		2024	\$168,600
			2012	\$110,100		2025	\$176,100
2000	\$76,200		2013	\$113,700		2026	\$184,500
2001	\$80,400		2014	\$117,000			
2002	\$84,900		2015	\$118,500			
2003	\$87,000		2016	\$118,500			

Current Funding for SSA

- 6.2% for OASDI capped at \$184,500 (2026) income + 1.45% for Medicare with no income cap
- Employer makes a matching contribution
- Self employed
 - Total rate = $(6.2\% + 1.45\%) \times 2 = 15.3\%$
- Currently have approximately 3 workers per retiree
- Projected to drop to 2.2 workers/retiree by 2030
- Income taxes on up to 50% of Social Security benefits are credited to SSA funding

Calculation of Retirement Benefits

- Must have worked for at least 40 quarters
- Income from early years is adjusted for inflation up to age 60
- Sum up 35 highest-earning years
 - Back-filled with zeros if 35 years not available
- Divide by 420, i.e. 35 years x 12 months
 - Average Indexed Monthly Earnings, AIME
- Calculate the Primary Insurance Amount, PIA
 - $\text{PIA} = \text{First } \$960 \text{ of AIME} \times 90\%$
 $+ (\$961 \text{ to } \$5,785) \times 32\%$
 $+ \text{AIME over } \$5,785 \times 15\%$
 - Amount of monthly benefit at Full Retirement Age, FRA

My Social Security

- <https://www.ssa.gov/>
- History of Social Security and Medicare taxes
- Estimate of benefits
- New users require ID.me or Login.Gov
 - Login using Social Security userid/password is no longer available

Note: Login may take two attempts.

Unlucky enough to be born in 1960?

- Turn age 60 in 2020
- Income from previous years adjusted to the Average Wage Index (AWI) for 2020
- But average wages for 2020 were hit by pandemic
- Therefore, total adjusted wages for 35 best years is lower.
- Therefore, the AIME and PIA is lower than normal for all future benefits

Full Retirement Age, FRA

Year of Birth	FRA		Year of Birth	FRA
≤ 1937	65		1955	66 + 2 months
1938	65 + 2 months		1956	66 + 4 months
1939	65 + 4 months		1957	66 + 6 months
1940	65 + 6 months		1958	66 + 8 months
1941	65 + 8 months		1959	66 + 10 months
1942	65 + 10 months		1960 +	67
1943-1954	66			

Early Retirement

- Can claim as early as age 62
- Lose $\frac{5}{9}$ of 1% per month early up to 36 months and $\frac{5}{12}$ of 1% per month in excess of 36 months
- Example:
 - Full PIA at FRA = 66 if born 1943-1954
 - Lose 6.667% at age 65
 - Lose 13.333% at age 64
 - Lose 20.000% at age 63
 - Lose 25.000% at age 62

Late Retirement

- Can delay claiming benefits until age 70
- PIA increases by $\frac{8}{12}$ of 1% for each month delayed up to age 70

Full PIA at FRA = 66 if born 1943-1954

Gain 8.0% at age 67

Gain 16.0% at age 68

Gain 24.0% at age 69

Gain 32.0% at age 70

- No delayed retirement credits (DRCs) past age 70

Social Security Funding Cliff

- If no action, benefits would be cut 25%-30%
 - Approximate \$500 monthly cut for the “average” Social Security benefit.
- Acts have been introduced to provide a “framework” for making changes. None appear to have been put up for vote.

Monthly Benefit Amount

Based on Age You Choose to Start Receiving Benefits

YoB:	1943-54	1955	1956	1957	1958	1959	1960+
FRA:	<u>66</u>	<u>66+2m</u>	<u>66+4m</u>	<u>66+6m</u>	<u>66+8m</u>	<u>66+10m</u>	<u>67</u>
62	75.0%	74.2%	73.3%	72.5%	71.7%	70.8%	70.0%
63	80.0%	79.2%	78.3%	77.5%	76.7%	75.8%	75.0%
64	86.7%	85.6%	84.4%	83.3%	82.2%	81.1%	80.0%
65	93.3%	92.2%	91.1%	90.0%	88.9%	87.8%	86.7%
66	100.0%	98.9%	97.8%	96.7%	95.6%	94.4%	93.3%
67	108.0%	106.7%	105.3%	104.0%	102.7%	101.3%	100.0%
68	116.0%	114.7%	113.3%	112.0%	110.7%	109.3%	108.0%
69	124.0%	122.7%	121.3%	120.0%	118.7%	117.3%	116.0%
70	132.0%	130.7%	129.3%	128.0%	126.7%	125.3%	124.0%

