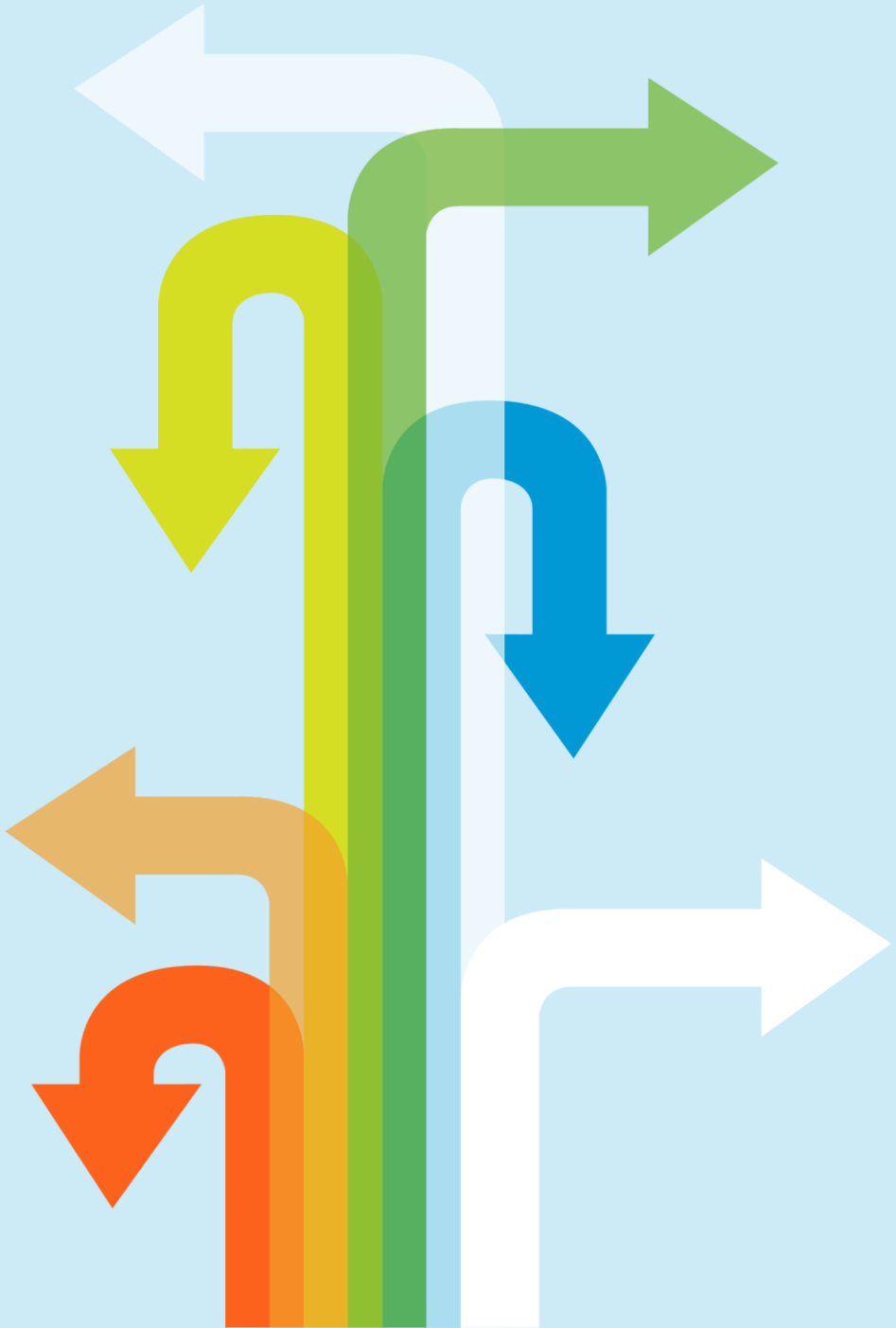


GBS 2023 ANNUAL CONFERENCE

Navigating Medicare & Social Security

PRESENTED BY

Zeb Lowe, CFP®
Andina Advisors

Alan Quarnberg
Enroll365

What You Need to Know About Social Security

Zeb Lowe
Andina Advisors

Copyright © 2023 Horsesmouth, LLC. All Rights Reserved.

Social Security Offers Income You Can't Outlive

If your monthly benefit is $2,000 today and you live:

10 more years	you'll receive a total of	$262,793	in lifetime benefits
20 more years		$583,137	
30 more years		$973,634	

Assumes 2% annual cost-of-living adjustments

Social Security Offers Annual Inflation Adjustments

If your monthly benefit is $2,000 today and annual cost-of-living adjustments are 2%:

In 10 years	your monthly benefit will be	$2,438
In 20 years		$2,972
In 30 years		$3,623

Assumes 2% annual cost-of-living adjustments

Common Questions:

- Will Social Security be there for me?
- How much can I expect to receive?
- When should I apply for Social Security?
- How can I maximize my benefits?
- Will Social Security be enough to live on in retirement?

Will Social Security Be There for Me?

