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LARSON FINANCIAL SERVICES, INC.

FINANCIAL *insight*

Inside This Issue

The A, B, C, & D **of Medicare**

Breaking down the basics & what each part covers.

Whether your 65th birthday is on the horizon or decades away, you should understand the parts of Medicare – what they cover, and where they come from.

Parts A & B: Original Medicare.

America created a national health insurance program for seniors in 1965 with two components. Part A is hospital insurance. It provides coverage for inpatient stays at medical facilities. It can also help cover the costs of hospice care, home health care and nursing home care – but not for long, and only under certain parameters.[1]

Seniors are frequently warned that Medicare will only pay for a maximum of 100 days of nursing home care (provided certain conditions are met). Part A is the part that does so. Under current rules, you pay $0 for days 1-20 of skilled nursing facility (SNF) care under Part A. During days 21-100, a $157.50 daily coinsurance payment may be required of you.[2]

If you stop receiving SNF care for 30 days, you need a new 3-day hospital stay to qualify for further nursing home care under Part A. If you can go 60 days in a row without SNF care, the clock resets: you are once again eligible for up to 100 days of SNF benefits via Part A.[2]

If you have had Medicare taxes withheld from your paycheck for at least 40 calendar quarters during your lifetime, you will get Part A coverage for free.[1]

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The A, B, C, & D **of Medicare**

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Part B is medical insurance and helps pick up some of the tab for outpatient care, physician services, expenses for durable medical equipment (scooters, wheelchairs), and other medical services such as lab tests and varieties of health screenings.

Part B isn't free. You pay monthly premiums to get it and a yearly deductible (plus 20% of costs). The premiums vary according to the Medicare recipient's income level; in 2015, most Medicare recipients pay $104.90 a month for their Part B coverage. The current yearly deductible is $147. Some people automatically get Part B, but others have to sign up for it.[2,4]

Part C: Medicare Advantage plans.

Insurance companies offer these Medicare-approved plans. Part C plans offer seniors all the benefits of Part A and Part B and a great deal more: most feature prescription drug coverage and many include hearing, vision, dental, and fitness benefits. To enroll in a Part C plan, you need have Part A and Part B coverage in place. To keep up your Part C coverage, you must keep up your payment of Part B premiums as well as your Part C premiums.[2]

To say not all Part C plans are alike is an understatement. Provider networks, premiums, copays, coinsurance, and out-of-pocket spending limits can all vary widely, so shopping around is wise. During Medicare's annual Open Enrollment Period (Oct. 15 - Dec. 7), seniors can choose to switch out of Original Medicare to a Part C plan or vice versa, although any such move is much wiser with a Medigap policy already in place.[5]

How does a Medigap plan differ from a Part C plan? Medigap plans (also called Medicare Supplement plans) emerged to address the gaps in Part A and Part B coverage. If you have Part A and Part B already in place, a Medigap policy can pick up some copayments, coinsurance and deductibles for you. Some Medigap policies can even help you pay for medical care outside the United States. You have to pay Part B premiums in addition to Medigap plan premiums to keep a Medigap policy in effect.[6]

Medigap plans don't feature prescription drug coverage anymore. Medigap policies have been sold without drug coverage since 2005.[6]

Part D: prescription drug plans.

While Part C plans commonly offer prescription drug coverage, insurers also sell Part D plans as a standalone product to those with Original Medicare. As per Medigap and Part C coverage, you need to keep paying Part B premiums in addition to premiums for the drug plan to keep Part D coverage going.[1,2]

Every Part D plan has a formulary, a list of medications covered under the plan. Most Part D plans rank approved drugs into tiers by cost. The good news is that Medicare's website will determine the best Part D plan for you. Go to medicare.gov/find-a-plan to start your search; enter your medications and the website will do the legwork for you.[7]

Part C & Part D plans are assigned ratings. Medicare annually rates these plans (one star being worst, five stars being best) according to member satisfaction, provider network(s) and quality of coverage. As you search for a plan at medicare.gov, you also have a chance to check out the rankings.[8]

Please call Doug, Jean or Steve with further Medicare questions.

