Social Security

- Social Security is a program that uses public funds to provide a degree of economic security for the public.
- U.S. government program established in 1935 that provides old age, disability, and survivors insurance.
- About 169 million Americans pay Social Security taxes and 61 million collect monthly benefits.

Monthly Benefit Comparison:
- Benefit at age 70 is 76% more than benefit at age 62
- Cumulative benefits from age 62 to 70 equal $129,600

How Working Affects Benefits:
If you want to continue working AND begin collecting Social Security benefits, it is important to be aware of the following earnings limits. The limits are based on monthly amounts, meaning you can switch from earned income to benefits mid-year. The numbers below are annualized.

<table>
<thead>
<tr>
<th>FRA</th>
<th>BEFORE</th>
<th>SAME YEAR</th>
<th>AT OR AFTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRA</td>
<td>$1 for every $2 that earnings exceed annual limit</td>
<td>$1 for every $3 that earnings exceed annual limit</td>
<td>Earnings will not affect your benefit</td>
</tr>
<tr>
<td></td>
<td>$17,040 in 2018</td>
<td>$45,360 in 2018</td>
<td></td>
</tr>
</tbody>
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The Choice is Yours!

You may decide to take benefits earlier if:
- You need Social Security income right away
- You want to invest your monthly benefit
- You want to delay having to take funds from other retirement vehicles
- Your spouse wants to delay taking benefits

You may decide to take benefits later if:
- You want a higher monthly retirement benefit
- You want to maximize survivor’s income
- You plan to work longer
- You’re able to file for spousal benefits first, then switch to your own benefit later
Social Security Strategies

Full Retirement Age:
Apply for and begin Social Security benefits at your Full Retirement Age (FRA), which is determined by your year of birth.

<table>
<thead>
<tr>
<th>Year of Birth</th>
<th>Full Retirement Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937 or Earlier</td>
<td>65</td>
</tr>
<tr>
<td>1938</td>
<td>65 and 2 months</td>
</tr>
<tr>
<td>1939</td>
<td>65 and 4 months</td>
</tr>
<tr>
<td>1940</td>
<td>65 and 6 months</td>
</tr>
<tr>
<td>1941</td>
<td>65 and 8 months</td>
</tr>
<tr>
<td>1942</td>
<td>65 and 10 months</td>
</tr>
<tr>
<td>1943-1954</td>
<td>66</td>
</tr>
<tr>
<td>1955</td>
<td>66 and 2 months</td>
</tr>
<tr>
<td>1956</td>
<td>66 and 4 months</td>
</tr>
<tr>
<td>1957</td>
<td>66 and 6 months</td>
</tr>
<tr>
<td>1958</td>
<td>66 and 8 months</td>
</tr>
<tr>
<td>1959</td>
<td>66 and 10 months</td>
</tr>
<tr>
<td>1960 and Later</td>
<td>67</td>
</tr>
</tbody>
</table>

Note: if you were born on January 1st of any year, you should refer to the previous year. If you were born on the 1st of the month, your benefit at Full Retirement Age is as if your birthday was in the previous month.

Before Full Retirement Age:
The earliest you may apply for and begin benefits is at age 62. However, if you begin receiving benefits before your FRA, your monthly benefit amount is permanently reduced depending on how early you begin benefits.

At Age 70:
Apply for and begin benefits when you reach age 70. You will get a delayed retirement credit for every month you delay taking benefits between your FRA and age 70. Note: Benefits increases no longer apply after age 70, even if you continue to delay.
Spousal Benefits:
As a spouse, you can claim a Social Security benefit based on your own earnings record, or you can collect a spousal benefit that will provide you 50 percent of the amount of your spouse’s Social Security benefit as calculated at their full retirement age (FRA) whichever is higher.

How Much Can You Get?

- **Taking Benefits Early:** If you collect a spousal benefit and you begin collecting this benefit before you reach FRA, your benefit will be permanently reduced - about 7% for each year prior to your FRA.
- **Full Retirement Age**: Equal to 50 percent of your spouse's social security benefits calculated at their FRA.
- **Delaying Benefits**: Spousal benefits do not include any delayed retirement credits like those applied to the benefit based on your own earning.

**Benefits For A Divorced Spouse:**

If you are divorced, you can collect a ‘spousal benefit’ that may provide up to 50% of your ex-spouse's Social Security benefit. You do not need their permission to collect nor will they be informed if you apply for or receive benefits. To qualify you must:

1. Have been married for at least 10 years
2. Be at least 62 years old
3. Be unmarried
4. Not be eligible for an equal or higher benefit based upon your own Social Security record

There are exceptions to the above rules:

- The 10-year rule does not apply if you are caring for a child under the age of 16 or a disabled child.
- If you are not working and are caring for your ex-spouse’s child (younger than 16 or disabled), then you may claim at any age and benefits will continue until the child reaches age 16 or is no longer disabled.
- If you remarry, you generally can’t collect based upon your ex-spouse’s benefits unless your current marriage ends.
- If your ex-spouse is deceased and you remarry after age 60, you may still be eligible for benefits.

