



Top Retirement Questions Answered

In the ongoing series seeking to answer the most common—and important—retirement questions, this month's featured question is:

“How do I navigate Medicare coverage?”

Medicare is a government run insurance program providing retirees with a wealth of healthcare resources. However, understanding Medicare and its various parts—as well as how/when you should sign up for coverage—can be confusing.

Let's explore true and false scenarios to better understand Medicare:

TRUE OR FALSE? You must enroll in Medicare by age 67.

False. You are eligible for Medicare coverage at age 65 and coverage begins on the first day of your 65th birthday month. Your enrollment period lasts seven months and you can enroll as early as three months before turning 65. Don't miss the window as you could incur late registration penalties. Enrollment is offered through the Social Security Administration, or you can utilize a private insurer to enroll and receive basic Medicare coverage plus a few add-ons, such as dental and vision care (as needed).

TRUE OR FALSE? Medicare has four parts – A, B, C and D.

True. There are four parts to Medicare but you don't necessarily need them all depending on your insurance needs—for example, some retirees have group health care coverage from a previous employer. Take a look:

- **Part A** provides coverage if you are hospitalized
- **Part B** provides “outpatient” coverage for items like doctor visits or other medically necessary care
- **Part C**, also known as a Medicare Advantage plan, is a Medicare-approved plan offered by a private insurance company providing benefits of Parts A and B and often prescription drug coverage
- **Part D** offers prescription drug coverage provided by a third party insurance company

TRUE OR FALSE? You get all the medical coverage you need from Medicare.

False. One of the biggest and most important coverage requirements for retirees—long-term care—is not covered by Medicare. Other uncovered items include routine eye, dental, cosmetic surgery or even acupuncture. You will need supplemental coverage to receive these services from organizations like AARP, that offers various plans to fit retiree needs.

TRUE OR FALSE? You have to pay for Medicare coverage.

True—in terms of premiums and deductibles. Your Medicare coverage is funded by taxes that were levied on your work earnings by the Social Security Administration. Part A coverage does not require premiums because of the Medicare taxes you paid, but you are responsible for a yearly deductible (\$1,260 for 2015) before coverage begins.¹ You will pay a monthly premium for Part B coverage based on your most recent

annual income, Part C (if chosen) requires premiums based on your state and the insurer's rates, and Part D prescription drug coverage premiums vary by insurance plan purchased.

It's important to plan accordingly when it comes to funding your healthcare coverage in retirement.

Stay tuned! Next month's edition will answer the question: "How much should I withdraw from my retirement savings?"

TIME MANAGEMENT IS KEY TO A HAPPY RETIREE

Having more leisure time is something many older adults look forward to in retirement. However, this newfound free time with no agenda could lead to unhappiness, especially as many new retirees transition from a corporate culture to a life of leisure. Making good use of idle hours can lead to a higher quality of life for older adults. Try these time management tips to live a happier, more balanced retirement:

Create a routine. Whether it's visiting the grandkids once a week, grocery shopping or walking with friends, retirees can help manage their free time by developing a routine. By planning regular activities, retirees have the best of both worlds—they have something to look forward to doing then return to enjoying their down time.

Don't over-plan. Booking days full of activities is not the answer to happiness for many retirees. In fact, it's the quickest path to exhaustion. Instead, retirees should consider setting goals and priorities to utilize time and a realistic timeline to accomplish them. A goal could be as simple as taking up a new hobby, completing a home renovation project, or meeting with neighbors for coffee once a week.

Pick up work. Some retirees thrive best off a schedule similar to the one they had in their work life. For many, it is hard to let the work routine go. It may make sense to pick up a part-time job or volunteer with a local organization a few times a week. Not only will the extra income help pad that nest egg for later years, retirees can also benefit from work-related perks like discounts on food or clothing and even travel.

There is no one-size-fits-all solution when it comes to retirement planning. In addition to planning your finances, be sure to start thinking about free time activities which may be of interest to you once you retire.

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¹ <https://medicare.com/about-medicare/medicare-premiums-deductibles-2015/>