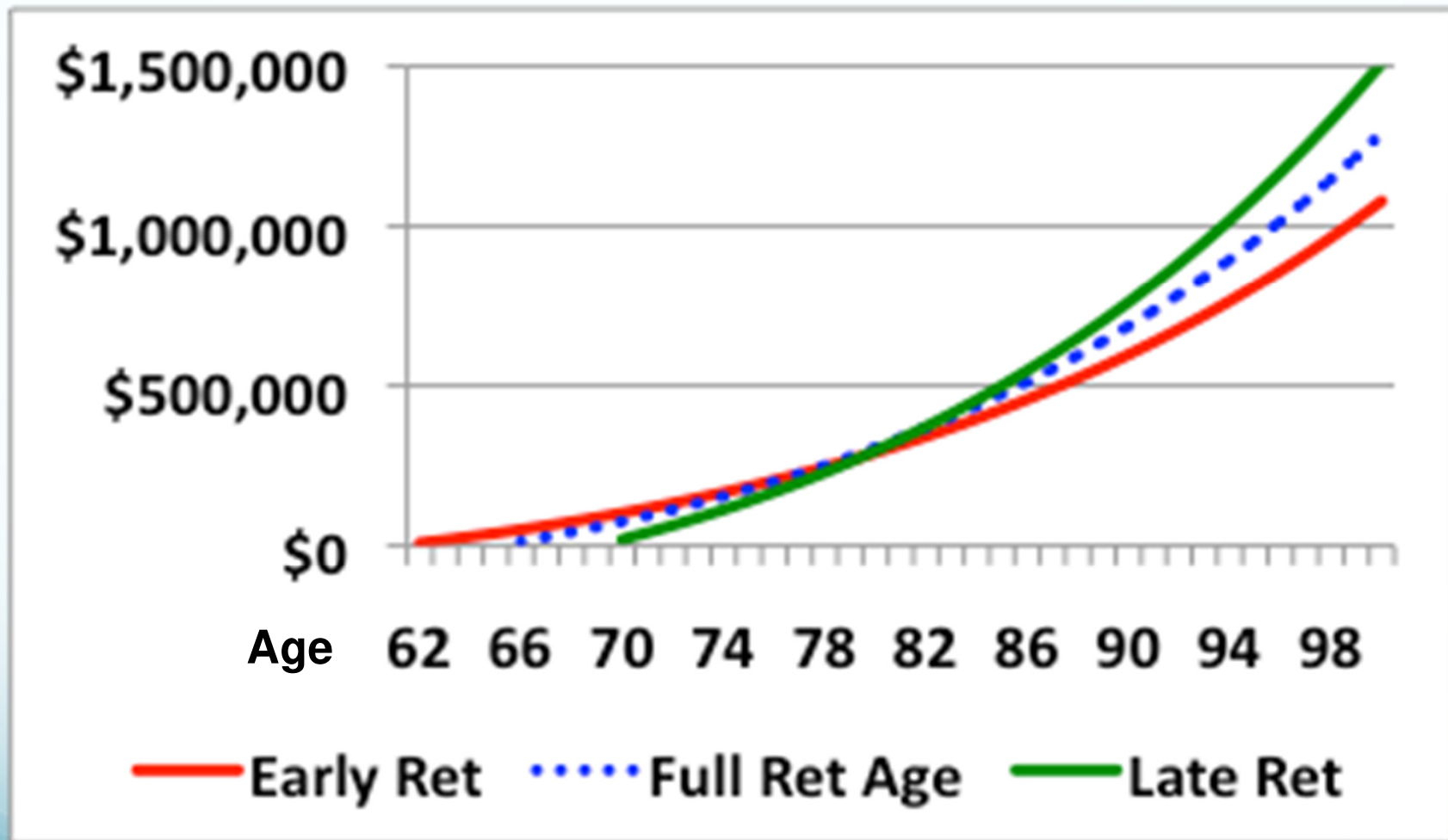
Cost of Living Adjustments (COLA)

Applies to next calendar year

<u>Year</u>	<u>COLA</u>		<u>Year</u>	<u>COLA</u>		<u>Year</u>	<u>COLA</u>
1978	6.5%		1994	2.8%		2010	0.0%
1979	9.9%		1995	2.6%		2011	3.6%
1980	14.3%		1996	2.9%		2012	1.7%
1981	11.2%		1997	2.1%		2013	1.5%
1982	7.4%		1998	1.3%		2014	1.7%
1983	3.5%		1999	2.5%		2015	0.0%
1984	3.5%		2000	3.5%		2016	0.3%
1985	3.1%		2001	2.6%		2017	2.0%
1986	1.3%		2002	1.4%		2018	2.8%
1987	4.2%		2003	2.1%		2019	1.6%
1988	4.0%		2004	2.7%		2020	1.3%
1989	4.7%		2005	4.1%		2021	5.9%
1990	5.4%		2006	3.3%		2022	8.7%
1991	3.7%		2007	2.3%		2023	3.2%
1992	3.0%		2008	5.8%		2024	2.5%
1993	2.6%		2009	0.0%		2025	2.8%

Lifetime Accumulation of Benefits

Assumes \$1000/m benefit at FRA with 3% pa appreciation
and 3% pa inflation



Spousal Benefits

- Requirements
 - Worker must be receiving retirement benefits
 - Spouse must be at least 62 years of age
- At FRA the spouse can receive the greater of ...
 - ... 100% of his/her own benefit, or
 - ... 50% of the working spouse's retirement benefit
- Married same sex couples are entitled to all the same benefits