Trust fund balance on 12/31/21: **$2.852 trillion**

2022 results

- Total income: $1.222 trillion
- Total expenditures: $1.244 trillion
- Net decrease in assets: –$ 89 billion

Trust fund balance on 12/31/22: **$2.830 trillion**

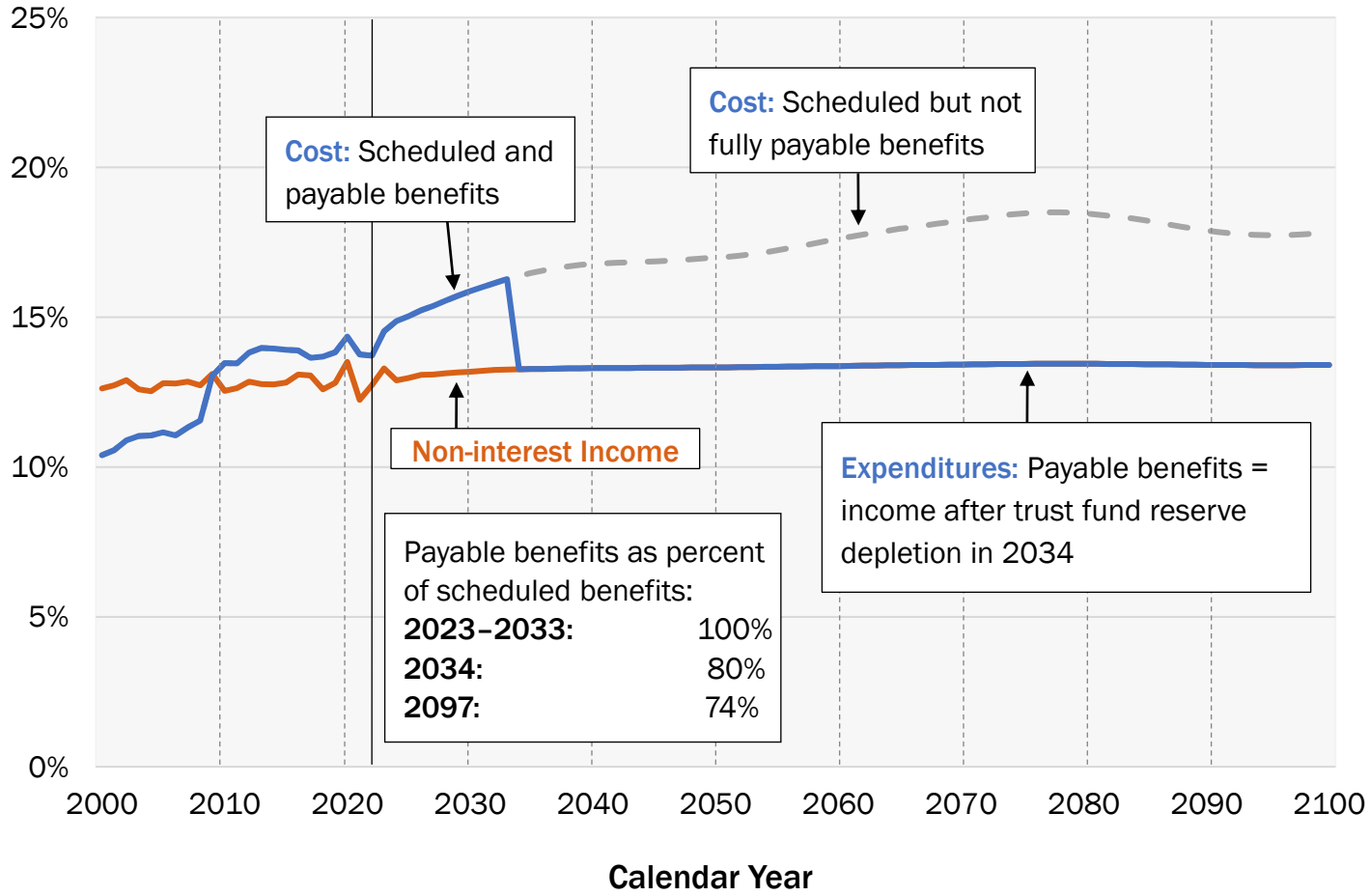
Source: Social Security Administration, Office of the Chief Actuary

Long-Term Projections:

Without reform, benefits fall to 80% in 2034

OASDI Income, Cost and Expenditures as Percentages of Taxable Payroll

[Under Intermediate Assumptions]



Source: 2023 OASDI Trustees Report

What Would It Take To Restore Solvency to the System?

Reform Proposals Being Studied

1. **Increase maximum earnings subject to Social Security tax**
   (currently $160,200 in 2023)
2. **Raise the normal retirement age**
   (currently 66 for individuals born between 1943 and 1954; 67 for those born in 1960 or later)
3. **Lower benefits for future retirees**
   (escalate benefits based on increases in consumer prices rather than wages)
4. **Reduce cost-of-living adjustments (COLAs)**

The Bottom Line

Your benefits are not likely to be affected by Social Security reform

How Much Can I Expect to Receive?

Your Benefit Will Depend On*:

1

How much you earned over your working career

2

The age at which you apply for benefits

*Information is subject to change and many factors can influence the amount of your retirement benefit.

