

Recalculating!

How the Pandemic is Causing Older Employees to Rethink Social Security & Medicare Filing Decisions.

Kennebec Valley HRA

November 18, 2020

Presented by...

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The content of this presentation does not constitute, and should not be construed as providing, legal or tax advice. Similarly, responses to questions asked during the presentation do not constitute legal or tax advice.

Today's presentation is based on the current laws, regulations, and rules for Social Security & Medicare. Future changes cannot be accounted for and may result in different benefits, eligibility requirements, or other considerations than those shown.

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is Causing Older
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& Medicare
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**Will You Be Forced To Retire Early
Because Of The Coronavirus?**



April 22, 2020. Forbes.com

A Pandemic Problem for Older Workers: Will They Have to Retire Sooner?
The New York Times

Coronavirus Could Share 2-4 Years Off Social Security Trust Fund: Wharton School
The Boston Globe

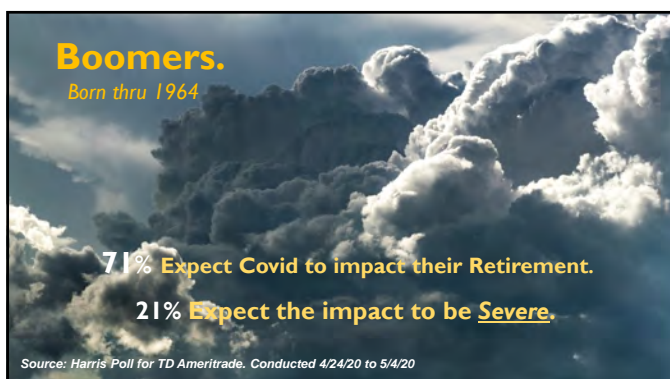
Jobless Older Workers: It's Different This Time
Revised Retirement Blog

Coronavirus Job Loss Could Cost Millions Health Insurance
AARP.com

Covid-19 Upends Retirement Expectations Across Generations
SHRM Compensation & Benefits Newsletter







Boomers.
Born thru 1964

37% *Considering- or have already- Delayed Retirement.*

23% *Considering- or have taken- Early Retirement.*

Source: Harris Poll for TD Ameritrade. Conducted 4/24/20 to 5/4/20

Social Security

\$1470 average benefit

50% of income for
50% of retirees

**90% of income for
25% of retirees**

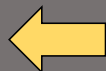
Age 65+ Women & People of Color
historically have higher than average
poverty rates, thus making Social Security
even more critical for financial security.

SOCIAL SECURITY


A Primer on Social Security & Medicare

<u>Birth Year</u>	<u>FRA</u>	Full Retirement Age <i>Social Security Retirement Benefits</i>	
1954	66		
1955	66 2 mos		
1956	66 4 mos		
1957	66 6 mos		
1958	66 8 mos		
1959	66 10 mos		
1960+	67	Medicare Eligibility Age is 65	

*Based on \$2,000/mo Benefit		
Age	Benefit %	Benefit \$
<i>Actuarial Reduction</i>		
62	75.0%	\$1,500
63	80.0%	\$1,600
64	86.7%	\$1,733
65	93.3%	\$1,866
<i>Full Retirement Age</i>		
66	100%	\$2,000
<i>Delayed Retirement Credits</i>		
67	108%	\$2,160
68	116%	\$2,320
69	124%	\$2,480
70	132%	\$2,640




2021 Annual Earnings Test	
<i>Applies to those who file for Social Security EARLY and keep working</i>	
Age 62-65	\$18,960 <i>\$1 withholding for \$2 excess</i>
FRA year	\$50,520 <i>\$1 withholding for \$3 excess</i>
<i>W-2 wages include pre-tax retirement plan contributions</i>	

Benefits by Marriage**Spouse****50% of Other Spouse's
FRA Amount***If greater than own Benefit* Benefit reduced if filing prior to Full Retirement Age.

Other Spouse must have already filed.

*Same benefits for unmarried divorced spouse, if marriage was at least 10 years.**Note: Must be 24-months post divorce or ex-Spouse must have already filed.*

Benefits by Marriage**Widow**
Survivor Benefit**100% of Late Spouse's
Actual Benefit Amount***If greater than own Benefit* Benefit reduced if filing prior to Full Retirement Age.