Taking Spousal Benefits Early

- If you claim spousal benefits early you lose
 - 25/36 of 1% per month early up to 36 months
 - and 5/12 of 1% per month in excess of 36 months
- | <u>Claiming at ...</u> | <u>Spouse Receives</u> |
|------------------------|----------------------------|
| ... FRA | 50.00% of worker's benefit |
| ... 1 yr prior to FRA | 45.84% |
| ... 2 yrs prior to FRA | 41.67% |
| ... 3 yrs prior to FRA | 37.50% |
| ... 4 yrs prior to FRA | 35.00% |
| ... 5 yrs prior to FRA | 32.50% |

Benefits for Minor Children

- If you are collecting retirement benefits ...
... your minor dependent children are entitled to benefits too
- Children must be unmarried, under age 18, or under age 19 and still in school – elementary to high school
- Each child is entitled to 50% of the parent's FRA benefit, subject to a (complicated !) family maximum benefit amount

Survivor Benefits

- A widow(er) can claim a survivor benefit if ...
 - ... the marriage lasted at least 9 months
 - ... the survivor is at least 60 years old
 - or at least 50 years old if disabled
 - ...the survivor must not have remarried
 - unless remarrying after age 60
- Survivor can claim a restricted benefit
- Survivor benefits claimed at FRA are equal to the deceased spouse's full benefit (including delayed retirement credits) if greater than survivor's own benefit
- Reduced benefits if collected as early as 60

Survivor Benefits Can Be Claimed Early

- Can claim as early as age 60
- If you claim survivor benefits at FRA you will receive 100% of deceased worker's benefit
 - ... 1 yr prior to FRA 95.3%
 - ... 2 yrs prior to FRA 90.5%
 - ... 3 yrs prior to FRA 85.7%
 - ... 4 yrs prior to FRA 81.0%
 - ... 5 yrs prior to FRA 76.3%

Benefits for Divorced Spouses

- Must have been married at least 10 years
- Must not have remarried or remarried then marriage ended in death, annulment or divorce
- Both an ex-spouse(s) and a widow(er) are entitled to survivor benefits
- Working ex-spouse's benefits are not affected
 - Need not have filed yet
 - Need not know you are filing on his/her work record

File and Suspend Strategy Under Bipartisan Budget Act of 2015

- Old rules prior to the Act
 - File a claim restricted to spousal benefits only
 - Spousal benefits equal half of worker's benefit at FRA
 - Meanwhile your own benefits grow at 8% per annum
 - Switch to your own larger benefit at age 70
- After April 29, 2016 if anyone asks to have their payments suspended ...

... the SSA will also suspend the benefits for everyone eligible to collect on that record, e.g. spousal or child benefits

... it will no longer be possible to receive a lump sum payment of benefits that have already been withheld.

- A worker can still voluntarily suspend his/her own benefit on or after FRA to earn Delayed Retirement Credits
- Nothing changed for anyone who had already begun a File and Suspend strategy before 4/30/16

What does an Optimum Social Security Claiming Strategy Mean?

- Two Rational Options
 1. Maximize the present value of my expected lifetime benefits
 - “I want to get the most out of the system if I die at my actuarially expected age adjusted for health, etc.”
 2. Minimize longevity risk; optimize benefits late in life
 - “If I die early, money will be the least of my problems!”
 - “If I survive into my 90s I want to maximize my benefits then so that I don’t run out of money.”

When should a Single Person Start Taking Benefits?

- A single person should consider taking benefits early if ...
 - ... s/he needs the money
 - or ... s/he is in poor health, or has a poor family history
- Absent any of the above, s/he should consider delaying benefits at least to FRA, especially if s/he is still working

When Should a Married Couple Start Taking Benefits?

- Key Point: Benefits are equivalent to a joint annuity
 - Surviving spouse receives the larger of his/her own benefits or the deceased spouse's benefits
- 75% probability that at least one spouse will live longer than average
- Best strategy for most couples is usually to maximize the benefits of the higher-earning spouse by delaying taking benefits to age 70, unless there are health issues for both spouses, or really need the money
 - Maximizes the benefits for the surviving spouse regardless of who dies first

What If Circumstances Change?

- Suppose you decide to delay taking benefits to age 70 so as to maximize your benefits
- But things change:
 - Maybe you really need the money, perhaps for a medical emergency
 - Or you (and your spouse, if married) are diagnosed in poor health
- Limited do-over
 - You can backdate an application to the month of your FRA, or 6 months, whichever is shorter, and collect the lump sum benefits

Do-Over Strategies for Early Filers

- Two do-over options for people who filed early:
 1. If you change your mind within 12 months of first claiming benefits you can return all payments received and re-start your benefits later at a higher rate. This is a once-per-lifetime option.
(Income tax paid aren't guaranteed to be recovered)
 2. If you wait to FRA you can voluntarily suspend your benefits without returning any payments and earn 8% per year delayed credits (on the reduced benefits) up to age 70.