Citations.
1 - dailyfinance.com/2013/05/14/medicare-explained-part-a-b-c-d/ [5/14/13]
2 - medicare.gov/coverage/skilled-nursing-facility-care.html [3/30/15]
3 - info.tuftsmedicarepreferred.org/medicare-matters-blog/bid/74844/Medicare-Part-A-B-C-and-D-What-does-it-all-mean [10/1/13]
4 - medicare.gov/your-medicare-costs/part-b-costs/part-b-costs.html [3/30/15]
5 - medicare.gov/sign-up-change-plans/when-can-i-join-a-health-or-drug-plan/when-can-i-join-a-health-or-drug-plan.html#collapse-3192 [3/30/15]
6 - medicare.gov/supplement-other-insurance/medigap/whats-medigap.html [3/30/15]
7 - medicare.gov/part-d/coverage/part-d-coverage.html [3/30/15]
8 - medicare.gov/sign-up-change-plans/when-can-i-join-a-health-or-drug-plan/five-star-enrollment/5-star-enrollment-period.html [3/30/15]

Welcome to the New Larson Website

www.larsonfs.com

What You Need to Know About **Beneficiary Designations**

When you think about estate planning, the first thing that may come to mind is your will or living trust. However, while these are valuable documents, they do not have any effect on the distribution of many of your important assets. Your beneficiary designations are the element that ultimately controls who receives these assets. To help you in deciding how to make these important decisions, following are a few points to consider.

Update for life events.

You should get in the habit of reviewing your beneficiary designations regularly, and update them as needed. Life events such as a birth, death, marriage or divorce are good reminders to check on them.

Evaluate changes to wills and trusts.

Any time you make changes to your will or trust, you may also need to make changes to your beneficiary designations. Updating the two at the same time will help you keep both current.

Name contingent beneficiaries.

Having a beneficiary is an important first step, but what happens if that person precedes you in death? Your assets would become part of your estate and distribution of those assets may be delayed if you don't have a backup beneficiary named as well.

Avoid estate as beneficiary.

Naming your estate as beneficiary is always an option, but doing so will subject it to the time constraints and fees associated with probate. Additionally, if you have IRAs or qualified retirement plans, there may be adverse income tax consequences to such an arrangement.

Use caution when naming a trust as a beneficiary.

Before naming a trust as the beneficiary for any of your assets, you should seek professional advice first. If your beneficiaries are minors or if you want to control access to funds, it could make sense to name a trust as a beneficiary. But special income tax considerations do apply if you decide to name a trust as beneficiary of an IRA, a qualified retirement plan, or an annuity, so it's important you understand all the details involved.

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Did You Know?

FIRST BENEFICIARY

Medicare began when **President Johnson** signed its **authorizing legislation** on 7/30/65 (**50 years ago**). Harry Truman received **Medicare card #1** and wife Bess received **card #2.**

source: *Medicare*

MAKING THE TAX CODE SIMPLE

House Ways and Means Committee Chairman **Paul Ryan** (R-WI) is a supporter of a **"flat tax."** A "flat tax" rate of 13.1% on the nation's **$9.0 trillion of adjusted gross income** from tax year 2012 (for individuals, not corporations) would have produced the **same amount of federal income tax** as was actually collected under our current system.

source: Internal Revenue Service

THE BEST AND THE WORST PERFORMERS

The **best performing** individual stock YTD in the S&P 500 **gained +83%** through 5/31/15. The **worst performing** individual stock YTD in the S&P 500 **lost 38%** through 5/31/15.

source: BTN Research

MEDICAL CARE

Over the 10 years ending 4/30/15, **national inflation** (as measured by the **Consumer Price Index**) has **advanced +1.97% per year.** Over the 10 years ending 4/30/15, **"medical care" inflation** (i.e., 1 of 8 components that make up the CPI) has **advanced +3.34% per year.**

source: Department of Labor

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Beneficiary Designations

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Designate charitable organizations as a beneficiary.

You may be able to eliminate potential income and estate taxes associated with certain types of assets if you designate one or more of your favorite charities as a beneficiary, and you'll have the satisfaction of knowing they will be used to support a good cause you believe in.

Examine plan documents.

If you have assets such as 401(k), 403(b) or other qualified retirement plans, you should know that they are governed by plan documents. Each one differs with regard to permissible distributions on the death of a plan participant, and in some cases greater flexibility may be given to a spousal beneficiary as opposed to a nonspouse beneficiary.

Think about lump sum distributions.

In some cases, assets with beneficiary designations pay out death benefits as one lump sum. As a result, you should decide whether or not you're comfortable with your beneficiary receiving a lump sum, versus receiving monthly payments or having a rollover option. You should also factor inflation and taxes into you decision.

Explore alternatives when changing jobs.

A job change may affect the choices you have available to you with regard to beneficiary designations. When faced with such a change, you should explore various options, which may include rolling the assets into an IRA, moving them to your new employer, or leaving them with your old employer.

Use disclaimers if necessary.

Mistakes regarding beneficiary designations often go undiscovered until after an account owner has died. Sometimes it's possible to fix mistakes by using a disclaimer – a legal document that lets the named beneficiary refuse the asset. Because of the complex legal and tax issues involved, disclaimers should be made only after careful consultation with an attorney and CPA.

Please call Doug, Jean or Steve to discuss your beneficiaries or updating your beneficiaries.