How to Estimate Your Social Security Benefits

Obtain your annual Social Security statement at www.socialsecurity.gov/myaccount

OR

Use the Retirement Estimator at your socialsecurity.gov/myaccount

OR

Use one of the calculators on the SSA website: www.ssa.gov/planners/benefitcalculators.htm

How Social Security Benefits Are Calculated

- At age 62, each year’s earnings are tallied up and indexed for inflation
- Highest 35 years of earnings are averaged (AIME)
- AIME is divided by three “bend points” to determine your primary insurance amount (PIA). This is the amount you'll receive at full retirement age.
- Benefit is increased each year by cost-of-living adjustments (COLAs)

Example of Benefit Formula

- Baby Boomer born in 1961—turns 62 in 2023
- Maximum Social Security earnings every year since age 22
- AIME = $12,427

PIA Formula:

• $1,115 × 0.90 =	$1,003.50	
• $5,606 × 0.32 =	$1,793.92	($6,721 - $1,115 = $5,606)
• $5,706 × 0.15 =	$ 855.93	($12,427 - $6,721 = $5,706)
• **Total =**	$3,653.35	

PIA = $3,653.30

Amount worker will receive at full retirement age

Full Retirement Age (FRA)

Year of Birth	Full Retirement Age
1943–54	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

What if You Apply for Early Benefits?

You will receive a percentage of your PIA

Apply at age	If FRA = 66	If FRA = 67
62	75.0%	70%
63	80.0%	75%
64	86.7%	80%
65	93.3%	86.7%
66	100%	93.3%
67		100%

What if You Apply After FRA?

You will earn 8% annual delayed credits

Apply at age	Benefit will be a % of PIA if FRA = 66	Benefit will be a % of PIA if FRA = 67
66	100%	93.3%
67	108%	100%
68	116%	108%
69	124%	116%
70	132%	124%

Spousal Benefits

Spousal benefit = 1/2 the primary worker's PIA
if started at full retirement age

Example:

- John's PIA is $2,000
- Jane's PIA is $800
- If Jane applies at FRA, her benefit will be $1,000 (50% of John's PIA)

Rules for Spousal Benefits

- Primary worker must have filed for benefits
- Spouse must be at least 62 for reduced benefit or FRA for full benefit
- No delayed credits on spousal benefits after FRA

When Should I Apply for Benefits?

Factors to Consider When Deciding When to Apply

1

Health Status

2

Life Expectancy

3

Need for Income

4

Whether or not you plan to work

5

Survivor Needs

Keep Working: Understand The Annual Earnings Test

If you apply for Social Security before full retirement age and you work:

- $1 in benefits will be withheld for every $2 you earn over $21,240 in 2023
- Benefit will be adjusted at full retirement age

- Don’t let annual earnings test discourage you from working
- To avoid the earnings test, wait until full retirement age or later to apply for benefits

Life Expectancy & Break-Even Analysis

	62	63	64	65	66	67	68	69	70
62	$ 25,908								
63	$ 52,334	$ 27,600							
64	$ 79,289	$ 55,752	$ 29,436						
65	$ 106,783	$ 84,467	$ 59,460.72	$ 31,896					
66	$ 134,826	$ 113,756	$ 90,085.93	$ 64,429.92	$ 34,344				
67	$ 163,431	$ 143,632	$ 121,323.65	$ 97,614.52	$ 69,374.88	$ 36,804			
68	$ 192,607	$ 174,104	$ 153,186.13	$ 131,462.81	$ 105,106.38	$ 74,344.08	$ 39,012		
69	$ 222,368	$ 205,186	$ 185,685.85	$ 165,988.06	$ 141,552.51	$ 112,634.96	$ 78,804.24	$ 41,952	
70	$ 252,723	$ 236,890	$ 218,835.57	$ 201,203.83	$ 178,727.56	$ 151,691.66	$ 119,392.32	$ 84,743.04	$ 45,636
71	$ 283,685	$ 269,228	$ 252,648.28	$ 237,123.90	$ 216,646.11	$ 191,529.49	$ 160,792.17	$ 128,389.90	$ 92,184.72
72	$ 315,267	$ 302,212	$ 287,137.24	$ 273,762.38	$ 255,323.03	$ 232,164.08	$ 203,020.01	$ 172,909.70	$ 139,664.41
73	$ 347,480	$ 335,857	$ 322,315.99	$ 311,133.63	$ 294,773.49	$ 273,611.37	$ 246,092.42	$ 218,319.89	$ 188,093.70
74	$ 380,338	$ 370,174	$ 358,198.31	$ 349,252.30	$ 335,012.96	$ 315,887.59	$ 290,026.26	$ 264,638.29	$ 237,491.58
75	$ 413,853	$ 405,177	$ 394,798.27	$ 388,133.35	$ 376,057.22	$ 359,009.34	$ 334,838.79	$ 311,883.06	$ 287,877.41
76	$ 448,038	$ 440,881	$ 432,130.24	$ 427,792.01	$ 417,922.36	$ 402,993.53	$ 380,547.56	$ 360,072.72	$ 339,270.96
77	$ 482,907	$ 477,298	$ 470,208.84	$ 468,243.85	$ 460,624.81	$ 447,857.40	$ 427,170.52	$ 409,226.17	$ 391,692.38
78	$ 518,473	$ 514,444	$ 509,049.02	$ 509,504.73	$ 504,181.31	$ 493,618.55	$ 474,725.93	$ 459,362.70	$ 445,162.22
79	$ 554,750	$ 552,333	$ 548,666.00	$ 551,590.83	$ 548,608.93	$ 540,294.92	$ 523,232.44	$ 510,501.95	$ 499,701.47
80	$ 591,753	$ 590,980	$ 589,075.32	$ 594,518.64	$ 593,925.11	$ 587,904.82	$ 572,709.09	$ 562,663.99	$ 555,331.50
81	$ 629,496	$ 630,399	$ 630,292.83	$ 638,305.02	$ 640,147.61	$ 636,466.92	$ 623,175.28	$ 615,869.27	$ 612,074.13
82	$ 667,994	$ 670,607	$ 672,334.68	$ 682,967.12	$ 687,294.57	$ 686,000.25	$ 674,650.78	$ 670,138.65	$ 669,951.61
83	$ 707,262	$ 711,620	$ 715,217.38	$ 728,522.46	$ 735,384.46	$ 736,524.26	$ 727,155.80	$ 725,493.43	$ 728,986.64
84	$ 747,315	$ 753,452	$ 758,957.72	$ 774,988.91	$ 784,436.15	$ 788,058.74	$ 780,710.91	$ 781,955.29	$ 789,202.37
85	$ 788,170	$ 796,121	$ 803,572.88	$ 822,384.69	$ 834,468.87	$ 840,623.92	$ 835,337.13	$ 839,546.40	$ 850,622.42
86	$ 829,841	$ 839,643	$ 849,080.34	$ 870,728.38	$ 885,502.25	$ 894,240.40	$ 891,055.87	$ 898,289.33	$ 913,270.87
87	$ 872,346	$ 884,036	$ 895,497.94	$ 920,038.95	$ 937,556.29	$ 948,929.21	$ 947,888.99	$ 958,207.12	$ 977,172.29
88	$ 915,701	$ 929,317	$ 942,843.90	$ 970,335.73	$ 990,651.42	$1,004,711.79	$1,005,858.77	$1,019,323.26	$1,042,351.73
89	$ 959,923	$ 975,503	$ 991,136.78	$ 1,021,638.44	$1,044,808.44	$1,061,610.03	$1,064,987.95	$1,081,661.72	$1,108,834.77
90	$ 1,005,029	$ 1,022,613	$ 1,040,395.52	$ 1,073,967.21	$1,100,048.61	$1,119,646.23	$1,125,299.70	$1,145,246.96	$1,176,647.46