No benefit if remarriage prior to age 60.

Same benefits for divorced widow, if marriage was at least 10 years.

Benefits by Marriage*Survivor Recalculation***Widow**
Survivor Benefit**Upon the death of spouse
with a higher benefit the
surviving spouse's benefit
is increased to that amount.**

mySocialSecurity

SocialSecurity.gov

▶

ENABLES ONLINE FILING

Annual Statement

Customize Projections

Much More...

How to create a my Social Security account.

To create an account, you must:

18

Be at least 18 years of age

Have a valid Social Security number

Have a valid U.S. mailing address

Have an email address

START HERE

1

Visit www.SocialSecurity.gov/myaccount

2

Click "Get Started"

3

Click "Create Account"

4

Read and agree to our Terms of Service

5

Verify your identity. Tell us who you are

6

Verify your identity. Tell us who you are

7

Customize your account

8

Select how to receive your security data

9

Enter the security questions you selected to create an account

10

Send an authentication code to your email

Create Your Account Today!

SocialSecurity.gov

Facebook

Twitter

YouTube

800.792.6287

TTY: 800.787.6287

[illegible]

Your Social Security

MEDICARE helps older Americans pay hospital and medical expenses

NEARING 65?

*Sign up for MEDICARE
2 or 3 months before
your birthday*

**FUN FACT: Medicare is Title 18
of the Social Security Act**

U.S. DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
SOCIAL SECURITY ADMINISTRATION
1964-1968

U.S. GOVERNMENT PRINTING OFFICE: 1964-548-745

←

Original Medicare

MEDICARE HEALTH INSURANCE

JOHN L SMITH

1E04-TE5-8K72

PART A
PART B

03-03-2016
03-03-2016

→

Medicare Advantage

INDEPENDENT

Partners With Choice

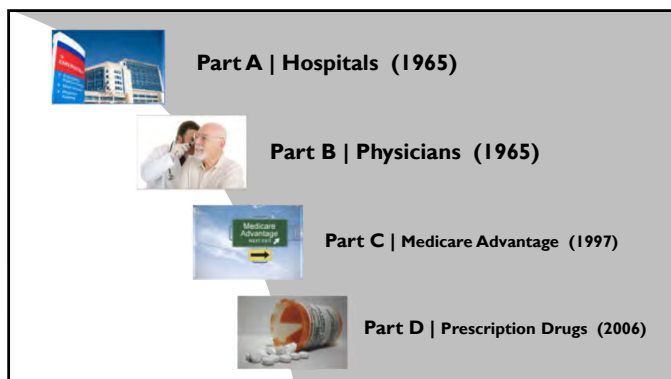
Medical

Prescription

Medical Advantage

03-03-2016

03-03-2016

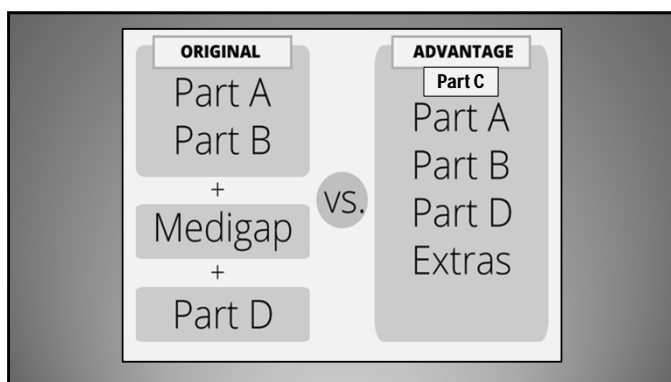


Part A | Hospitals (1965)

Part B | Physicians (1965)

Part C | Medicare Advantage (1997)

Part D | Prescription Drugs (2006)



ORIGINAL

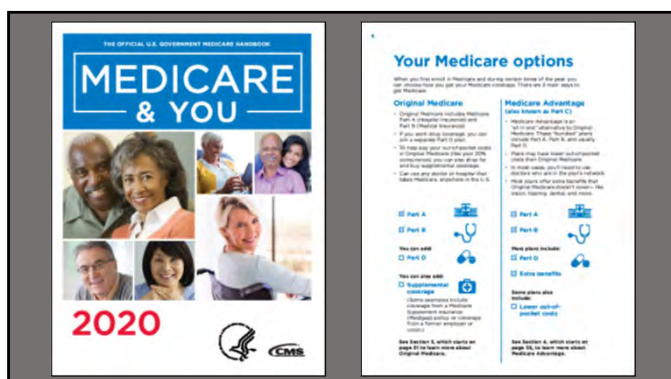
Part A
Part B
+
Medigap
+
Part D

ADVANTAGE

Part C

Part A
Part B
Part D
Extras

vs.