For the application, you will need to know your ex-spouse's Social Security number or their date and place of birth, and their parents’ names.

**Social Security Retirement Application Process**

You can apply for retirement benefits or spousal benefits if you:

- Are at least 61 years and 9 months old
- Are not currently receiving benefits
- Want your benefits to start no more than 4 months in the future
Social Security Retirement Application Process

By Phone:
Call 1-800-772-1213

In Person:
Visit your local Social Security office (call first to make an appointment).

Online:
In order to apply for your Social Security benefits online, go to: http://www.socialsecurity.gov/

My Social Security Account:
If you have not already created a “my Social Security” account, you will need to do so in order to access statements required during the online application process. From the home page, click the icon for my Social Security.
On the next page, click ‘Create an Account’

You will need to supply the following information during the account creation process:
- Personal Information
- E-mail Address
- Social Security Number
- U.S. Mailing Address

Once you have created an account (or if you have done so in the past) you will next proceed to Apply for Benefits. Be sure to indicate the month you want your benefits to begin. If you are within 3 months of age 65, you may also enroll in Medical Insurance (Part B of Medicare).

Apply for Benefits:

On the home page http://www.socialsecurity.gov/ you will see an image with “Retirement”. Click on this link.

Then, click ‘Apply for Retirement Benefits’ on the next page to begin your application.
If you have started your application and find you do not have all of the necessary information or need more time, you can save your application and resume when ready by logging in and clicking ‘Return to a Saved Application.’

Once you have completed the process, you will need to electronically sign the application by clicking the ‘Submit Now’ button. You will have the ability to check the status of your application with your e-receipt.

Your application will be reviewed and you will be contacted if additional information is required. Otherwise, your application will be processed and you will receive a letter regarding a decision in the mail that will inform you of your benefit amount and when payments begin.

The Basics of Medicare

Health care is often one of the biggest expenses seniors have to face during retirement. Some employers offer continuing health benefits after retirement, however, few people are so lucky. Because of this, it is imperative to make healthcare coverage a focus during your retirement planning. Having a good understanding of the costs and coverages of healthcare options will help you decide what options make the most financial sense for your particular health and financial situation. The two primary ways you can get health insurance when you retire are Original Medicare (Part A & Part B) or a Medicare Advantage Plan (Part C) through a private insurer.

What are Medicare Parts A & B or Original Medicare?

Medicare Parts A & B, or Original Medicare, is sometimes called “Traditional Medicare” or “fee for service” Medicare. With Original Medicare, you can go to any doctor, hospital, skilled nursing facility or outpatient treatment clinic that accepts Medicare assignment. Original Medicare is made up of 2 parts:

1. Part A, which covers mostly inpatient care, and
2. Part B, which covers mostly outpatient care.

Part A

Part A is often called hospital insurance because it pays for your care while you are in the hospital. These are the costs associated with overnight stays in a hospital, skilled nursing facility, or psychiatric hospital. These costs can include meals, nursing services, and the hospital room itself. Part A may also cover home healthcare services and hospice care in specific circumstances.
Part B
Many people who have Medicare don’t go to the hospital, but everyone sees a doctor or needs screenings and lab tests at some point. Where Part A is known as hospital insurance, Part B is often referred to as medical insurance as it covers outpatient care. Preventative services, annual check-ups, lab tests, and physical therapy all fall under the umbrella of Part B.

What costs should I know for Part A?

Premium
Most people do not have to pay premiums for part A because either they or their spouse paid for coverage while working. If you do have to pay premiums, then the longer you worked, the less your premium will be.

Deductible
Medicare Part A does not have an annual deductible. Instead, a deductible is applied every “benefit period”. A benefit period is when you have checked in the hospital to the point in which you checkout. The deductible for each benefit period is $1,340.

Coinsurance
The amount that you pay in coinsurance depends on the number of days you stay at the hospital or skilled care facility. For the first 60 days, Medicare covers costs once the deductible has been paid. Once the hospital stay exceeds 60 days, coinsurance begins increasing depending on the length of stay. For stays between 61-90 days, coinsurance is $335 per day. Days 91-150 result in a coinsurance of $670 per day. Finally, Part B does not cover any costs for nights stayed in excess of 150 days. Be aware, Medicare Part B only covers the costs of nights 91-150 once in your lifetime.
What costs should I know for Part B?

Premium
Premiums for Medicare Part B depend on income, however the average is $134 per month. If your income exceeds $85,000/single or $170,000/married filing jointly then your premiums will be more expensive. Part B premiums are usually deducted from your Social Security check. Those with lower income may qualify to have their Part B premiums paid for by their state.

Deductible
You will also pay an annual deductible of $183 (2018.) That means when you receive services covered by Part B, you will pay $183 before Medicare insurance kicks in. People with Medicare and incomes less than 100% of the federal poverty level – about $1,005/month – and few resources can be excused from paying the Medicare deductible and coinsurance.