Coordinate Spousal Benefits

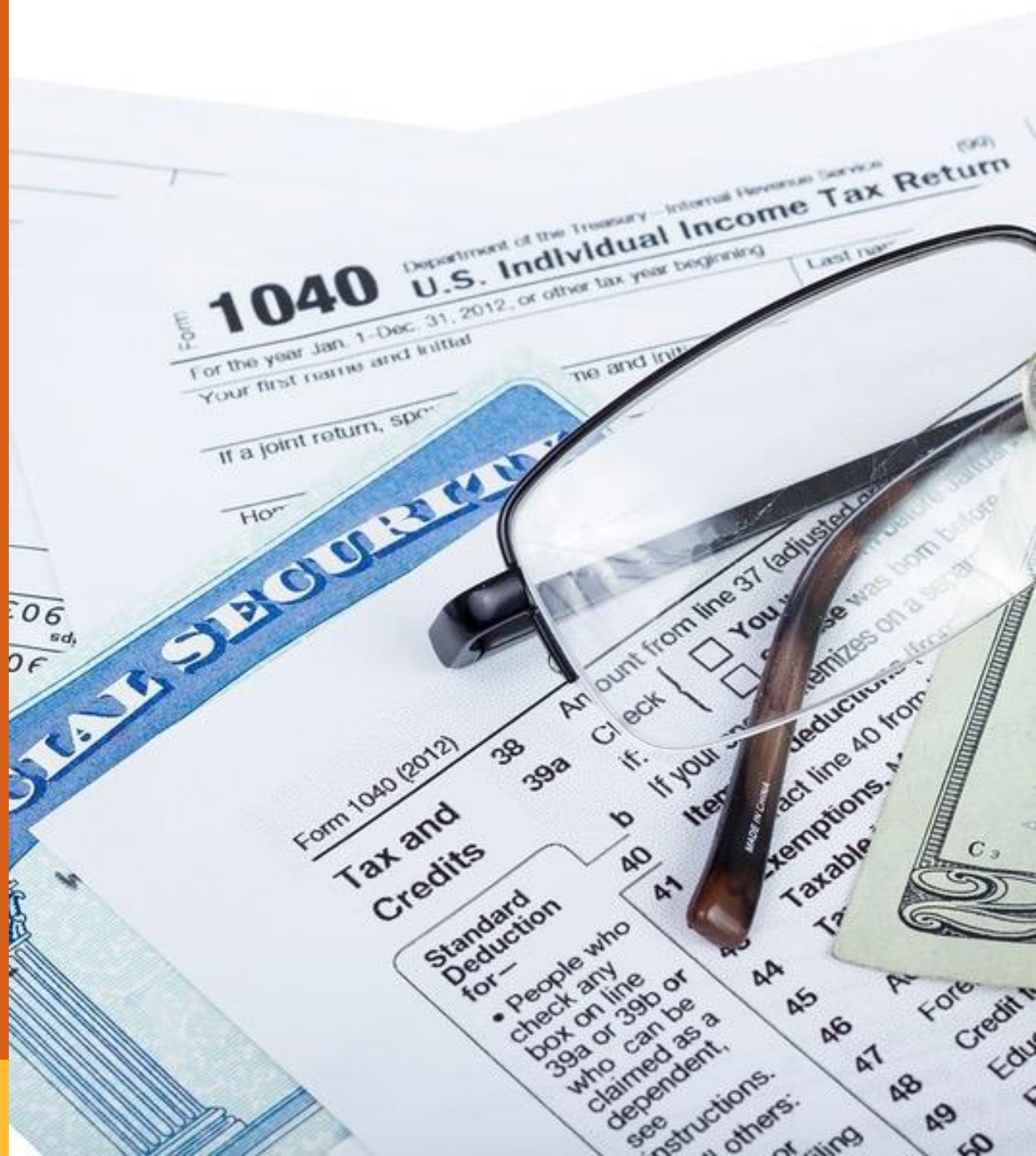
Maximization Strategy

- Where lower-earning spouse's PIA is more than 50% of higher-earning spouse's PIA
  - Both spouses delay to age 70
  - One spouse takes advantage of spousal benefits as allowed
- Maximizes lifetime benefits over average or long-life expectancies

Hybrid Strategy

- Where lower-earning spouse's PIA is less than 50% of higher-earning spouse's PIA
  - Lower-earning spouse claims early
  - Higher-earning spouse claims at 70
- Generates income sooner while maximizing higher-earning spouse's benefit over both lifetimes

Taxation of benefits



Taxation of Benefits

Filing status	Provisional income*	Amount of SS subject to tax
Married filing jointly	Under $32,000 $32,000–$44,000 Over $44,000	0 Up to 50% Up to 85%
Single, head of household, qualifying widow(er), married filing separately & living apart from spouse	Under $25,000 $25,000–$34,000 Over $34,000	0 Up to 50% Up to 85%
Married filing separately and living with spouse	Over 0	85%

*Provisional income = AGI + one-half of SS benefit + tax-exempt interest

Survivor Benefits

If spouse dies while both are receiving benefits, widow(er) may switch to the higher benefit

Example:

- Joe and Julie are married. Both are over full retirement age.
- Joe's benefit is $2,800, Julie's benefit is $1,500.
- Joe dies.
- Julie notifies Social Security and her $1,500 benefit is replaced by a $2,800 survivor benefit.

Rules for Survivor Benefits

- Couple must have been married at least 9 months at date of death (except in case of accident).
- Survivor must be at least 60 for reduced benefit (50 if disabled), or FRA for full benefit.
- Survivor benefit not available if widow(er) remarries before age 60 (or 50 for disabled survivor), unless that marriage ends.
- Divorced-spouse survivor benefit available if the marriage lasted at least 10 years.

Divorced-Spouse Benefits

Same as spousal benefits if:

- Marriage lasted 10 years or more
- Person receiving divorced-spouse benefit is currently unmarried
- The ex-spouse is at least age 62
- If divorce was more than two years ago ex-spouse does not need to have filed for benefits

Rules for Divorced-Spouse Benefits

- More than one ex-spouse can receive benefits on the same worker's record
- Benefits paid to one ex-spouse do not affect those paid to the worker, the current spouse, or other ex-spouses
- Divorced-spouse benefits stop upon remarriage of spouse collecting benefits (not upon remarriage of primary worker spouse)

Review:

- Social Security is a retirement Plan you can't outlive.
- There will be a benefit available to you even if there is reform
- Formula for how much you will receive. Estimate & calculations at www.ssa.gov
- When to Apply
- Taxation of Benefits
- Unique circumstances: Disability, Death, Divorce

Will Social Security Be Enough to Live on in Retirement?

Answer:

Probably not!

SOLUTION

Personalized Social Security analysis to understand how and when to apply and how your monthly benefit will fit into your overall retirement plan.

Introduction To Medicare

Presented By

Alan Quarnberg
(801) 819-7831 | alan.quarnberg@enroll365.org

ENROLL365

Who remembers 1965?

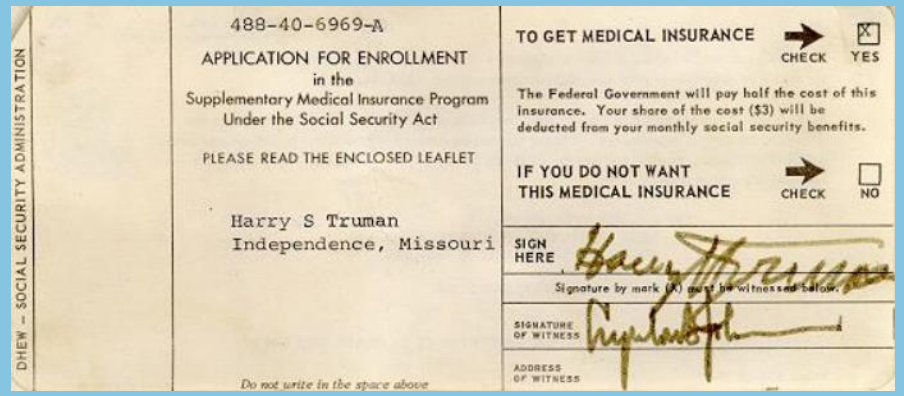
What was the best-selling car of 1965?