MEDICARE & YOU

2020

Your Medicare options

Original Medicare

Medicare Advantage

Isn't Medicare free?

Part A

Hospitals

No Cost

Fully Prepaid thru FICA

Part B

Physicians

\$148.50/mo*

High Income = Higher Premium!

*2021. Increases Annually

Original*		Advantage	
Any Provider	●	Network Providers	Provider Access
Parts B & D + Medigap		Part B (+ added premium?)	Premium Cost
Medigap Covers Parts A & B Costs	●	Copays & Other Costs Max Limit	Potential Claim \$
Extras Not Included		Extras Included	Extras
*Including Medigap			



The Medicare Advertising Blitz!

Key Medicare Sign-Up Periods

IEP

Initial Enrollment Period

Upon turning 65

Online or by Phone

SEP

Special Enrollment Period

**Keep Group.
Delay Medicare.**

Group Verification. Mail or Fax.

Health Savings Accounts and Medicare

HSA


Health Savings Account

**Medicare Enrollment
'Closes the Lid' on
HSA Contributions.**

Can Still Use Previously Contributed Funds

Employee Impact Case Studies





UNDER 65

Sudden Early Retirement


- ✓ The Longevity Factor
- ✓ Annual Earnings Test
- ✓ Survivor Impact?
- ✓ Healthcare / Medicare

Social Security Impact
Longevity

Age 62
 Male 21.3 yrs
 Female 24.2 yrs

Age 70
 Male 15.7 yrs
 Female 17.8 yrs

Source: Life Expectancy Calculator at SSA.gov




Social Security Impact
Longevity

\$1500 FRA monthly benefit

\$1125 age 62 (Reduced)
 Male **\$287,500** Lifetime
 Female **\$326,700** Lifetime

\$1980 age 70 (Enhanced)
 Male **\$373,032** Lifetime
 Female **\$422,000** Lifetime




Social Security Impact
Earnings Test

2021 Limits...

\$18,960 (ages 62-65)
\$1 for \$2 Withholding


\$50,520 (FRA year)
\$1 for \$3 Withholding




Social Security Impact
Earnings Test

The Withholding Process

Annually notify SSA of estimated earnings.
Benefit adjusted in January.


If no estimate made, benefits stop in January until fully recouped. 




Social Security Impact
Survivor Benefits


Social Security 'Life Insurance'

Upon death of spouse with higher benefit, surviving spouse's benefit increases to that higher amount.

Early or Delayed filing by the higher benefit deceased spouse will affect survivor. 



Healthcare/Medicare
COBRA Issues



▶ COBRA often ends upon Medicare Eligibility.

High-Cost Rx users may face much higher out-of-pocket costs with Medicare Rx compared to Group Plan Rx.

AGE 65+

Unexpected Retirement


- ✓ Longevity Factor 2.0
- ✓ Retro Social Security
- ✓ Medicare Premiums
- ✓ Medicare Enrollment



Social Security Impact
Longevity

Age 66
Male 18.2 yrs
Female 20.7 yrs

Age 70
Male 15.7 yrs
Female 17.8 yrs




Source: Life Expectancy Calculator at SSA.gov

Social Security Impact
Longevity

\$1500 FRA monthly benefit

\$1500 age 66 (FRA)
Male \$327,600 Lifetime
Female \$372,600 Lifetime


\$1980 age 70 (Enhanced)
Male \$373,032 Lifetime
Female \$422,000 Lifetime



Social Security Impact
Retro Benefits

Retroactive Social Security...

Initial benefits can be paid up to 6-months retroactive. Must be at least Full Retirement Age (FRA).




Medicare Impact
Premiums

High-Income Premium Surcharge

IRMAA (Income Related Medicare Adjustment Amount) is the high-income premium surcharge for Part B and Part D premiums.

Can Appeal Upon Retirement

Medicare Impact Enrollment!




Special Enrollment Period

For employees who deferred Medicare and have remained covered by the Group Health Plan.

▶ Coordinated SEP process. Employee application & Employer GHP verification.


Medicare Impact Enrollment




Special Enrollment Period

Form 40B | Employee
Form L564 | Employer

Submit both application forms with a cover letter either by certified mail to nearest Social Security office or send by fax to (833) 914-2016.



Social Security
Local Office



National FAX
(833) 914-2016



UN-FILE?

Return to Work


- ✓ Social Security Re-Set?
- ✓ Social Security Pause?
- ✓ Medicare Dis-Enrollment?

Social Security Impact

Withdraw Filing

Social Security 'Re-Set'...

Can withdraw Social Security filing within first 12 months. All benefits received must be repaid.




Social Security Impact

Suspend Benefit

Pausing Social Security Benefits

Must be at least FRA and less than age 70

Can suspend Social Security benefit. Benefit enhanced for each month suspended. (Delayed Retirement Credits)




Medicare Impact

Dis-Enrollment

New Group Coverage Age 65+

Can Dis-enroll from Medicare (just Part B if on Social Security).

Must submit a disenrollment application. Interview may be required.



Social Security Retirement Benefits



SocialSecurity.gov/retire

AARP.org/retirement/socialsecurity

Laurence Kotlikoff. @kotlikoff
MaximizeMySocialSecurity.com

'Social Security Made Simple'
by Mike Piper, CPA



Medicare Coverage & Enrollment

MedicareInteractive.org

Medicare.gov/what-medicare-covers

CMS.org/medicare/medicare

Q1Medicare.com (Part D Drug Plans)

 **(800) 633-4227 Medicare Helpline**

Advanced Training Webinars for HR & Benefits Pros!



Social Security & Medicare Essentials for HR and Benefits Professionals.
Three 60-minute Sessions
3 credits



Employee Healthcare at 65: At the Crossroads of Medicare & Group Plans.
One 90-minute Session
1.5 credits

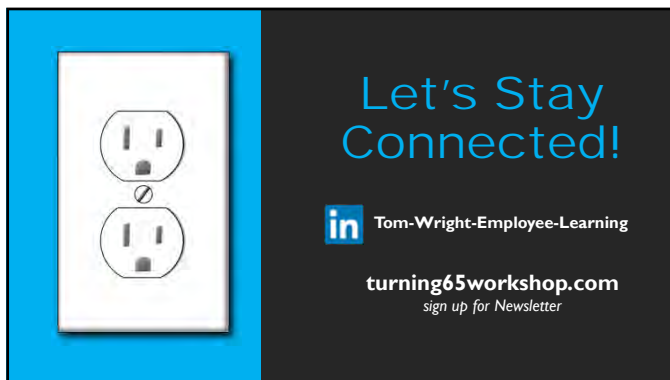


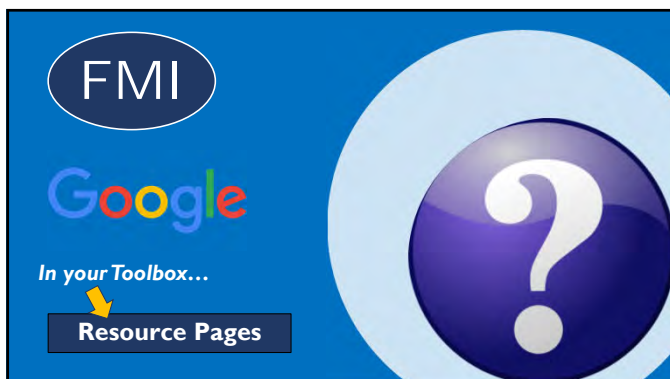
The Group-to-Medicare Transition: Navigating the Special Enrollment Period!
One 60-minute Session
1 credit



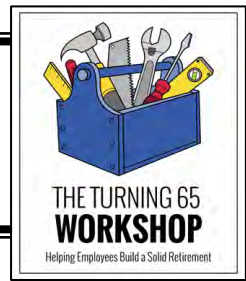






Annual Earnings Test



Taking Social Security early (before Full Retirement Age) and continuing to work can “activate” the Annual Earnings Test.

The Earnings Ceiling

Employees in this ‘category’ face a ceiling on the amount of income* they can earn. Exceeding the ceiling results in a reduction in their Social Security benefit. In 2021, the annual ceiling is \$18,960. There is an increased “transition year” ceiling of \$50,520 for anyone who will be reaching Full Retirement Age (66 + 2 months) in 2021. *Only an employee’s W-2 wages are included in the earnings calculation. Also included with the W-2 wages are any pre-tax contributions to an employer sponsored retirement plan, such as a 401k or 403b.

Reduction Amount

Every \$2 of income over the ceiling triggers a \$1 reduction in the Social Security benefit. For the calendar year when Full Retirement Age is reached, every \$3 of excess income has a \$1 reduction.

First Year of Retirement

When filing first time for Social Security mid-year, the “First Year of Retirement” rule disregards all income earned year-to-date and uses a *pro-rated monthly income ceiling* going forward.

Restoration of Benefits

Upon reaching Full Retirement Age (in 2021, Age 66 + 2 months), the Annual Earnings Test ends.

From that point forward, there is no limit on how much income an employee can earn while receiving Social Security benefits. Any benefits that were previously withheld will be restored. The restoration is not in a lump sum, rather it is essentially *spread out over remaining life expectancy*.

The Notification Process

Anyone taking early Social Security who anticipates their wages will exceed the Annual Earnings Test ceiling should report their estimated earnings to Social Security by phone (800.772.1213) or in writing to their local office. Their monthly benefit will then be adjusted to reflect the withholding. When advance notice is not given- thus the benefit has not been adjusted- Social Security will not pay any benefits the next year until the full amount that should have been withheld is recovered.



Benefits by Marriage

Spouse Benefits

50%

of the Other Spouse's Primary Insurance Amount

Married Spouse: Age 62 | Spouse must have already filed.

Divorced Spouse: Age 62 | 10 yr Marriage | Unmarried | Ex filed or Divorced 24 mo.

Survivor Benefits

100%

of the Deceased Spouse's Actual Monthly Benefit

Surviving Spouse: Can Keep Benefit if Remarried at age 60 or later.

Age 60 | Age 50, if disabled | Any age, if caring for child who is under 16 or disabled.

Surviving Divorced Spouse: 10 yr Marriage | Otherwise, same rules as Surviving Spouse.

When Taken Early (before Full Retirement Age), both Spouse and Survivor Benefits *are Reduced and Subject to the Earnings Test (if Working)*

Deemed Filing Rules

Always Get HIGHER of Own Benefit *or* Spouse/Survivor Benefit.

EXCEPTION: SURVIVORS can take lower deceased spouse benefit, while Own benefit accumulates Delayed Retirement Credits. At age 70 'switch' to Own (enhanced) benefit.

2021 Medicare Premiums



THE TURNING 65
WORKSHOP
Helping Employees Build a Solid Retirement

Part B Standard Monthly Premium is \$148.50
represents 25% of the total monthly cost

High-Income Earners pay more...

IRMAA. Income Related Medicare Adjustment Amount

Tax Filing Status		↓	Part B	Part D	TOTAL
Single	Married Joint*				
\$ 88,001	\$176,001	<u>35%</u>	\$207.90	\$12.30	<u>\$220.20</u>
\$111,001	\$222,001	<u>50%</u>	\$297.90	\$31.80	<u>\$329.70</u>
\$138,001	\$276,001	<u>65%</u>	\$386.10	\$51.20	<u>\$437.30</u>
\$165,001	\$330,000	<u>80%</u>	\$475.20	\$70.70	<u>\$545.90</u>
\$500,001	\$750,001	<u>85%</u>	\$504.90	\$77.10	<u>\$582.00</u>

**If Married Filing Separate Returns... \$88,001 to \$412,000 = 80%. Over \$412,000 = 85%*

Based on 2-year prior
Modified Adjusted Gross Income.

→ Can Appeal Upon Retirement

IRMAA status re-set annually **based on tax**
return info provided to Medicare by the IRS.



THE TURNING 65
WORKSHOP

Helping Employees Build a Solid Retirement

Special Enrollment Period

For someone who defers Medicare at age 65 (either both Parts A & B or Part B only) and remains covered by a group health plan. Upon the subsequent termination of that group health coverage, a Medicare Special Enrollment Period (SEP) is available.