Coinsurance
Once you have paid your deductible, then Medicare will cover 80% of all Medicare “approved” charges. Without further coverage, you will be on the hook for 20% of the cost of approved services. It is important to make sure your healthcare provider “accepts assignment.” Doctors and providers who “accept assignment” agree to accept the amount Medicare will pay for a visit or service as payment. This ensures you will only have to pay the 20% coinsurance amount. If your provider does not accept assignment, you will have to pay the additional costs that would have otherwise been covered by Medicare.

What is Part D?
Medicare offers voluntary prescription medication coverage, or Part D, to everyone with Medicare. To get Part D, you must join a plan run by an insurance company or other private company approved by Medicare. Although these plans vary in price and benefits, they all cover a broad number of brand name and generic drugs available at local pharmacies or through the mail. In addition to a wide range of pharmacies offered, each prescription plan will have a different list of medications it covers, called the plan’s formulary. It is important to ensure your plan covers what drugs you need when deciding on a plan. Unlike Part A and Part B, premiums for Part D are not regulated by the government and will vary from plan to plan.
If you choose not to enroll in Part D, you may face a late penalty, depending on your circumstances, and have to pay higher monthly premiums for the rest of the time you have medication coverage from Medicare. Many states have low-cost Part D plans that can act as a safety net in case your health situation changes. Consider this if you don’t take prescription medications now.

What is Medigap?

Medigap is a supplemental insurance sold by private companies that you can get on top of your Medicare Parts A & B. Medicare covers many healthcare costs, but it does not pay for every expense. You are responsible for these costs, sometimes called the “gaps” in Medicare coverage. Medigap helps pay for the gaps, much like retiree insurance.

There are several different Medigap plans available. For varying premiums, these plans cover varying portions of the out-of-pocket expenses left from Parts A and B. Depending on the level of coverage you decide to purchase, a Medigap plan may cover your deductibles, 20% coinsurance portion from outpatient services in Part B, and per day coinsurance costs for overnight stays not otherwise covered in Part A.

What is Medicare Advantage?

Medicare Advantage (also referred to as Medicare Part C) is an alternative to Original Medicare (Parts A & B) offered by private insurance companies. These plans are typically required to offer everything that is covered through Original Medicare (excluding Hospice). In addition, there may be additional coverage prescription drugs, dental, or vision.

Medicare advantage plans carry their own premiums, in addition to still being required to pay Part B premiums. For many people, this option offers more help at a lower cost.
Medicare Advantage plans operate similar to what people are accustomed to with employer-sponsored plans. With most plans, doctors office visits, lab work, surgeries, and other procedures are covered after paying a co-pay. The specifics of each plan will depend on the insurance company and the policy. Since it is obtained through a private insurance company, there is the risk of premiums, benefits and copayments changing from year to year. In addition, you may have to get referrals to see specialists or be limited to providers within the HMO or PPO network. Unlike original Medicare, Medicare Advantage has a maximum out-of-pocket spending limit that cannot be exceeded annually. It is not possible to carry Medigap coverage and a Medicare Advantage plan at the same time. For many people, this option may offer more coverage for a lower or similar cost.

### When Can I Enroll?

There are several times when you can enroll in Medicare, and each of those times has certain rules around applying and when your coverage will begin. Understanding when you can enroll and the best time to do so is an integral part of obtaining your Medicare.

**Initial Enrollment Period**

The Initial Enrollment Period (IEP) is the first time you can sign up for Medicare. You may join Medicare Parts A, B, C and D during this time:

- The 3 months before your 65th birthday,
- The month of your birthday, and
- The 3 months after your birthday.

**Note on premium increases if you choose to enroll after your Initial Enrollment Period:**

**Part B** - If you do not enroll in Part B during your IEP, you can enroll during the annual Open Enrollment Period (January 1 – March 31), however, your premium may increase by 10% for each year of delayed enrollment.

**Part D** - If you do not enroll during your IEP, you can enroll during the annual Open Enrollment Period (October 15 – December 7), however, the premium increases by 1% of the national base beneficiary premium ($34.00 for 2017) for each month of delayed enrollment.
Special Enrollment Period

There are special enrollment periods for Medicare Parts A and B with varying criteria you must meet in order to be eligible to enroll during a period other than your Initial Enrollment Period.

- Covered Under Group Health Plan: If you are covered based on current employment, you may sign up for Part A and/or B at any time, as long as you or your spouse is working and you are covered by a group health plan.
- Employment Ends: If your employment ends after your Initial Enrollment Period, you have an 8 month period to enroll which begins the month after the employment ends or the group health plan insurance, based on current employment, ends - whichever occurs first.

Part D has an extensive list of Special Enrollment Periods, and the criterion for each, which can be found at: http://www.medicare.gov/sign-up-change-plans/when-can-i-join-a-health-or-drug-plan/special-circumstances/join-plan-special-circumstances.html

How do I find the best policies?

Medicare.gov is a great resource for all your questions about Medicare. They even offer Medicare Plan Finder which allows you to find and compare Medicare policies. The personalized search tool will provide you with more accurate cost estimates and coverage information based on your location, medical needs, and which medications you may be using. Just go to https://www.medicare.gov/find-a-plan/questions/home.aspx. It should look something like this: