

# CONTINUING EDUCATION PROGRAM

## **Planning with Social Security and Medicare**

**Presented by:**

800-345-5669

[www.brokered.net](http://www.brokered.net)

[customerservice@brokered.net](mailto:customerservice@brokered.net)

1697313 – (2/17)



# Disclosure

Information and opinions provided by third parties have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. The information is not intended to be used as the sole basis for investment decisions, nor should it be construed as advice designed to meet the particular needs of an individual investor.



# Super CE Program

## > Classroom Course:

- **Planning with Social Security and Medicare:**
  - Approved for one (1) hour of state insurance CE credit. Also, approved for 1 hour of CE credit for CFP, IMCA, CFA, CPE, PACE and CFFP.

UNDERSTANDING SOCIAL SECURITY,  
MEDICARE, AND GOVERNMENT BENEFITS  
(2017 Edition)




Researched and Written by:  
Edward J. Barrett  
CFP®, ChFC®, CLU, CEBS®, RPA, CRPS®, CRPC®



# CE Packet

- > Student Information Form
  - Sign in and out
- > PowerPoint Presentation
  - State Monitor Form (if required)
  - Answer Sheet / #2 Pencil
  - Class Evaluation Form
- > Certificates of Completion



**STUDENT INFORMATION FORM**

In order to receive CE credit you must fill out COMPLETELY and LEGIBLY.

**Personal Information**

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Cell Phone #: \_\_\_\_\_ Best Student ID #: \_\_\_\_\_  
(internal use only)

**Business Information**

Broker-Dealer: \_\_\_\_\_ D/B/A: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Business Phone #: \_\_\_\_\_ E-Mail: \_\_\_\_\_

**State Insurance License Information**

Please list the state in which you have your resident Insurance License and your resident License Number: You **MUST** provide resident State & resident Insurance License number to receive credit for this course.

Resident State License: \_\_\_\_\_ State License #: \_\_\_\_\_  
NPN Number: \_\_\_\_\_

**Professional Designation Information**

This course may be approved for advanced professional designation continuing education credits. Please check the corresponding boxes for any additional designation certificates you need. For CFP® and IMCA® certificants, please enter your certification number.

CFP \_\_\_\_\_  IMCA/CIMA \_\_\_\_\_  IMCA/CPWA \_\_\_\_\_  IMCA CIMC \_\_\_\_\_  
 CPE \_\_\_\_\_  CRPS \_\_\_\_\_  CRPC \_\_\_\_\_  CLU \_\_\_\_\_  CHFC \_\_\_\_\_  CRPS \_\_\_\_\_

**Student Verification**

Course Name: \_\_\_\_\_  
Course Date: \_\_\_\_\_  
Course Location: \_\_\_\_\_  
Instructor Name: \_\_\_\_\_

**YOU MUST SIGN IN WITH TIME AND INITIALS IN ORDER TO RECEIVE CREDIT.**

Time In:	Initials:	Time Out:	Initials:
----------	-----------	-----------	-----------

If your Resident License is from: AR, HI, KY, WA, or WY you **MUST** see the instructor and sign the State Specific Sign In/Sign Out sheet to receive credit.

I certify under penalty of perjury that I attended this course in its entirety as shown by the times shown above. I am also providing to the company offering this CE course certain data that might be considered confidential. I do so freely for the sole purpose of having a certificate on my behalf by the offering company or to its administrator. By signing this form, I acknowledge receipt of all correspondence, self-study materials prior to attending this program and taking the written exam.

Please sign your name: \_\_\_\_\_ Date: \_\_\_\_\_

The instructor of the presentation must return all completed materials within 3 business days to the following address:  
Broker Educational Sales & Training, Inc. 7137 Congress Street New Port Richey, FL 34653



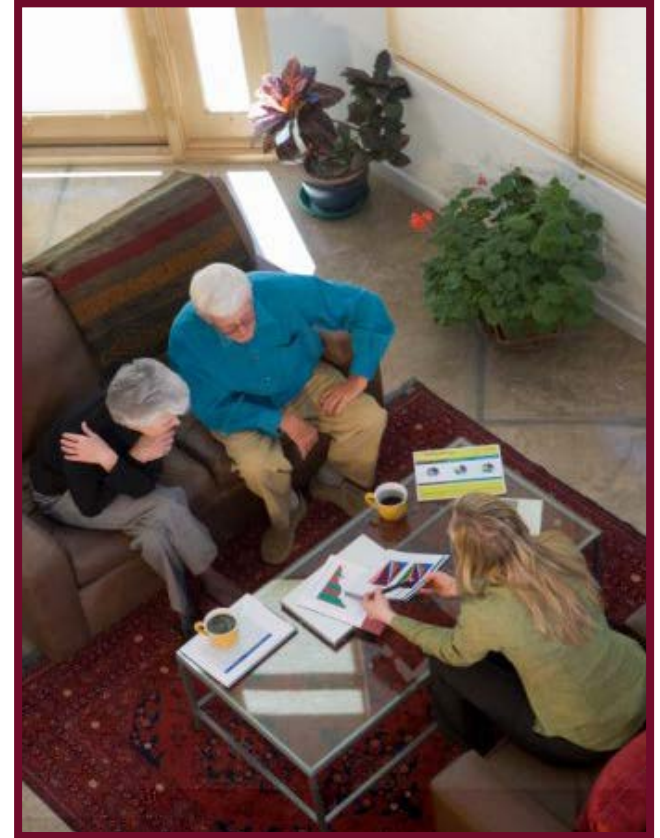
# Before We Begin...

- > All electronic devices must be turned off and put away.
- > Remove any reading materials other than materials applicable to this class.
- > To receive CE credit you must remain in the room.
- > Questions???



# Agenda

- > Overview of the Social Security Program (OASDI)
- > Strategies to Maximize Social Security Benefits
- > Overview of the Medicare Program and Medicare Supplement (Medigap) Policies



# History of Social Security



President Franklin Delano Roosevelt:  
“Old Age is at once the most certain and  
for many people the most tragic of all  
hazards.”

- > Social Security Act of 1935 – provided Old-Age (OA) retirement benefits to help ensure that older Americans (people age 65 and over) would have adequate retirement income (based on wages).
  - In 1939, coverage was extended to dependents and survivors (S). Then in 1956, SSA added disability insurance benefits (DI).
- > OASDI (Social Security):
  - Designed as a progressive insurance system.
- > Nine out of ten Americans age 65 and older receive social security benefits (#1 federal entitlement program).<sup>1</sup>

Source: <sup>1</sup>Annual Report of the Board of Trustees of the Federal OASDI Trust Funds; The 76th Report; [www.ssa.gov](http://www.ssa.gov). 2016 estimated expenditures;



# Social Security Funding\*

- > FICA/SECA Payroll taxes (85%)
  - 12.4% of taxable earnings up to \$127,200 (6.2% both employee and employer). Maximum yearly withholding \$7,886 in 2017;
  - SECA tax is 12.4% (50% is tax deductible)
- > Social Security Tax on benefits (2.5%);
- > Interest on intra-governmental debt (12%); and
- > General funds (0.5%)
- > Deposited into Social Security Trust Funds (Sec. of Treasury)
  - OASI Trust Fund (projected shortfall in 2034)
  - DI Trust Fund (projected depletion 3<sup>rd</sup> Quarter 2023).

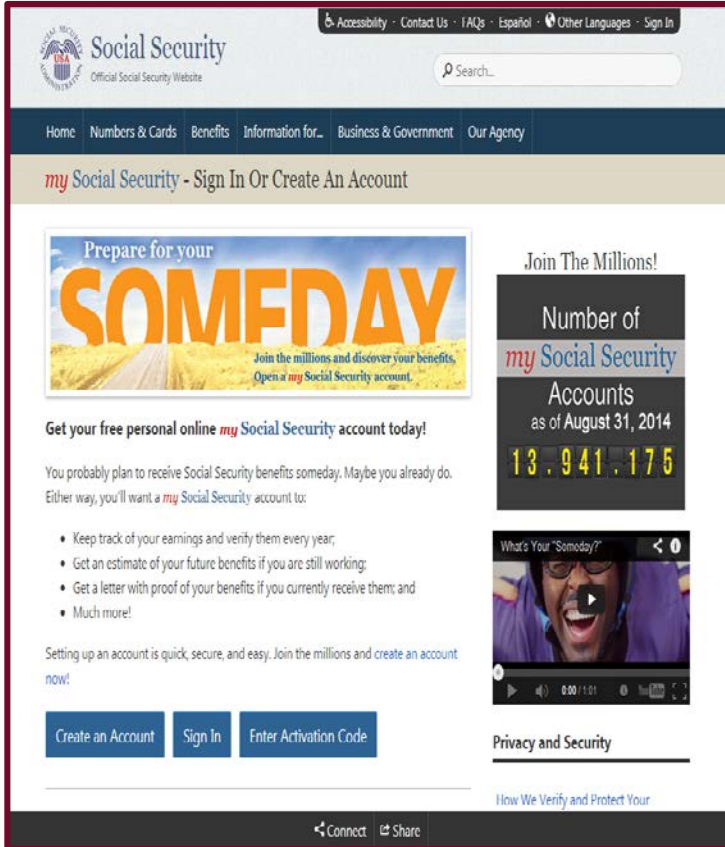
Source: \*Annual Report of the Board of Trustees of the Federal OASDI Trust Funds; The 76th Report; [www.ssa.gov](http://www.ssa.gov). 2016 estimated expenditures;





# Eligibility for OA Retirement Benefits

- > Two basic requirements
  - Attaining age 62 for one full month; and
  - Being “fully insured”
- > To be “fully insured,” a worker must earn 40 credits (Quarters of Coverage):
  - In 2017, for each multiple of \$1,300 in earnings you earn one credit:
  - Maximum of 4 credits per calendar year (\$5,200). 4 credits per year x 10 years = 40 credits to be fully insured.
- > Fully insured = 100% of benefit (PIA) at FRA.



Accessibility - Contact Us - FAQs - Español - Other Languages - Sign In

Social Security  
Official Social Security Website

Home Numbers & Cards Benefits Information for... Business & Government Our Agency

my Social Security - Sign In Or Create An Account

Prepare for your  
**SOMEDAY**  
Join the millions and discover your benefits.  
Open a my Social Security account.

Join The Millions!

Number of  
my Social Security  
Accounts  
as of August 31, 2014  
**13,941,175**

Get your free personal online my Social Security account today!

You probably plan to receive Social Security benefits someday. Maybe you already do. Either way, you'll want a my Social Security account to:

- Keep track of your earnings and verify them every year;
- Get an estimate of your future benefits if you are still working;
- Get a letter with proof of your benefits if you currently receive them; and
- Much more!

Setting up an account is quick, secure, and easy. Join the millions and create an account now!

Create an Account Sign In Enter Activation Code

Privacy and Security

How We Verify and Protect Your

Connect Share

<http://www.ssa.gov/mystatement/>



# Determining FRA

Depending on the worker's year of birth:

Year of Birth	Full Retirement Age (FRA)
1937 or earlier	65
1938 - 1942	65 + 2 months for every year after 1937 until 1943
1943 - 1954	66
1955 - 1959	66 + 2 months for every year after 1954 until 1960
1960 and later	67



# Calculate OA Retirement Benefits

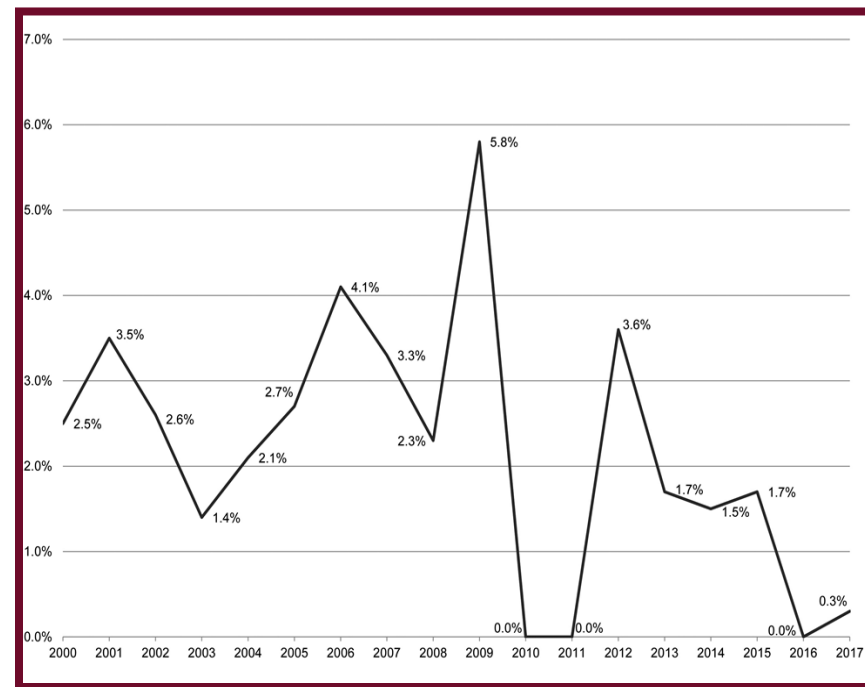
- > Step 1: Index the earnings record
  - The “wage index” method on “indexed” earnings over a fixed number of years after 1950, (for an individual retiring in 2017 use wages from 1976). That is 40 years of earnings history.
- > Step 2: Calculate the AIME
  - Take highest **35 of 40 years** of earnings history. Those earnings are then indexed for inflation and averaged. This indexing is a mechanism for expressing prior years’ earnings in terms of the worker’s current dollar value. A worker’s earnings would be indexed to the average wage index **two years** prior to his or her age 62.
- > Step 3: Calculate the PIA (actual SS retirement benefit) using the PIA formula (2017):
  - 90% of the first \$885 of AIME (1st bend point), plus
  - 32% of AIME over \$885 and through \$5,336 (2nd bend point), plus
  - 15 % of AIME over \$5,336 (3<sup>rd</sup> bend point)



# COLA

- > Based on the increase in the Consumer Price Index (CPI-W) for the 3<sup>rd</sup> quarter of current year compared to the 3<sup>rd</sup> quarter of the previous year.
- > COLA for 2017 is 0.3%
- > SSA projects a 2.6% COLA on SS Wage Statements.