SEP is an 8-month period beginning at the earlier of date employment ends or group health coverage ends. This applies to Medicare Part B coverage.

Note: Part A can be requested at any time without a formal SEP application.

STEP 1. Advance Preparation

Notify HR immediately upon deciding SEP date. Ideally, 2 months in advance.

STEP 2. Submit Application

Applicant completes form CMS-40B. Employer (HR) verifies group health coverage using form CMS-L564. Applicant submits both forms with cover memo to local Social Security office or the national SEP fax line (833) 914-2016.

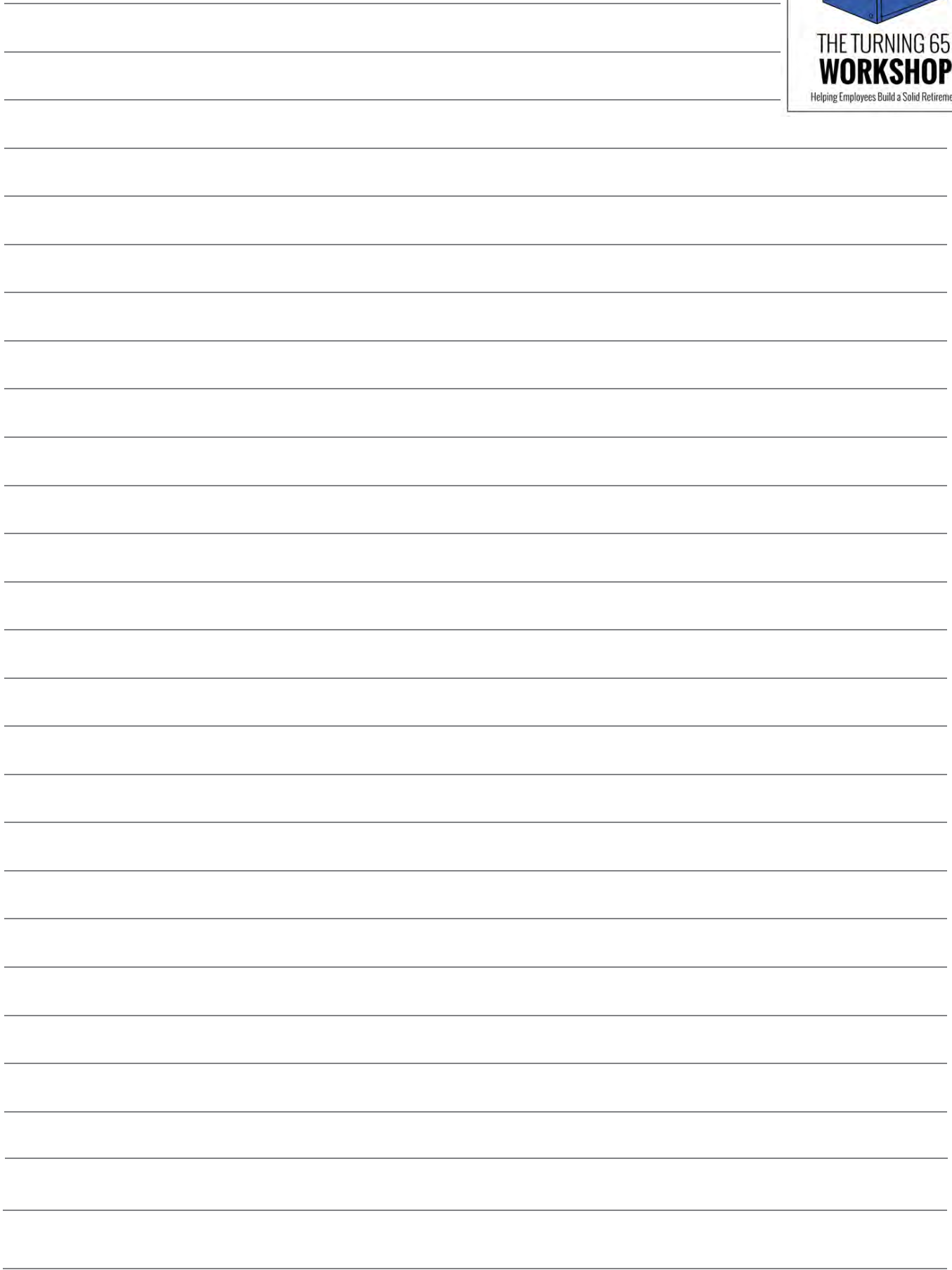
STEP 3. Track Status

This is done online using a *mySocialSecurity* account.