Earnings Cap

- If you continue to work while claiming early benefits ...
 - ... before FRA ($62 - \text{FRA}$) you lose \$1 for every \$2 earned above a cap (\$23,400 for 2025)
 - ... during FRA you lose \$1 for every \$3 earned above a cap (\$62,160 for 2025)
 - ... after FRA there is no reduction in benefits
- Any reduction during early years is restored as recalculated benefits after FRA
- For most people if you plan to keep working it does not make sense to claim early benefits.

Your Benefits May Be Taxable

- Calculate your combined income
= AGI + Nontaxable interest + Half SS benefit
- For individual filers
 - Combined income < \$25,000 Benefits are not taxed
 - \$25,000 to \$34,000 up to 50% of benefits are taxed
 - Greater than \$34,000 up to 85% of benefits are taxes
- For married couples filing jointly
 - Combined income < \$32,000 Benefits are not taxed
 - \$32,000 to \$44,000 up to 50% of benefits are taxed
 - Greater than \$44,000 up to 85% of benefits are taxes
- CA has no state tax on Social Security benefits

Medicare Enacted by Lyndon Johnson in 1965

- Part A: Major Medical, Hospitalization
- Part B: Doctor visits, Outpatient care
- Medigap – The plans available in 1965 are no longer available – Not standardized and difficult to compare

Later additions:

- Part C: Medicare Advantage Plans (1997)
- Part D: Prescription drugs (2006)
- Plan F, G and N : Medigap (Standardized in 1990)

Medicare Fraud

- Open enrollment brings out the fraudsters
- Fake Medicare Representative Phone Call
- Fake Advantage Plan and Part D websites
- Door-to-Door Medicare Sales Scams
- “The New Medicare Card” phishing
- Genetic testing and Expensive Equipment scam
- Social Media and Online Scams
- Phantom Plan Cancellation

Medicare Fraud Protections

- Guard your Medicare number like a credit card – only share with doctors and verified insurers
- Review your Medicare Summary Notices (MSNs) for services you didn't receive
- Create a Medicare.gov account to monitor your claims and coverage
- Register for Social Security's my Social Security account to monitor for fraudulent changes
- Place fraud alerts on your credit reports if you suspect identity theft
- Keep a record of all Medicare-related communications and report suspicious contacts

Medicare

- Original Medicare: Part A and B
 - Part A - In Hospital Coverage
 - Part B – Outpatient Medical Care
 - Doesn't cover first three pints of blood unless donated
- Medicare Advantage Plans: Part C: Private insurance that includes Part A and B coverage and often includes Part D. May include dental, vision and/or a partial Part B rebate.
- Medicare Prescription Drug Plans: Part D: Private insurance plans that offer prescription drug coverage, often paired with Original Medicare
- Medigap Plans: Private insurance that cover or limit Original Medicare deductibles

Medicare Changes for 2027

- Standalone Part D plans are decreasing
 - The average number of Part D plan choices for the average Medicare beneficiary has in 5 years decreased from 30 to 11
 - Medicare tool to research Part D plans
<https://www.medicare.gov/plan-compare>
- Part D premium subsidy ends for 2027
 - The subsidy provided in 2025 and 2026 is ending
 - Estimated to have lowered monthly premiums by \$16

Medicare Changes for 2027

- Annual maximum Part D deductible increasing to \$700 from \$615
- Maximum Part D annual out-of-pocket maximum raised to \$2,400 from \$2,100
- Medicare telehealth has been extended through 2027.
- Lower negotiated prices for 15 medications
 - Most commonly used drugs: Ozempic, Rybelsus, Wegovy (diabetic and weight control) and Trelegy Ellipta (asthma and COPD)
 - Full list at <https://www.cms.gov/files/document/fact-sheet-negotiated-prices-ipay-2027.pdf>

Medicare Changes for 2027

- Access to non-intoxicating hemp products
 - Federal law still strictly bans traditional medical marijuana across all Medicare plans, but federal regulators have established updated rules that allow access to select non-intoxicating hemp and CBD products.
 - Medicare Advantage plans can use updated guidelines for Special Supplemental Benefits for the Chronically Ill to cover basic, federally legal hemp items. Plans can offer FDA-recognized "Generally Recognized as Safe" (GRAS) products, such as hulled hemp seeds, hemp protein powder and low-THC hemp seed oil.
 - In 2027, must be accessed through the Long-term Enhanced ACO Design (LEAD) program.
- CMS anticipates that LEAD Participant Providers will include:
 - Current [ACO REACH Model](#) participants and other ACOs.
 - Current Medicare fee-for-service health care providers that have historically not participated in ACOs.
 - Health care providers serving underserved populations, such as those with a high proportion of dually eligible individuals, Federally Qualified Health Centers, and Rural Health Clinics.

Medicare

- To compare and find Medicare plans login into Medicare.gov
 - Set My Location
 - Select the tab Health & Drug Plans
 - The drop-down menu has choices for Finding plans and Comparing Coverage

The screenshot shows the Medicare.gov homepage. At the top, the 'Medicare.gov' logo is on the left, and navigation tabs 'Basics', 'Health & Drug Plans', and 'Providers & Services' are on the right. The 'Health & Drug Plans' tab is selected and highlighted with an orange box. Below the tabs, a message states: 'There may be Medicare Advantage Plans available with lower drug costs. [Tell me more.](#)'. On the left, there is a 'Your Plan Summary' link with a house icon, and a section for 'MY LOCATION' and 'PLAN TYPE'. The 'MY LOCATION' section shows 'Santa Clara, CA' with a 'Change location' link. The 'PLAN TYPE' section has a 'Select a Plan Type' dropdown. At the bottom, there is a 'Filter by:' section with 'Insurance Carrier' and 'Star Ratings' dropdowns, and a 'View all filters' button. On the right, a dropdown menu is open, showing two columns: 'Find & Compare' and 'Learn'. The 'Find & Compare' column includes links for 'Find health & drug plans', 'Compare coverage options', and 'Find a Medicare Supplement Insurance (Medigap) policy'. The 'Learn' column includes links for 'Medicare health plans', 'Medicare Supplemental Insurance (Medigap)', 'How Medicare works with other coverage', and 'Drug coverage (Part D)'.

Medicare.gov

Basics ▾ **Health & Drug Plans ▾** Providers & Services ▾

There may be Medicare Advantage Plans available with lower drug costs. [Tell me more.](#)

[Your Plan Summary](#)

MY LOCATION

Santa Clara, CA [Change location](#)

PLAN TYPE

Select a Plan Type ▾

Filter by: Insurance Carrier ▾ Star Ratings ▾ [View all filters](#)

Find & Compare

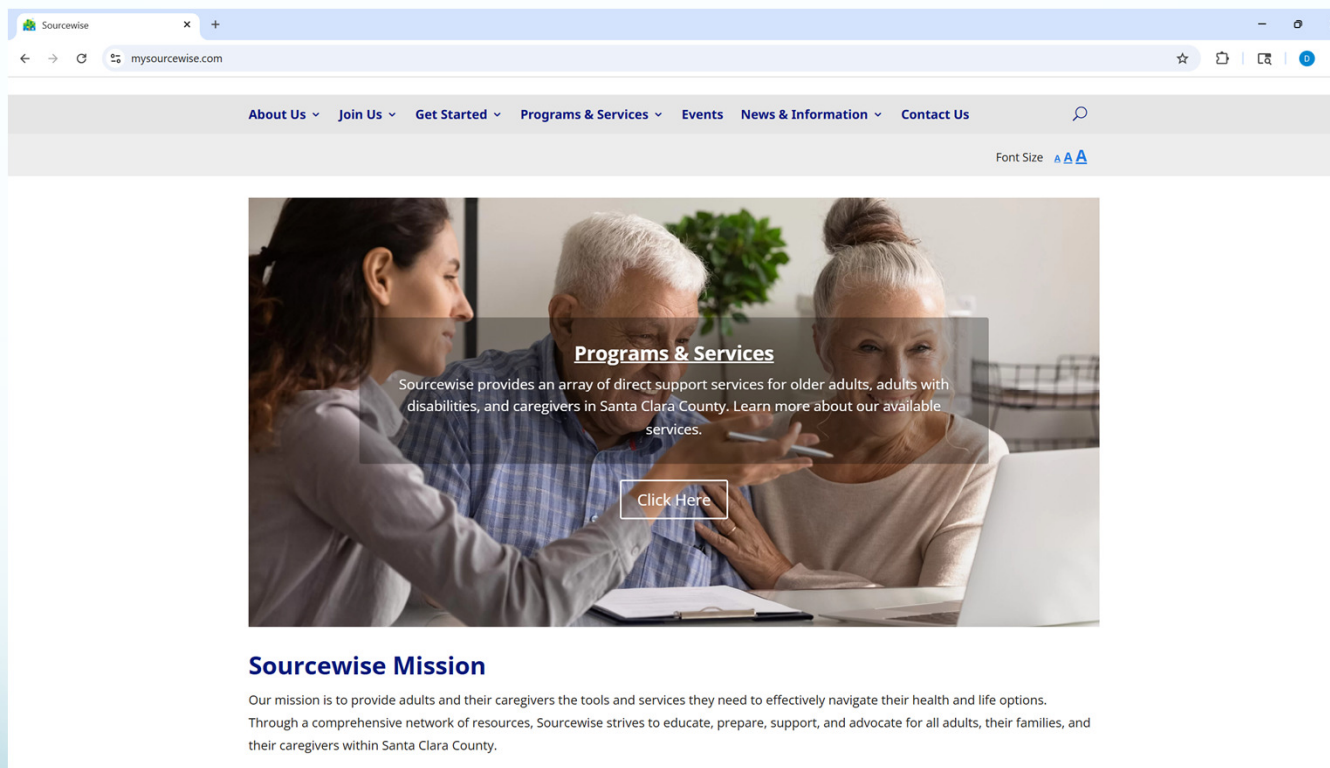
- Find health & drug plans
- Compare coverage options
- Find a Medicare Supplement Insurance (Medigap) policy

Learn

- Medicare health plans
- Medicare Supplemental Insurance (Medigap)
- How Medicare works with other coverage
- Drug coverage (Part D)

Medicare

- For those in Santa Clara County Sourcewise provides counseling



Medicare

- Medicare Medigap:
 - Plan F
 - Must be 65 before January 1, 2020
 - Additional 365 days of hospitalization
 - Covers Part A and B deductibles
 - Skilled nursing care coinsurance
 - Medicare Part B excess charges
 - covers 80% of the costs for medically necessary emergency care outside the U.S. after you meet a \$250 deductible, up to a lifetime limit of \$50,000 during the first 60 days of travel
 - Phased out because of the popularity of the first dollar coverage
 - A high-deductible version is available
 - Premiums are increasing partially do to fewer enrollees

Medicare

- Medicare Medigap:
 - Plan G
 - Part A deductibles
 - Does not cover \$240 Part B deductible
 - Additional 365 days of hospitalization
 - Skilled nursing care coinsurance
 - Medicare Part B excess charges
 - Covers 80% of the costs for medically necessary emergency care outside the U.S. after you meet a \$250 deductible, up to a lifetime limit of \$50,000 during first 60 days of travel
 - A high-deductible version is available

Medicare

- Medicare Medigap:
 - Plan N
 - Part A deductible
 - Does not cover \$240 Part B deductible
 - Does not cover Part B excess charges
 - Additional 365 days of hospitalization
 - Skilled nursing care coinsurance
 - Covers 80% of the costs for medically necessary emergency care outside the U.S. after you meet a \$250 deductible, up to a lifetime limit of \$50,000 during first 60 days of travel
 - Copay of up to \$20 for doctor's office visits and up to \$50 for emergency room visits (provided you are not admitted as an inpatient)

Medicare

California Birthday Rule

A person who has a Medigap policy has a 60-day open enrollment right beginning on their birthday each year. During this period, a person may purchase a Medigap policy without health screening that has benefits **equal to or less than the benefits** provided by their current Medigap policy.

- Additional (or “innovative”) benefits attached to any standardized Medigap benefit package cannot be considered when determining whether one standardized Medigap benefit package has more benefits than an existing standard plan. For instance, a person with Plan F can change to another Plan F that includes additional benefits because those “innovative” benefits are not taken into consideration. Also, Plan F has all the benefits available in any standardized Medigap benefit package.

Medicare Myth #1

“I can sign up anytime, there’s no rush”

- Do not miss the 7-month window to sign up
Month of your 65th birthday (regardless of FRA)
+ 3 months before and after
- Draconian Penalty Part B; never goes away
1% per month for each month late
Example: delay signing up by 5 years
Pay a 60% penalty for the rest of your life
- Penalty does not apply if you are covered by an employer health plan. Special Enrollment Period when your employer health plan ends. VA is not sufficient.

Medicare Myth #2

“I don’t need any prescription drugs now so I can sign up for Part D later”

- Do not neglect to sign up for prescription drug plan
- Draconian Penalty; Never goes away
 - 10% per annum for each year late
 - Example: delay signing up by 5 years
 - Pay a 50% penalty for the rest of your life
 - based on the national base beneficiary premium
- Penalty does not apply if you can prove coverage by a “creditable plan”. VA drug cover is “creditable”.

Medicare Myth #3

“ I’ve been paying into Medicare all my working life so there’s only a nominal charge now”

- The standard Part B premium in 2025 is \$202.90 per month
- High earners pay an additional premium depending on their modified adjusted gross income, MAGI, from two years earlier
 - $MAGI = AGI + \text{tax-exempt interest income} + \text{other items}$
- If your MAGI two calendar years before is above certain limits you must pay an additional Income Related Monthly Adjustment Amount, IRMAA, for Medicare for Part B (income limits shown on later slide)

Medicare Part D

Prescription Drugs

- Part D prescription drugs are covered by a private insurance plan which is purchased separately
- Part D coverage is often included in many Part C Advantage plans
- If your previous 2-year MAGI is above certain limits you must pay an additional Income Related Monthly Adjustment Amount, IRMAA, to Medicare for Part D (income limits shown on later slide)

2026 Medicare Premiums for People with a High MAGI in 2024

<u>Single Filers</u>	<u>Married FJ</u>	<u>Part B</u>	<u>Part D</u>
<u>Modified AGI</u>	<u>Modified AGI</u>	<u>Premium +IRMAA</u>	<u>IRMAA + Plan Premium</u>
Under \$109,000	Under \$218,000	\$202.90	\$0+Plan Premium
\$109,000.01 to \$137,000	\$218,000.01 to \$274,000	\$284.10 + \$81.20	\$14.50+Plan Premium
\$137,000.01 to \$171,000	\$274,000.01 to \$342,000	\$405.80 + \$202.90	\$37.50+Plan Premium
\$167,001.01 to \$205,000	\$334,001.01 to \$410,000	\$527.50 + \$324.6	\$60.40+Plan Premium
Above \$205,000.01 to \$499,999.99	\$410,000.01 to \$749,999.99	\$591.90 + \$446.30	\$83.30+Plan Premium
Above \$500,000	Above \$750,000	\$629.90 + \$487.00	\$91.00+Plan Premium