**COLA  
2000-2017**



# WEP and GPO Provisions

- > Windfall Elimination Provision (WEP) – when an individual receives a pension from a job that was not covered by Social Security. Usually these jobs are government-related, including state and federal employees and teachers.
  - How it works: First PIA bend point (\$885) impact is 50% of the first bend point, if 62 in 2017 the maximum dollar amount of WEP is \$442.
  - **Substantial Earnings:** work in a job for 21 or more years and the earnings are considered “substantial,” these earnings can offset the WEP reduction. For each year over 20, the 50% factor is reduced by 5 percentage points. So if the worker had substantial earnings for 30 years the WEP is eliminated.
- > Government Pension Offset (GPO) – a law that affects spouses, widows and widowers.
  - Social Security benefits will be reduced by two-thirds of the worker’s government pension.



# When Should I Apply for SS Retirement Benefits?



- > A worker who is fully insured will have the following options:
- Reduced benefits beginning at age 62 (permanently reduced);
  - Full benefits at FRA (age 66); or
  - Increased benefits, if delayed beyond FRA to age 70 (Delayed Retirement Credits).

“Of the non-disabled persons who claimed benefits in 2015, 70% of men and 76% of women elected to receive reduced benefits prior to their FRA. Less than 3% of men and 4.1% of women waited to elect benefits at age 70 and later”\*

Source: \*SSA, 2016 Annual Statistical Supplement, Master Beneficiary Record;  
<http://www.ssa.gov/policy/docs/statcomps/supplement/2016/5b.pdf>



# Effect of Early or Delayed Retirement

Year of Birth	FRA	DRC	Benefit, as a percentage of PIA, beginning at age...					
			62	63	64	65	66	70
1943 – 1954	66	8	75	80	86 <sup>2</sup> / <sub>3</sub>	93 <sup>1</sup> / <sub>3</sub>	100	132
1955	66 and 2 months	8	74 <sup>1</sup> / <sub>2</sub>	79 <sup>1</sup> / <sub>6</sub>	85 <sup>5</sup> / <sub>9</sub>	92 <sup>2</sup> / <sub>9</sub>	98 <sup>8</sup> / <sub>9</sub>	130 <sup>2</sup> / <sub>3</sub>
1956	66 and 4 months	8	73 <sup>1</sup> / <sub>2</sub>	78 <sup>1</sup> / <sub>3</sub>	84 <sup>4</sup> / <sub>9</sub>	91 <sup>1</sup> / <sub>9</sub>	97 <sup>7</sup> / <sub>9</sub>	129 <sup>1</sup> / <sub>3</sub>
1957	66 and 6 months	8	72 <sup>1</sup> / <sub>2</sub>	77 <sup>1</sup> / <sub>2</sub>	83 <sup>1</sup> / <sub>3</sub>	90	96 <sup>2</sup> / <sub>3</sub>	128
1958	66 and 8 months	8	71 <sup>1</sup> / <sub>2</sub>	76 <sup>2</sup> / <sub>3</sub>	82 <sup>2</sup> / <sub>9</sub>	88 <sup>8</sup> / <sub>9</sub>	95 <sup>5</sup> / <sub>9</sub>	126 <sup>2</sup> / <sub>3</sub>
1959	66 and 10 months	8	70 <sup>1</sup> / <sub>2</sub>	75 <sup>5</sup> / <sub>6</sub>	81 <sup>1</sup> / <sub>9</sub>	87 <sup>7</sup> / <sub>9</sub>	94 <sup>4</sup> / <sub>9</sub>	125 <sup>1</sup> / <sub>3</sub>
1960 & Later	67	8	70	75	80	86 <sup>1</sup> / <sub>2</sub>	93 <sup>1</sup> / <sub>2</sub>	124



# Retirement Earnings Test Limits

	<b>2017 Limit</b>
<b>Under full retirement age</b> –\$1 of benefits withheld for every \$2 in earnings above the limit	<b>\$16,920/year</b>
<b>Year individual reaches full retirement age</b> –\$1 of benefits withheld for every \$3 in earnings above the limit for months prior to attaining full retirement age	<b>\$44,880/year</b>
<b>Month individual reached full retirement age and beyond</b> –Reduction no longer applies	<b>Unlimited</b>

*Only wages are considered. Spouse's wages are not considered.*





# Maximizing SS Benefits for Singles

- > When should singles Start SS retirement benefits?
  - Which starting date will maximize the PV of projected benefits?
  - Which starting date will minimize longevity risk?
- > For singles who live to average L/E and whose benefits are not affected by the earnings test, the PV of benefits is approximately equal no matter when benefits begin.
  - The average mortality for a male and female who reach age 62 today is 83.7 (21.7 years) and 86.3 (24.3 years) respectively.<sup>1</sup>
- > However, for singles who are risk averse and live beyond average L/E, they would be better off to wait to at least their FRA, and if concerned about longevity they would be better off waiting to age 70 (Longevity insurance).

Source: <sup>1</sup>SS Online Life Expectancy Calculator; [www.socialsecurity.gov/cgi-bin/longevity.cgi](http://www.socialsecurity.gov/cgi-bin/longevity.cgi)



# Guidance for Singles

Breakeven Points	
Beginning Dates	Breakeven Points (ages)
62 vs. 63	78
63 vs. 64	76
64 vs. 65	78
66 vs. 67	79.5
67 vs. 68	81.5
68 vs. 69	83.5
69 vs. 70	85.5
62 vs. 66	78
66 vs. 70	82.5
62 vs. 70	80.5

Claiming Strategies	
Life Expectancy (Years)	Start benefits at
Less than 75	62 or ASAP*
At least 75 but less than 77	64
At least 77 but less than 80	67
At least 80 but less than 83	69
At least 83	70

Note: The “62 vs. 63” of 78 means that the breakeven point for delaying beginning benefits from age 62 to 63 is age 78.

Therefore, if the individual lives past 78, cumulative lifetime benefits will be higher by delaying benefits from age 62 to 63.