Go to ssa.gov/benefits/medicare

STEP 4. Finalize

Once enrolled in BOTH Parts A & B- *and not covered by a group health plan*- complete the process by then purchasing either Medigap & Part D Rx Plan (Original) or enrolling in a Part C Medicare Advantage Plan.



Thomas Wright and the Turning 65 Workshop

Tom began his career in 1980 with John Hancock Financial Services. From 1984 to 2016 he was a financial advisor, specializing in employee benefits. He then created the Turning 65 Workshop to provide much-needed Social Security & Medicare learning programs for older employees in the workplace, as well as advanced training for HR and Benefits professionals.

He attended the University of New Hampshire and has earned the Chartered Life Underwriter (CLU) designation from the American College of Financial Services.

He's been quoted on various employee benefit topics by media outlets including Kiplinger's and Fortune magazines, The Boston Globe. He's also been a featured guest on a number of television and radio programs, and more recently podcasts.

Tom has spoken to audiences from Los Angeles to Miami to Caribou, Maine, including numerous presentations at HR conferences and local chapter meetings.

He draws upon decades of first-hand experience to communicate dry, complex financial material in an engaging and simple way that ordinary people understand.

Over his career, he has been involved in numerous trade associations, including the National Association of Insurance & Financial Advisors, American Association for Long-Term Care Insurance, the Maine Estate Planning Council, his local Chamber of Commerce, and the Society for Human Resource Management.

He and his wife Patti have 5 children and 3 grandchildren. They live on the Maine coast, and couldn't imagine living anywhere else.

"Thank you for the workshop yesterday! The speaker was brilliant! He made Medicare simple and easy to understand- before the workshop it was totally complicated and scary. I now know what to do, how to do it, and when to do it. Again, thank you!

Portland, Maine

"Continuing to get kudos for bringing the Turning 65 Workshop to our staff. Even those who didn't attend are saying how great they've heard it was! "

Port St. Lucie, Florida

"The Turning 65 Workshop was fantastic. The presenter was enthusiastic about the subject and actually made it fun to learn!"

Pasadena, California

"That was an awesome workshop session!! Every employee my age (60) and older should attend this as part of open enrollment. This is the kind of information my wife and I need for our retirement planning. Excellent!!!"

Bridgeport, Connecticut



THE TURNING 65 WORKSHOP

Helping Employees Build a Solid Retirement

On-Demand Learning. Social Security. Medicare.

*The Turning 65 Workshop is now
a virtual learning experience!*

The same practical, easy-to-understand content that 'live' audiences of older employees- and HR & Benefits teams- have found so valuable is now available in a pre-recorded On-Demand format...

Benefits for Employees

CONVENIENT. Employees now have 30-days to access the presentation whenever it's convenient for them. All that's needed is an internet connection!

FLEXIBLE. The full 90-minute presentation is now divided into Social Security and Medicare segments. Employees can watch the segments separately or all-at-once.

REVIEWABLE. By having access for a full 30-days, employees can review some or all of the content as needed, and can focus topics that are of personal interest.

SELF-HELP TOOLS. The additional resources that accompany the Workshop have been improved and expanded, including new FMI links and Common Questions.

Benefits for Employers

TRAINING. HR & Benefits team members receive access to an advanced training program focused on the high-priority topic, *When Medicare-Eligibility Meets the Group Plan at Age 65*.

EASIER LOGISTICS. No more challenges trying to coordinate on-site scheduling. And no more need for employees to take time away from their work responsibilities to attend!

RESPONSIBLE. Due to Covid-19, delivering the workshop online is a safer alternative to gathering older at-risk employees, and their significant others, on-site during business hours.

BUDGET FRIENDLY. With no travel costs, the new online Turning 65 Workshop is now even more budget-friendly. Call 207-846-6138 or email info@turning65workshop.com for details.

turning65workshop.com