Income Decrease

- **Medicare Income-Related Monthly Adjustment Amount – Life-Changing Event – SSA-44 form**
 - Most common reason is Retirement
 - Work reduction or stoppage
 - Marriage, Divorce or Annulment
 - Death of Spouse
 - Loss of Income producing property
 - Loss of Pension Income
 - Employer Settlement Pay

Medicare Myth #4

“Now that I’ve signed up, most of my medical costs will be covered”

- Original Medicare has deductions and copayments
- May need to buy Medigap supplemental insurance from a private insurer
 - Unless covered by a Part C Advantage plan purchased from a private insurer
 - Covers various gaps in traditional Medicare, including deductibles, copayments, etc.
 - Coverage is standardized, but not the premiums

Medicare Myth #5

“ I’m covered by Medicare wherever I go”

- Original Medicare does not cover any medical care while traveling outside the United States (Also applies to ACA)
 - Limited exceptions for Alaska (Canadian hospital is nearest)
 - Coverage includes US Territories
- Consider buying separate travel insurance
- Consider signing up for either (verify international coverage and lifetime limits) ...
 - ... Part C Advantage Plan
 - ... or Supplemental Plans F (age restricted), G, N
 - Plans F and G also have high-deductible versions
- Older Supplemental Plans A, B, K and L do not include coverage for foreign travel

Medicare Myth #6

“Medicare will cover my Long-Term Care needs”

- Medicare has very limited LTC coverage
 - 90 days only after hospitalization (admitted and not just under observation)
- Consider a separate LTC insurance policy
 - One of many potential “train-wrecks” to an otherwise great retirement plan
 - Difficult decision because of premiums and limitations
 - Covered in Financial Planning Workshop
“Risk Management / Insurance”

Medicare Myth #7

“My Health Savings Account, HSA, is not affected by Social Security or Medicare.”

- Triple tax advantages of HSAs
 - Contributions are tax deductible
 - Earnings are tax free
 - Withdrawals for medical purposes are not taxed
- Requirements for HSAs
 - Must own a high-deductible health insurance plan
 - Must not be on Medicare
 - Part A retroactive for the later of 6 months or 65th birthday
 - Contribution limits: \$4,400/\$8,750pa + \$1,000 >age 55
- Beware of automatic signup for Medicare
 - SS automatically enrolls recipients in Medicare at age 65
 - To decline, must manually override automatic Medicare enrollment
 - Can still make HSA withdrawals, but not contributions

Medicare Myth #7

- HSA funds can be withdrawn tax-free to pay for qualified medical expenses Medicare Part B premium, Part D premium, Medicare Advantage plan premium, deductibles, copays and coinsurance.
- HSA funds cannot be used for IRMAA or Supplemental Medigap policies.

Comparison of Original Medicare and Medicare Advantage Plans

	Original Medicare	Medicare Advantage
Philosophy	Fee-for-service	Managed care
Insurer	Federal Government	Private insurer
Deductibles	Yes	Yes
Co-insurance	20%	No
Annual out-of-pocket limit	No	Yes
Service provider	Any doctor who accepts Medicare	Stay within network
Referral for specialist	No	Yes
Drug coverage	Separate policy	Usually
Vision and dental coverage	No	Usually
Coverage outside USA	Need Medigap policy (limited coverage)	Varies
Medical insurance cards	Usually 3 cards	Single card
Switch plans	→ Easy →	← May be difficult ←

The Future Holds Many Challenges

- Current 3 workers per retiree projected to drop to 2.2 workers by 2030
- Without further changes ...
 - ... OASDI Trust Fund projected to run out in 2033
 - ... Benefits would drop to 70% - 80% of current levels
 - ... SS program already using funds from OASDI Trust
 - ... Medicare costs rising faster than CPI
 - Hospital Insurance (HI) trust fund, which primarily supports Medicare Part A, will be depleted in 2033.
 - Afterwards, may only be able to pay 89% of expected costs

Advantage Plans

- Heavily Advertised
- Aggressively Marketed
- Limits providers of medical services
- The advertised dental coverage is often of minimal actual value
- First year of Advantage Plan “Guaranteed Issue – Trial Right”
 - You have the right to switch back to Original Medicare and obtain a Medicare Supplement no questions asked
 - No questions but no statement as any guarantee of the premium

Potential Solutions Are Not Easy

- Eliminate fraud and abuse
- Increase 15.3% FICA tax rate
- Raise or eliminate the current income cap for OASDI payments
- Raise the FRA above 67
- Reduce the cost-of-living allowance, COLA
- Means test and/or reduce the benefits
- Increase Medicare Parts B and D premiums further
- Raise the Medicare age above the current 65
- Reduce Medicare payments/coverage

Please note well ...

- Social Security claiming strategies and Medicare choices are complicated
- Almost everything we have discussed here has additional fine print rules attached to it
- Please talk to an expert about your individual case before making any major decisions.
 - Resources are listed on Useful Website slide

Light Reading Material

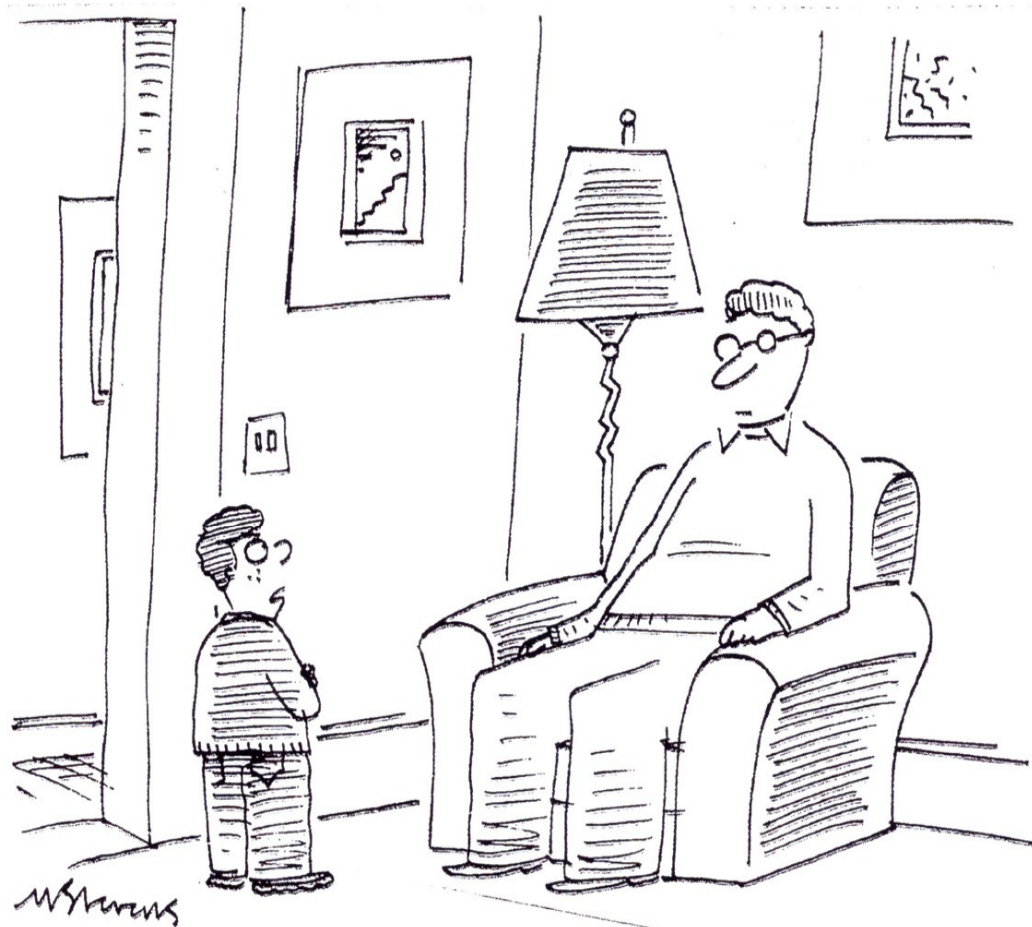
- *A Primer on Social Security*, Robert Muksian, AAll Journal, October 2020
- *Social Security Strategies*, Jason Fichter and Michael Finke, Investment Advisor March 2021
- *Social Security if You're Widowed or Divorced*, Linda Stern, AARP Bulletin, November 2020
- *Working ... and Getting Social Security*, Lynn Asinof, AARP Bulletin April 2021
- *Born in 1960? Prepare for a Social Security Hit*, AARP Bulletin, Feb/March 2021
- *Social Security Made Simple*, Mike Piper, The Oblivious Investor
- *Biden's Plan for Social Security and Medicare*, Mark Miller, WealthManagement.com, February/March 2021

Additional Light Reading Material

- *Original Medicare, Is it the Right Choice for Me?*, AARP Bulletin, October 2020
- *How to Compare Medigap Policies*, Medicare.gov
- *Medicare vs. Medicare Advantage*, Mark Miller, WealthManagement.com, April 2020
- *Medicare Advantage vs. Medigap*, Investopedia.com

Useful Websites

- <http://aaii.com> Broad selection of investing material
- <http://siliconvalleyaaii.org> Previous presentations on various topics
- <https://scclld.org/resources/business/> Business & Money
Morningstar Research Center, S&P's NetAdvantage, Value Line
- <https://www.ssa.gov/> Social Security website
- <https://opensocialsecurity.com/> Mike Piper, Free calculator, plus numerous useful articles
- <https://obliviousinvestor.com/> Mike Piper blog
- <https://www.medicare.org/> Medicare website
- aging.ca.gov, Medicare counseling (HICAP)
- ehealthmedicare.com Search for Medicare Policies
- shiptacenter.org, State Health Insurance Assistance Program (SHIP)



*"Just what exactly is your generation
going to do about my generation's Social Security?"*