The table assumes a full retirement age of 66. Source: William Reichenstein head of research at Social Security Solutions, Inc.



# Withdrawal of Application

- > The Senior Citizens Freedom to Work Act of 2000, allows retirees who were receiving OA retirement benefits to temporarily stop their benefit payments at their FRA.
- > Docket #SSA-2009-0073:
  - Time limit – to within 12 months of the first month of entitlement. It also permits only one application withdrawal per lifetime.
- > This voluntary suspension of benefit still remains in place after the Bipartisan Budget Act of 2015.
  - However, there will no longer be an option to retroactively claim suspended benefits (no lump-sum payment of amount deferred after April 29, 2016).

**REQUEST FOR WITHDRAWAL OF APPLICATION**

**IMPORTANT NOTICE**— This is a request for partial your application. If it is approved, the benefits you receive from your application will have no legal effect, all rights provided to an application, including disability of record, suspension of benefits, and appeal will be forfeited, and any payments made to you since you applied will be paid to a family member of that applicant. You will be required to return the money if you want to resume benefits of your Social Security rights at any time in the future. If you are currently receiving benefits, you must make the appropriate arrangements. This request will be processed only when you are approved for Social Security, or will result, in a substantial gain to you. Your local Social Security office will be glad to explain whether, and how, the process will help you.

NAME OF WAGES-EARNING OR UNEMPLOYED INDIVIDUAL, OR CLAIMANT INDIVIDUAL SOCIAL SECURITY NUMBER

PRINT YOUR NAME (First name, middle initial, last name) DATE OF APPLICATION TYPE OF BENEFIT

TYPE OF APPLICATION

I hereby request the withdrawal of my application, dated as above, for the reasons stated below. I understand that (1) this request may not be cancelled after 60 days from the mailing of notice of approval, and (2) if a determination of my entitlement has been made, there must be repayment of all benefits paid on the application I want withdrawn, and all other persons whose benefits would be affected must consent to this withdrawal. I further understand that the application withdrawn and all related material will remain a part of the records of the Social Security Administration and that this withdrawal will not affect the proper crediting of wages or self-employment income to my Social Security earnings record.

Give reason for withdrawal. (If you need more space, use the reverse of this form.)

1.  I intend to continue working. (I have been advised of the alternatives to withdrawal for applicants under full retirement age and still wish to withdraw my application.)

2.  Other (Please explain fully):

Continued on reverse

SIGNATURE OF PERSON MAKING REQUEST

Signature (First name, middle initial, last name) (Write in ink) Date (Month, day, year)

PHONE NUMBER HERE Telephone Number (include area code)

Mailing Address (Number and Street, Apt. No., P.O. Box, or Rural Route)

City and State ZIP Code Enter Name of County (if any) in which you now live

Witnesses are required ONLY if this request has been signed by mark (X) above. If signed by mark (X), two witnesses to the signing who know the person making the request must sign below, giving their full addresses.

1. Signature of Witness 2. Signature of Witness

Address (Number and Street, City, State and ZIP Code) Address (Number and Street, City, State and ZIP Code)

FOR USE OF SOCIAL SECURITY ADMINISTRATION

APPROVED  NOT APPROVED BECAUSE  BENEFITS NOT REPAYED  CONSENT(S) NOT OBTAINED  OTHER (Attach special determination)

SIGNATURE OF SSA EMPLOYEE TITLE DATE

CLAIMS AUTHORIZER  OTHER (Specify)

Source: [www.ssa.gov/online/ssa-521.pdf](http://www.ssa.gov/online/ssa-521.pdf)



# Planning For Married Couples

- > One of the most complex areas of Social Security planning
- > Married couple's choice of benefits:
  - Spouse's own OA retirement benefit (PIA)
  - Spousal benefit (if eligible)
  - Survivor benefits
- > New changes under the Bipartisan Budget Act of 2015
- > Reminder: The SCOTUS ruled that same sex couples have the fundamental right to marry under the Due Process Clause and the Equal Protection Clause of the 14th Amendment to the United States Constitution (Obergefell v. Hodges).



# Spousal Benefits

- > A spouse at FRA may be entitled to a spousal benefit, if eligible, up to 50% of the higher earning spouse's PIA at his/her FRA.
  - Spousal benefits are calculated by using the spouse's own earnings record and compares it with the spousal benefit. If the spousal benefit is higher, an amount will be added to his/her own retirement benefit to make it equal to the spousal benefit.
- > Both spouses cannot receive spousal benefits at the same time.
- > Spousal benefits are **not** increased by DRC's (do not delay beyond FRA)



# Spousal Benefits Eligibility Rules

- > Primary beneficiary (higher earning spouse) must file and receive benefits based on his/her earnings record.
- > Primary beneficiary's spouse must be at least age 62 or have a qualifying child (under age 16 or receiving SSDI benefits).
- > Must haven been married **12 months** prior to filing for spousal benefits.
- > Primary beneficiary's spouse, if entitled to his/her own earned retirement benefits, must not exceed 50 percent of the PIA of the primary beneficiary.



# Spousal Benefits Prior to FRA

- > Spouse, if eligible, is **deemed** to be applying for both his/her own retirement benefit and spousal benefit (“*deemed filing rule*”)
- > A permanent reduction in both retirement benefit and spousal benefit:
  - At age 62, retirement benefit reduced by 25% (FRA 66)
  - At age 62, spousal benefit reduced to 35% of primary beneficiary’s PIA
- > Spousal benefits also subject to the retirement earnings test (RET).



# Married Couple Switching Strategies

- > **Old Law:** The Senior Citizens Freedom To Work Act of 2000 allowed “loopholes” (voluntary suspension) that could boost total benefit payments for married retirees.
  - At FRA, the law allowed for the filing of a limited benefit and then later “switching” to a larger benefit to maximize benefits for married couples:
    - File and Suspend (F & S) strategy;
    - Restricted Application Strategy:
      - Claim Now, Claim More Later strategy; and
      - The Combination Strategy - F&S and then file a Restricted Application).
- > **New Law:** The Bipartisan Budget Act of 2015, Subtitle C Section 831 “*Closure of Unintended Loopholes.*” It says:  
*“Closes several loopholes in Social Security’s rules about deemed filing, dual entitlement, and benefit suspension in order to prevent individuals from obtaining larger benefits than Congress intended.”*





# File & Suspend

- > SSA Subsection 202(z) stipulates that if an individual chooses to suspend benefits (File & Suspend strategy), then:
  - All benefits payable to that individual will be suspended, based on his/her own earnings record (i.e., retirement benefit) and also based on any other person's earnings record (i.e., spousal benefits)
  - No other individual will be eligible for benefits based on the earnings record of the person who voluntarily suspends benefits.
- > Effective Date: Applies to anyone who suspends benefits after April 29, 2016. Anyone currently using the F&S strategy prior to this date was grandfathered.