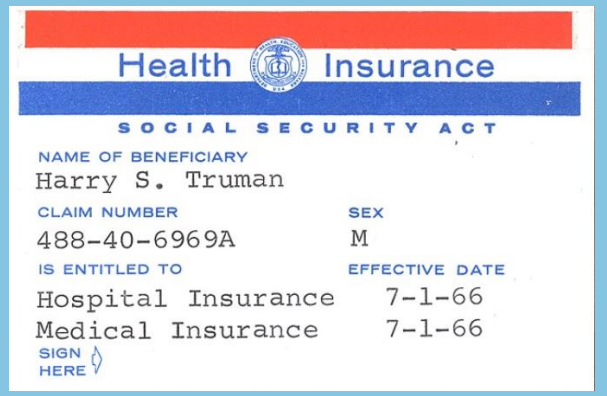
What was the highest rated TV show of 1965?

NASA's space program was in full-swing!

Medicare is Signed into Law

July 30, 1965





Who is Eligible for Medicare?

People who are at least 65 years of age, and:

- Have worked 10 or more years in Medicare-covered employment
- Have paid (or a spouse paid) Social Security for at least 10 years
- Are citizens of the United States or permanent legal residents

People who are under 65 and disabled:

- Have been receiving Social Security Disability income for 24 months

  or

- Have been diagnosed with ESRD (End Stage Renal Disease) or ALS (Amyotrophic Lateral Sclerosis or Lou Gehrig's Disease)

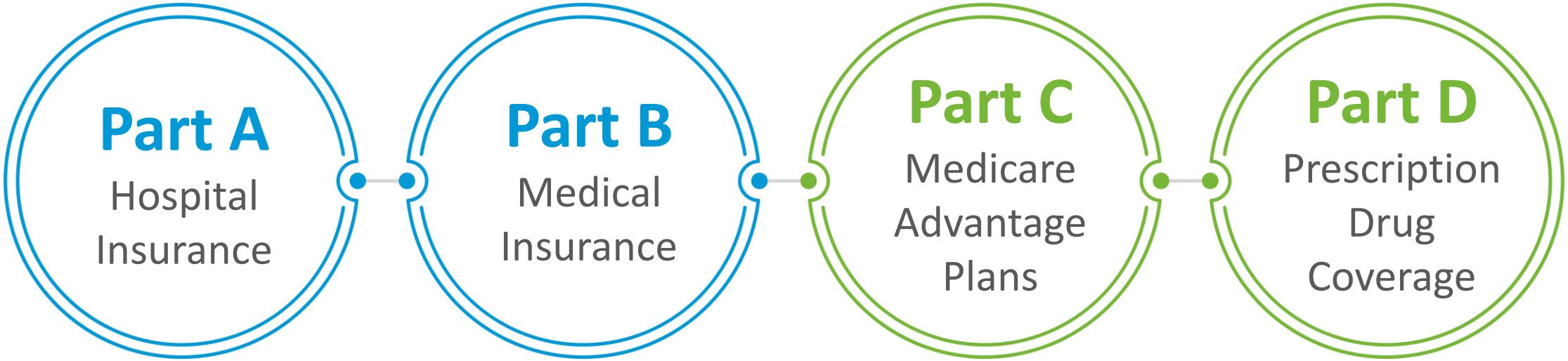
Questions about eligibility? Call 1-800-MEDICARE

When Can I Sign Up for Medicare?

Initial Enrollment Period (IEP):

You can start enrolling 3 months *before* your 65th birthday month and up to 3 months *after* your birthday month

The Four Parts of Medicare



Administered by the Government

Administered by Private Insurance Companies

Medicare Parts A & B are often referred to as Original Medicare

What Does Original Medicare Cover?

Part A: Hospital Insurance

- Inpatient Care in Hospitals
- Skilled Nursing Facilities
- Hospice Care
- Home Health Care Services

Part B: Medical Insurance

- Medical Services from Doctors & Other Health Care Providers
- Outpatient Care
- Labs & X-Rays
- Part B Drugs & Chemotherapy
- Durable Medical Equipment
- Some Preventive Services

What Does Medicare Cost?

Part A: Hospital Insurance

- If you qualify for Medicare, there is no premium for Part A if you (or spouse) paid Social Security for 10 years. However, Part A does not cover all inpatient expenses.

2023 Medicare Part A Cost-Sharing	
Inpatient Hospital Deductible (each benefit period)	$1,600
Inpatient Hospital Copay (per day) days 61-90 at the hospital	$400
Inpatient Hospital Copay (per day) days 91-150 at the hospital (no coverage after day 150)	$800
Skilled Nursing Copay days 1-20	$0
Skilled Nursing Copay (per day) days 21-100 (no coverage after day 100)	$200.00

What Does Medicare Cost?

Part B: Medical Insurance

- For Part B most people will pay $164.90 for 2023
- Individuals or couples on Medicare with annual incomes over $97,000 single or $194,000 couples filing jointly will pay more than $164.90
- Amounts are determined using your modified Adjusted Gross Income (AGI) from 2 years prior

2023 Medicare Part B Cost-Sharing	
Deductible (per calendar year)	$226
Coinsurance (NO out of pocket maximum)	20% (percentage may vary)

What Does Medicare Cost?

If your filing status and yearly income in 2021 was…			Then your 2023 Part B monthly payment is…
File Individual Tax Return	File Joint Tax Return	File Married & Separate Tax Return	
$97,000 or less	$194,000 or less	$91,000 or less	**$164.90**
above $97,000 to $123,000	above $194,000 to $246,000	Not applicable	**$230.80**
above $123,000 to $153,000	above $246,000 to $306,000	Not applicable	**$329.70**
above $153,000 to $183,000	above $306,000 to $366,000	Not applicable	**$428.60**
above $183,000 and less than $500,000	above $366,000 and less than $750,000	above $97,000 and less than $403,000	**$527.50**
$500,000 or above	$750,000 and above	$403,000 and above	**$560.50**

Original Medicare Does Not Cover Everything

Examples of Services Not Covered Include:

- Most Prescription Drugs
- Routine Eye Exams
- Routine Dental Care & Dentures
- Hearing Aids
- Custodial Care at Home
- Most Chiropractic Services
- Care Outside of the United States

FAQ

If I'm drawing Social Security when I turn 65, what happens with Medicare?

Be aware that…

- Enrollment in Parts A & B is automatic
- If you decline Part B and send your Medicare care back:
  - There can be a 10% penalty for each year you delay applying
  - You may avoid a penalty if you or your spouse is actively working AND you are covered by your group's health insurance

FAQ

What if I'm still working, have group coverage through my employer, and I do not intend to retire when I turn 65 – what do I do with Medicare?

Is my employer coverage creditable (drug coverage as good as Medicare's)?

- Creditable employer coverage protects you from a late enrollment penalty
- You don't have to notify Medicare of your current status
- When you finally drop employer plan, you then validate you had continuous coverage through employment

FAQ

When should I avoid Medicare?

If I'm still working and plan to keep my employer coverage…

- Is my employer plan a High Deductible Health Plan (HDHP)?
- If you enroll in Medicare, which is not HDHP, you cannot make new contributions to your Health Savings Account (HSA) nor can your employer
- You may be advised to pick up Medicare Part A because it doesn't cost anything – Don't Do It

Is Original Medicare All There Is?

You have two options in addition to Original Medicare:

1 Medicare Supplement

Part A: Hospital Insurance

Part B: Medical Insurance

Medicare Supplement (Medigap)

Part D: Prescription Drug Coverage

2 Part C: Medicare Advantage Plans

Part C: Medicare Advantage Plans include:

- **Part A:** Hospital Insurance
- **Part B:** Medical Insurance
- **Part D:** Prescription Drug Coverage
- **Additional Benefits**

Fill In The Gap…

- Medicare Supplement (Medigap) plans are sold by private companies
- **NO PROVIDER NETWORK** (this is a good thing!)
- They are subject to Medicare's benefits, restrictions, and exclusions
- Premiums are age-based

Part C: Medicare Advantage Plans

Part C: Medicare Advantage Plans

Part A: Hospital Insurance

Part B: Medical Insurance

(Part D: Prescription Drug Coverage**)**

Additional Benefits, which can include:

- Prescription Drug Coverage
- Vision
- Dental
- Hearing Aids
- Fitness Membership
- Coverage When You Travel

Availability will vary by county

If you purchase a Medicare Advantage plan, you may pay a **monthly premium** and a percentage of some costs. You will also be required to **continue paying your Part B premium.**

Medicare Supplement (Medigap)	vs.	Part C: Medicare Advantage Plans
Pays secondary to Original Medicare Part A and Part B		Replaces the benefits of Medicare Part A and Part B
Accepted by all Medicare providers		Provider network: PPO, HMO, PFFS
Identified by Plans A-N (Plan F, G and N most popular)		Plan names vary by carrier
Premiums generally age based		Premiums are generally lower than Medigap – not age rated
Need to purchase a separate Medicare Prescription Drug Plan (Part D)		Most plans include Prescription Drug Coverage (Part D)
Out-of-pocket costs fairly predictable		Out-of-pocket medical costs may vary by plan
3 Cards (Medicare, Medigap and Part D)		1 Card
Doesn't include extra benefits such as routine vision or hearing		Often includes extra benefits not covered by Original Medicare
Usually, must be age 65 or older		Any age on Medicare
Portable		Must reside within the plans service area
Underwriting may apply		Make changes during the designated Medicare election periods or during a Special Election Period

Part D: Prescription Drug Plan (PDP)

- Part D helps pay for your prescription drug costs
- Purchased from private companies (approved by Medicare)
- Insurance companies set the premium
- You’re responsible for coinsurance and copays

What is the Coverage Gap (Donut Hole)?

Total Drug Spend: $4,660

Discount of 70% paid by drug manufacturer on brand medications, which counts toward out-of-pocket expense.