# Deemed Filing Rule

- > SSA Section 202 (r) expanded the “*deemed filing rule*” from applying only to early benefits to instead applying for all benefits regardless of age (extended to age 70) . The new rule states:
  - Those born after January 2, 1954, SSA will receive the larger of: either the OA retirement benefit or a spousal benefit (includes ex-spouse). You cannot choose (switch) which to get unless you are a widow(er).
- > This new rule will end the use of the Restricted Application (RA) switching strategies (Claim Now: Claim More Later and the combination of F&S with the RA).
  - **Grandfathered:** Those born on or before January 1, 1954 and wait until FRA to file for benefits will still have the option to file a Restricted Application (RA).



# Survivor (S) Benefits

- > Who can receive survivor benefits:
  - Widow(er). If widow(er) remarries prior to age 60 (50 if disabled), he/she forfeits survivor benefits;
  - Widow(er) at any age if h/she takes care of deceased's child who's receiving SS benefits, and who is younger than age 16 or disabled;
  - Divorced widow(er)s;
  - Unmarried children, who are younger than age 18 (or up to age 19 if they're attending elementary or secondary school fulltime); or disabled child at any age if they were disabled prior to age 22 and remain disabled; and
  - Dependent parent(s) (age 62)
- > Lump Sum Death Benefit \$255

Source: \*SSA Survivor Benefits; <http://www.ssa.gov/pubs/EN-05-10084.pdf>



# Survivor Benefit Payments

- > Widow(er), at FRA or older—100% of the deceased worker's PIA amount;
  - Aged Widow(er), age 60 to FRA - 71.5% to 99% of the deceased worker's basic amount;
  - Disabled widow(er), age 50 through 59 –71.5%;
- > Widow(er), any age, caring for a child under age 16 or disabled - 75% of deceased 's PIA.
- > Unmarried child under age 18 (19 if still in elementary or secondary school) or disabled (prior to age 22) - 75% of deceased's PIA
- > Dependent parent(s), age 62 or older:
  - One surviving parent— 82.5% of deceased's PIA; two surviving parents—75% to each parent
- > Family maximum rules - 150% to 180% of deceased's PIA.



# Widow(er) Benefit Rules

- > Widow(er) must have been married to the deceased for at least **9 months**
- > If the deceased spouse's PIA was increased with DRCs and COLAs, the survivor benefits will be increased
- > If the deceased spouse had not yet claimed retirement benefits, survivor benefits will be determined as if the decedent had claimed at the later of FRA, or date of death.
- > If the deceased spouse received a reduced retirement benefit at the time of death, the widow(er)'s survivor benefit cannot exceed the greater of this amount, or 82.5% of the deceased's PIA.
- > Widow(er) has choice of benefits (dual entitlement) not subject to the new "deemed filing rule".



SSA Pub # 05-10127

*What Every Women Should Know*

# Divorce Ex-Spouse Benefits

- > Social Security Benefits (if eligible):
  - Retirement benefit (their own PIA)
  - Spousal benefit (if eligible)
  - Survivor benefit (if eligible)



# Eligibility Requirements

- > Eligibility Requirements for ex-spouse applying for spousal benefits:
  - Must be age 62;
  - Must have been married to the ex-spouse for at least ten (10) years **prior to year of divorce**;
  - Must have been divorced for at least two (2) years;
  - Must not be eligible for equal or higher benefits on his or her own record, or someone else's record, and
  - Must remain unmarried.
- > Benefits are subject to the retirement earnings test limits



# Divorced Ex-Spouse Spousal Benefits

- > For spousal benefits, the ex-spouse does not have to file for SS benefits, but ex-spouse must be entitled to receive benefits (age 62 or older). Does not affect current spouse's benefits (if re-married).
- > If ex-spouse is eligible for their own retirement benefits, SSA will pay that amount first. But if:
  - The spousal benefit on their ex-spouse's record is a higher amount, ex-spouse receives a combination of benefits that = the higher amount (reduced for age).
- > New Restricted Application rules apply





# Divorced Spouse Survivor Benefits

- > Same benefits as a widow(er) providing the marriage lasted 10 years or more .
  - The same benefit formula, age requirements, and actuarial reductions apply
  - A divorced ex-spouse can apply for benefits on the ex-spouses' worker's record (higher benefits).
  - If the surviving ex-spouse **remarries after age 60** (50 if disabled), the remarriage will not affect eligibility for survivor benefits.
  - If the ex-spouse is caring for child of the ex-spouse who is under age 16 or disabled he/she will not have to meet the length of marriage rule.
- > Deemed filing rules does not apply. Able to choose the higher of either survivor benefit or his/her own retirement benefit.
  - File Restricted Application: Elect survivor benefit while delaying retirement benefit to age 70 (increased with DRCs) then switch.



# Taxation of Social Security Benefits\*

- > Combined Income (aka, Provisional Income) - Adjusted Gross Income (line 37 of IRS Form 1040) plus nontaxable interest, plus 1/2 of SS benefits.
  - AGI includes wages, self-employment income, dividends and interest, capital gains, pension payments and rental income.

Single or HHL D	Married Filing Joint
<b>Base amount \$25,000*</b>	<b>Base amount \$32,000*</b>
<b>\$25,000 - \$34,000 = up to 50% taxable</b>	<b>\$32,000 - \$44,000 = up to 50% taxable</b>
<b>Above \$34,000 = up to 85% taxable</b>	<b>Above \$44,000 = up to 85% taxable</b>

\*Not indexed with inflation

Source: \*IRS Publication 915.



# Medicare

- > The basic federal health insurance program for Americans aged 65 and older and younger adults with disabilities.
  - Covers individuals without regard to income or medical history (Medicaid provides health care coverage for people with low income and limited assets).
- > One of every six Americans received care financed through Medicare
  - 55.3 million Americans (46.3 million aged and 9.0 million disabled) <sup>1</sup>
  - Only covers about **51%** of healthcare expenses<sup>2</sup>
- > Administered by The Centers for Medicare and Medicaid Services (CMS)

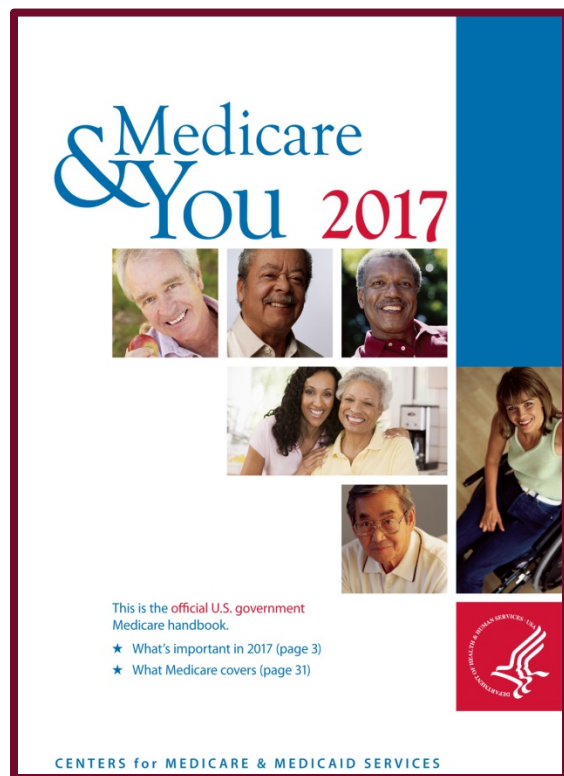


President Johnson signing “Title XVIII of the Social Security Act of 1965.”

Source: <sup>1</sup> 2016 Annual Report of the Records of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance (SMI) Trust Funds, [www.cms.gov/ReportsTrustFunds/download](http://www.cms.gov/ReportsTrustFunds/download). <sup>2</sup>Kaiser Family Foundation , The Facts on Medicare Spending and Financing, kff.org.



# ABCDs of Medicare



<http://www.medicare.gov/pubs/pdf/10050.pdf>

- > Part A – Hospital Insurance (HI)
- > Part B – Supplemental Medical Insurance (SMI)
- > Part C – Medicare Advantage Plans (MA)
- > Part D – Prescription Drug Plans





# Medicare Part A

- > Referred to as Hospital Insurance (HI)
  - Inpatient hospital care,
  - Home health care services following hospital stays,
  - Skilled nursing facility (SNF); and
  - Hospice care services.
- > Compulsory\*- 99% of Medicare beneficiaries do not have to pay a premium for Part A services because they have at least 40 credits (fully insured).
  - Those individuals with 30-39 credits can buy into Part A by paying a premium of \$227.
  - Those individuals with fewer than 30 credits can buy into Part A by paying a premium of \$413.

Source: \*A U.S. Court of Appeals recently ruled that those who receive Social Security cannot opt out of Medicare Part A. For the full opinion, see: <http://thefundforpersonalliberty.org/pdf/120207-1356903-Appeals-Court-Opinion.pdf>



# Medicare Part A Financing\*

- > Sources of Medicare Part A Revenue:
  - Payroll Tax (accounting for 87% of Part A revenue):
    - Employee and Employer each pay 1.45% (2.90%).
    - S/E pay full 2.9 percent (able to deduct up to 50%).
    - No cap on wages subject to tax.
  - Medicare Surtax: An additional 0.90% surtax for certain high income taxpayers whose earnings are above the un-indexed applicable threshold amounts (IRS Form 1040 line 62/IRS Form 8959):
    - \$200,000 (not indexed) filing single;
    - \$250,000 (not indexed) married filing jointly;
    - \$125,000 (not indexed) married filing separately.
    - Note: S/E individuals will not be able to deduct this additional Medicare surtax.
- > HI Trust Fund (2028)

Source: \*CMS 2016 Trustees Report, [www.cms.gov/ReportsTrustFunds/download](http://www.cms.gov/ReportsTrustFunds/download).



# In-Patient Hospital Care

- > Provides a 90-day benefit period with a 60 day lifetime reserve.
  - Ends when not in hospital 60 days in a row
- > No limit to number of benefit periods a beneficiary can have.

For Each Benefit Period in 2017	You Pay
Days 1-60	\$1,316 deductible
Days 61-90	\$329 per day
Days 91-150	\$658 per day (60 lifetime reserve days)
All days after 150	All Costs

**NOTE:** Inpatient mental health care in a psychiatric hospital is limited to 190 days in a lifetime.





# SNF Care

- > Requirements: Must spend **3 consecutive days** in acute care hospital **w/in 30 days of admission** to SNF. Must require daily skilled services, not just long-term or custodial care.
- > SNF care must be for a hospital-treated condition, or condition that arose while receiving care in the SNF for hospital-treated condition (7 days a week and or rehab 5 days a week). Must be a Medicare-participating SNF

For Each Benefit Period in 2017	You Pay
Days 1-20	\$0
Days 21-100	\$164.50 per day
All days after 100	All Costs



# Medicare Part B (SMI)

- > Supplementary Medical Insurance (SMI)
  - Physician services,
  - Outpatient medical and surgical services and supplies,
  - Durable medical equipment
  - General home health services, and
  - Other medically necessary (and preventive) medical services.
- > Part B is voluntary. Must enroll



# Part B Financing

- > Sources of Part B Medicare Revenue (SMI Trust Fund):
  - General revenues (73%);
  - Beneficiary premiums (25%); and
  - Interest income and other sources (2%)
- > Part B does not have financing challenges similar to Part A, because it is funded by beneficiary premiums and general revenues that are set annually to match expected outlays.
- > However, future increases in spending under Part B will require increases in general revenue funding and higher premiums paid by beneficiaries.

Source: \*2016 Annual Report of the Records of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance (SMI) Trust Funds.



# Part B Out-of-Pocket Costs

- > Deductible \$183. Co-pay 20% of covered services
- > Basic monthly premium \$109.00/\$134.00 (taken directly from SS check)
  - The Part B premium must represent one-fourth (25%) of the average cost for beneficiaries:
  - **“Hold-Harmless Law”**: Section 1839(f) of the SS Act of 1965 ensures that dollar value increases in Part B premiums for “eligible” beneficiaries (not subject to means testing) do not exceed the dollar value of the SS COLA
- > Income Related Monthly Adjusted Amount (IRMAA)
  - More and more beneficiaries will be subject to this surcharge because threshold amounts will not be indexed until 2020.
  - Roth Conversions will affect IRMAA
  - HR 2 - *The Medicare Access and CHIP Reauthorization Act of 2015*, (known as the “Doc fix”, will increase IRMAA premiums beginning in 2018



# Part B Monthly IRMAA

	Individual Tax Return	Married Filing Jointly
2017 Monthly Premium is	If your yearly income in 2015 was..	
\$109.00/\$134.00	\$85,000 or less	\$170,000 or less
\$187.50 (premium + 40%)	\$85,001-\$107,000	\$170,001-\$214,000
\$267.90 (premium + 100%)	\$107,001-\$160,000	\$214,001-\$320,000
\$348.30 (premium + 160%)	\$160,001-\$214,000	\$320,001-\$428,000
\$428.60 (premium + 220%)	Above \$214,000	Above \$428,000

Source: <https://www.federalregister.gov/articles/2012/11/21/2012-28275/medicare-program-medicare-part-b-monthly-actuarial-rates-premium-rate-and-annual-deductible>. Note: Under current law the threshold amounts will not be indexed until 2020. Threshold amounts will increase in 2018 to pay for HR 2 The Medicare Access and CHIP Reauthorization Act of 2015 (aka, the “doc fix”).



# Part A and B Enrollment Dates

<p><b>Initial Enrollment Period (IEP)</b></p>	<ul style="list-style-type: none"> <li>▪ <b>7 month period</b> begins 3 months before the month you turn 65. Coverage starts the first day of birth month.             <ul style="list-style-type: none"> <li>▪ If you enroll on the month you turn 65 or during the last 3 months of your IEP, the start date will be delayed</li> </ul> </li> </ul>
<p><b>General Enrollment Period (GEP)</b></p>	<ul style="list-style-type: none"> <li>▪ If you did not sign up for Part A or Part B during the IEP and aren't eligible for a SEP you can sign up between <b>January 1 – March 31 each year</b>. Coverage begins <b>July 1 of that year</b>. May have to pay a higher Part B premium for late enrollment penalty (10% for each 12 full month).</li> </ul>
<p><b>Special Enrollment Period (SEP)</b></p>	<ul style="list-style-type: none"> <li>▪ Once the IEP ends, you may have the chance to sign up for Part B when you were first eligible because you're covered under a group health plan*.             <ul style="list-style-type: none"> <li>▪ During <b>8-month period</b> that begins the month after the employment ends or the coverage ends, whichever happens first. (No penalty).</li> </ul> </li> </ul>

**Note: COBRA (Consolidated Omnibus Budget Reconciliation Act) coverage and retiree health plans aren't considered coverage based on current employment. You're not eligible for a Special Enrollment Period when that coverage ends**



# Part B Late Enrollment Penalty

Mary delayed signing up for Part B two (2) full years after she was eligible. She'll pay a permanent **10% penalty for each full 12-month period** she delayed. The penalty is added to the Part B monthly premium (\$134.00 in 2017). Her premium for 2017 will be as follows:

$$\begin{array}{r} \$134.00 \text{ (2017 Part B base premium)} \\ + \$ 26.80 \qquad \qquad \qquad (20\% \text{ of } \$134.00) \\ \hline \end{array}$$

\$160.80 (Mary's Part B monthly premium for 2017)



# Medicare Part C - MA Plans

- > Medicare Advantage (MA) plans, formerly “Medicare+ Choice.”
  - **Optional Choice:** Estimated that 32% of Medicare enrollees (18.5 million) will choose a MA plan in 2017<sup>1</sup>
- > MA plans combines the coverage of both Part A & B into a single health care plan. The plans may also provide prescription drugs (MA-PD) and other services, dental and vision.
- > MA plans are offered by private insurance companies and managed care companies who are contracted with CMS.



[www.medicare.gov/part-c/](http://www.medicare.gov/part-c/)

Source: <sup>1</sup> Source: MPR/Kaiser Family Foundation analysis of CMS Advantage enrollment files 2008-2015 at: <http://kff.org/medicare/fact-sheet/medicare-advantage/> <sup>2</sup> CMS.gov 9-22-2016, KFF.org 5-11-2016  
[www.cms.gov/ReportsTrustFunds/download](http://www.cms.gov/ReportsTrustFunds/download).





# Types of MA Plans

- > Medicare contracts with insurers to offer the following different types of health plans:
  - Local Coordinated Care Programs “LCCP” – combines HMOs and PPOs (75% ).
  - Regional PPOs (6%)
  - Private Fee-for-Service (1.5%)
  - Special Needs Plans (12%)
  - Other types of private plans: HCPP, PACE plans, Medical Savings Accounts (6%)
- > Not all available plan types are in plan areas.



# MA Plan Costs

- > Must still pay Part B premium
  - Some plans may pay all or part for beneficiary
  - Some people may be eligible for state assistance
- > Beneficiary may also pay monthly premium to plan:
  - The average premium in 2017 is \$31.40 (down from \$32.60 in 2016)
- > Beneficiary may pay deductibles / co-insurance / co-payments
  - Costs may be higher if out-of-network
- > Maximum annual out-of-pocket expenses cannot exceed \$6,700.
  - For 2016, beneficiary's average out-of-pocket expense was \$5,041.



# MA Plan Enrollment / Disenrollment

<p><b>Initial Enrollment Period (IEP)</b></p>	<p>7 month period that starts 3 months before 65<sup>th</sup> birthday and 3 months after the month of 65<sup>th</sup> birthday.</p>
<p><b>Fall Open (Annual) Enrollment Period (AEP)</b></p>	<p>Between <b>October 15 and December 7</b>, anyone can join, switch or drop a Medicare PDP. Coverage will begin on January 1, as long as the plan gets request by December 7.</p>
<p><b>MA Disenrollment Period (MADP)</b></p>	<p>Between <b>January 1 through February 14</b> you can leave MA plan and change to Original Medicare. Coverage begins the first month after leaving the MA plan.</p>
<p><b>5-Star Special Enrollment Period</b></p>	<p>Between <b>December 8 and November 30</b> can switch to a 5-Star MA plan. Plans are assigned their star rating once per year, in October. However, the plan won't actually get this rating until the following January 1.</p>



# Medicare Part D – Prescription Drugs

- > The Medicare Prescription Drug, Improvement, and Modernization Act (MMA) 2003 (effective 2006)
  - Offered by insurance companies and other private companies approved by CMS (voluntary).
- > Two ways to get Part D prescription drug plan:
  - **Stand-alone Plans** - PDP's add coverage to Original Medicare (Parts A & B).
  - **Integrated Plans** – MA plans (like an HMO or PPO), commonly called MA-PDs.



Visit: [www.medicare.gov/part-d/](http://www.medicare.gov/part-d/)

# Part D Financing\*

- > Sources of Revenue:
  - General revenues (76%);
  - Beneficiary premiums (14%); and
  - State payments (10%).
- > Part D does not have financing challenges similar to Part A, because it is funded by beneficiary premiums and general revenues that are set annually to match expected outlays. However, future increases in spending under Part D will require increases in general revenue funding and higher premiums paid by beneficiaries.
- > The 2017 Part D base premium rate is \$35.63

Source: \*2016 Annual Report of the Records of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.



# Medicare Part D – IRMAA 2017

	Beneficiaries who file Single with 2015 income that is:	Beneficiaries who file MFJ with 2015 income that is:	Premium and Income Related Adjustment Amount
Income Threshold Tier 1	Up to \$85,000	Up to \$170,000	\$35.63 Base premium
Income Threshold Tier 2	> \$85,000 - \$107,000	> \$170,000 - \$214,000	\$13.30 + Base premium
Income Threshold Tier 3	> \$107,000 - \$160,000	> \$214,000 - \$320,000	\$34.20 + Base premium
Income Threshold Tier 4	> \$160,000 - \$214,000	> \$320,000 - \$428,000	\$55.20 + Base premium
Income Threshold Tier 5	> than \$214,000	> than \$428,000	\$76.20 + Base premium

\*The Part D IRMAA is not collected by the Medicare Part D plans, but instead paid directly to the Federal government (Social Security, Railroad Retirement Board, or Office of Personnel Management benefits). The base premium rate is \$35.63 in 2017.

**Income thresholds are not indexed for inflation through 2019.** Note: Under current law the threshold amounts will not be indexed until 2020. Threshold amounts will increase in 2018 to pay for HR 2 The Medicare Access and CHIP Reauthorization Act of 2015 (aka, the “doc fix”). 2017 premiums based on 2015 reported income.



# Part D Benefit Parameters for 2017

Deductible	Tier 1 Initial Coverage* \$3,700	Tier 2 “Donut Hole” \$4,950	Tier 3 Catastrophic Coverage \$8,071
<p><b>Beneficiary Pays</b> <b>\$400</b></p>	<p>Plan pays 75% of drug costs up to \$3,300 = <b>\$2,475</b></p>	<p><b>Beneficiary Pays 100% of Drug Costs</b> <b>(\$7,425 - \$3,700)</b> <b>\$3,725</b></p> <p>ACA 2017, enrollees pay <b>40%</b> on brand name drugs, and <b>51%</b> on generic.</p>	<p><b>Plan Pays 95%</b></p>
	<p>Beneficiary pays 25% of drug costs up to \$3,300 = <b>\$825</b></p>		<p>Beneficiary pays greater of 5 % of remaining costs or <b>\$3.30</b> for generic drugs and <b>\$8.25</b> for all other drugs.</p>

\***Initial Coverage Limit** in 2017 is **\$3,700** (\$400 + \$2,475 + \$825) When the beneficiary reaches \$3,700 he/she is in Tier 2, the “Donut Hole”. **True Out-of-Pocket (TrOOP)** threshold expenditures is **\$4,950** (\$400 + \$825 + \$3,725). Tier 3-**Catastrophic Coverage** once you spent a total of out-of-pocket costs of **\$8,071**.



# Part D Enrollment /Disenrollment

<b>Initial Enrollment Period (IEP)</b>	When you first become eligible for Medicare, you can join during the <b>7 month period</b> that starts <b>3 months before 65<sup>th</sup> birthday and 3 months after</b> the month you turn 65.
<b>Fall Open (Annual) Enrollment Period (AEP)</b>	Between <b>October 15 and December 7</b> , can enroll in, change or drop a Medicare PDP. Coverage will begin on January 1, as long as the plan gets request by December 7.
<b>MA Disenrollment Period (MADP)</b>	Each year between January <b>1 through February 14</b> can leave MA plan and change to Original Medicare with or without PDP.





# Medicare Supplement (Medigap) Policies

- > Health Insurance sold by private insurance companies to fill gaps in Original Medicare (Parts A & B).
  - Covers only services covered by Medicare and can only be purchased by enrollees of Original Medicare.
- > Standardized by the federal government (OBRA 1990):
  - Currently, there are 10 standard plans (A,B,C,D,F,G,K,L,M and N).
- > Enrolling in Part B triggers the open enrollment period to buy a Medigap policy with guaranteed issue from any company (lasts 6 months).



**Note:** Waiver State Standard Plans: Three states (Massachusetts, Minnesota, and Wisconsin) offer standard Medigap plans, but are exempt from the OBRA standard plan provisions.

# Medigap Premium Ratings

- > Attained-age rated
  - Premiums increase each year after enrollment.
- > Community-rated
  - No-age rating, all members pay same premium.
- > Issue-age rated
  - Premiums based on age when enrolled and do not increase with age.



<http://www.medicare.gov/find-a-plan/questions/medigap-home.aspx?AspxAutoDetectCookieSupport=1>



# Medigap Plans

Benefits	A	B	C	D	F*	G	K	L	M	N
Medicare Part A coinsurance and hospital costs (up to an additional 365 days after Medicare benefits are used)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Medicare Part B coinsurance or copayment	100%	100%	100%	100%	100%	100%	50%	75%	100%	\$20-\$50 ***
Blood (first 3 pints)	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Part A hospice care coinsurance or copayment	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Skilled nursing facility care coinsurance			100%	100%	100%	100%	50%	75%	100%	100%
Medicare Part A deductible		100%	100%	100%	100%	100%	50%	75%	50%	100%
Medicare Part B deductible			100%		100%					
Medicare Part B excess charges					100%	100%				
Foreign travel emergency (up to plan limits)			100%	100%	100%	100%			100%	100%
							Out-of-pocket limit in 2017			
							\$5,120	\$2,560		



# Medigap Policy Open Enrollment Period

## Open Enrollment Period (OEP)

This 6 month period begins on the first day of the month you turn 65 or older **and** enrolled in Part B. Once started cannot be delayed or repeated. During Open Enrollment Period, an insurance company can't:

- Use medical underwriting;
- Refuse to sell you any Medigap policy it offers;
- Charge you more for a Medigap policy than they charge someone with no health problems;
- Make you wait for coverage to start (except in certain circumstances)

Pre-existing Condition: Have at least 6 months of prior creditable coverage prior to Medigap effective date without more than a 63 day lapse, the insurance company cannot make you wait for coverage related to your pre-existing conditions.

Note: Be aware, that the insurer may charge a higher premium, if not enrolling during the OEP , and are not protected by a guaranteed issue right.



# Resources

## > Social Security:

- Social Security Administration [www.ssa.gov](http://www.ssa.gov)
- Social Security Benefit Calculators  
[www.ssa.gov/planners/calculators.htm](http://www.ssa.gov/planners/calculators.htm)
- Social Security Advisory Board [www.ssab.gov](http://www.ssab.gov)
- Social Security Retirement Questions FAQ  
[www.ssdrc.com/retirementquestions.html](http://www.ssdrc.com/retirementquestions.html)
- AARP - American Association of Retired People  
[www.aarp.org](http://www.aarp.org)
- Congressional Budget Office: Social Security Primer  
[www.gao.gov/new.items/d05193sp.pdf](http://www.gao.gov/new.items/d05193sp.pdf)



# Resources

## > Medicare:

- [www.medicare.gov](http://www.medicare.gov)
- [www.medicare.gov/find-a-plan](http://www.medicare.gov/find-a-plan)
- <http://www.medicare.gov/pubs/pdf/10050.pdf>
- [www.q1medicare.com/PartD-2011MedicarePartD-statisticsTexprint.php](http://www.q1medicare.com/PartD-2011MedicarePartD-statisticsTexprint.php)

## > Medigap Policies:

- Choosing a Medigap Policy; Centers for Medicare & Medicaid Services
- State Health Insurance Assistance Program







# Don't Forget...

- ✓ Student Information Form
  - ✓ Sign-out
- ✓ State Affidavit/Third Party Monitor Form (if required)
  - ✓ Must be signed



**THANK YOU**