Initial Coverage Stage

Patient Pays

Copayment or coinsurance. Medicare tracks combined expenses until total of $4,660

Enter Coverage Gap

Coverage Gap Stage

Patient Pays

25% for Brand
25% for Generic

Catastrophic Coverage Stage

Patient Pays Greater of

5% or $4.15 Gen
$10.35 Brand

Out-of-Pocket Expenses: $7,400

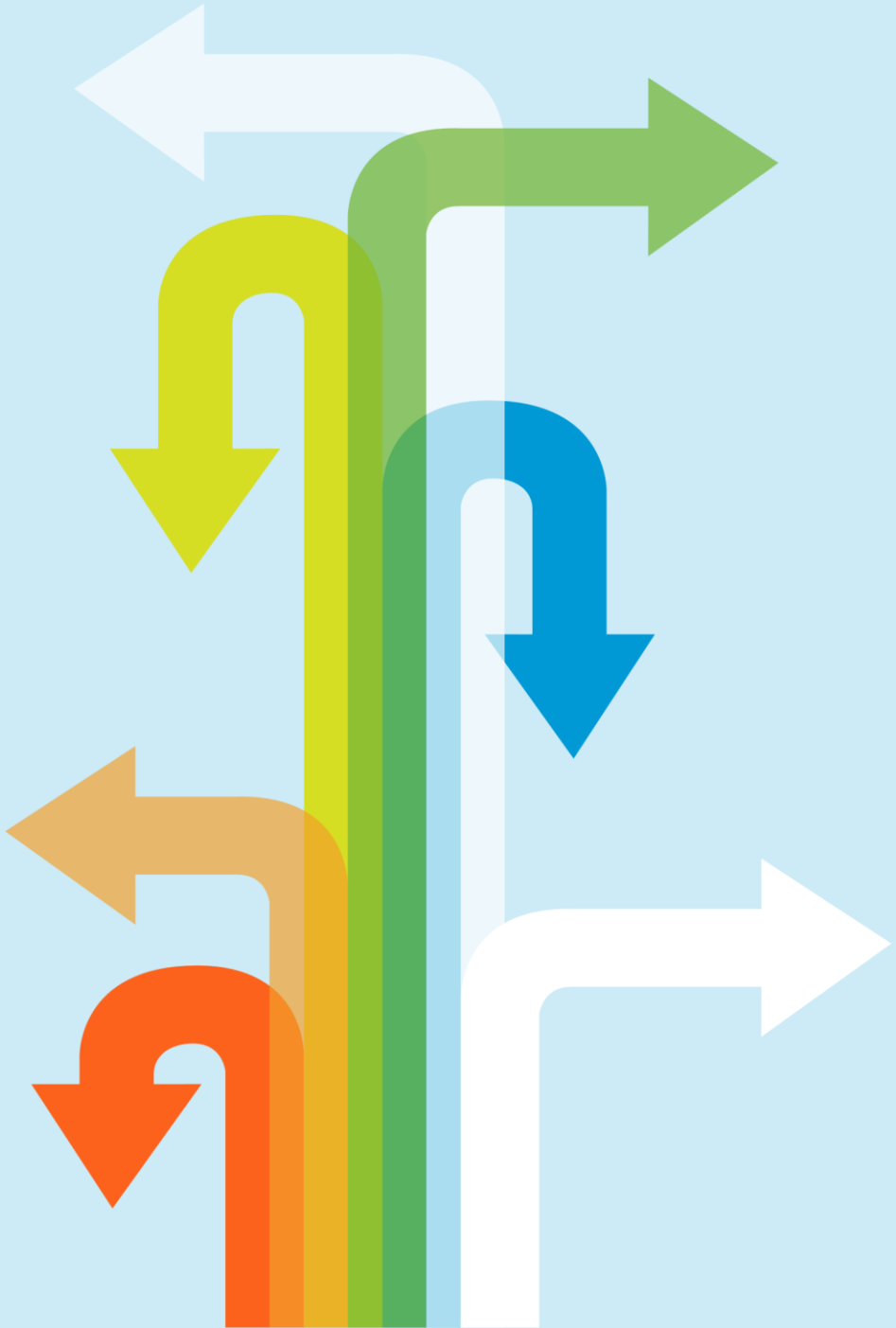
Exit Coverage Gap

What Does Part D Cost?

If your filing status and yearly income in 2021 was…			Then your 2023 Part D monthly payment is…
File Individual Tax Return	File Joint Tax Return	File Married & Separate Tax Return	
$97,000 or less	$194,000 or less	$91,000 or less	your plan premium
above $97,000 to $123,000	above $194,000 to $246,000	Not applicable	$12.20 + your plan premium
above $123,000 to $153,000	above $246,000 to $306,000	Not applicable	$31.50 + your plan premium
above $153,000 to $183,000	above $306,000 to $366,000	Not applicable	$50.70 + your plan premium
above $183,000 and less than $500,000	above $366,000 and less than $750,000	$97,000 and less than $403,000	$70.00 + your plan premium
$500,000 or above	$750,000 or above	$403,000 and above	$76.40 + your plan premium

Why Medicare?

- **Original Medicare - Parts A & B** is good health insurance: Copays and coinsurances (generally 80%/20%) after deductibles
- **Medicare Advantage** plans can improve Original Medicare by adding additional benefits such as prescription drug coverage
- **Medicare Supplement** or **Medigap** plans supplement Original Medicare's coverage, closing the gaps in Original Medicare
- **Medicare Supplement and Medicare Advantage** plans can be very cost effective and comprehensive when compared with other types of coverage



GBS 2023 ANNUAL CONFERENCE

Thank you for joining us today!

Zeb Lowe, CFP®
Andina Advisors

Alan Quarnberg
Enroll365