

Welcome to InFRE's June, 2018 Issue of Retirement Insight and Trends

 retirement-insight.com/welcome-to-infres-june-2018-issue-of-retirement-insight-and-trends/

Retirement InSight and Trends is the quarterly newsletter for the International Foundation for Retirement Education's Certified Retirement Counselors[®] (CRC[®]s) to help retirement professionals with the practical application of new retirement readiness, counseling, planning and income management concepts for the mid-market. Find out more about the [CRC[®]](#) and [InFRE](#) here.

This issue is worth one *free* CRC[®], CFP[®], ASPPA, and the American College's Professional Recertification Program (CLU[®], ChFC[®], CASL) CE credit upon reading all the articles and successfully completing the [online quiz](#). An email will be sent to you and InFRE upon successful completion (score of 70% or more) of the CE exam.

[Click here for the Continuing Education Exam](#) that corresponds to this issue. [Click here to see other free issues](#) that you may read. Recent issues are eligible for CRC[®], CFP[®], ASPPA, and other CE credit when you pass the online exam.

To report CE:

- Your score will automatically be sent to InFRE for CRC[®] credit and/or the CFP Board CFP[®] credit.
- You are responsible for reporting your CE hours for ASPPA recertification and the American College's Professional Recertification Program (CLU[®], ChFC[®], CASL).

Looking for additional CE opportunities? Visit the [continuing education section](#) of the [Retirement Resource Center store](#) to find hundreds of additional professional development and continuing education options by leading experts, the way you want to learn, at the level that's right for you.

June, 2018 InFRE Update: 2018 CRC Practice Analysis Certificant Survey

 retirement-insight.com/june-2018-infre-update/

Please help InFRE maintain the credibility of your CRC® certification.

To remain compliant with National Commission for Certifying Agencies (NCCA) Standards, and to ensure that the CRC® certification program stays up-to-date, relevant and reflective of current best practice, InFRE conducts a practice analysis study of the retirement counseling profession every five years. The results of this study are used to revise the content of the CRC examination.

The 2018 Practice Analysis Task Force is currently reviewing the current practice analysis and associated test specifications and will be making recommendations for updates and changes based on current trends and gaps in the existing exam knowledge assessment that have evolved in the profession since the last study. To help us gather additional input and confirm all pertinent updates have been considered, all CRC® certificants will receive an email in late summer requesting completion of a survey. Your feedback is an important element of conducting a valid study of the CRC® program and providing your professional opinions will benefit all CRC® certificants.

As a thank you for taking time to complete the survey, all respondents will receive 1 hour of CRC® continuing education (CE) credit.

Thank you in advance for helping to maintain the high credibility of your CRC® certification by taking the time to complete the practice analysis survey.

The Platinum Retirement Challenge: Gray Divorce

 retirement-insight.com/the-platinum-retirement-challenge-gray-divorce/

By Lili Vasileff, CFP®, MAFF, CDFA, RIA, Wealth Protection Management

Let me start with background on gray divorce and retirement. It is a genuine, real statistic. Every ten seconds, a boomer turns 60 years old. Among the US adults who are age 50 plus, the divorce rate has doubled since 1994. Interestingly, the increase in the fastest growing population is in first-time marriages. More than 55 percent of gray divorces occur with couples who have been married for a long time, for more than 20 years. Divorce risk is not spread evenly among the demographics of the boomers. Most divorced boomers are not living alone.

What do boomers want? What will boomers experience? Why is gray divorce different than divorce generally? Moreover, why are gray divorced women affected so much more significantly than men?

The easy answer is that boomers want what most couples want when they go through a divorce. There are no unique characteristics or particular reasons other than one time I heard my 98-year-old divorcing client tell me she was tired of taking care of her spouse. Beyond that, what boomers seem to want are what everyone wants: higher standards in relationships, to seize more opportunities to become fulfilled and to feel entitled that they have a life that they can live more fully apart from their current partner.

What will boomers experience? Well, we all know that statistics show we will have longer lives. We do have declining disability rates and somewhat improved healthcare systems. We have longer work trajectories and broader career paths including those for women who have gained greater financial independence in recent years.

However, there is also the divorce echo effect that boomers experience, and this is when older individuals are more likely to be in remarriages. Remarriages have an even more dire statistic of divorce. Second remarriages have a divorce rate of around 67 percent. And third remarriages have a divorce rate of 73 percent.

Why is Gray Divorce Different?



Lili Vasileff, CFP®, MAFF, CDFA®, President, Divorce and Money Matters, LLC and Wealth Protection Management
Editor's note: This article is an adaptation of the live webinar delivered by Lili Vasileff in 2018. Her comments have been edited for clarity and length. You can read the summary article here as part of the [2nd Qtr 2018 Retirement InSight and Trends Newsletter](#), worth 1.0 CE when read in its entirety (after passing the online quiz.) You may also choose to take the full length course [The Platinum Retirement Challenge: Gray Divorce](#) for 1.0 hours continuing education (CE) credit.

In general, the older you are the more complicated your life is, financially speaking. At this stage in your life, boomers have many challenges. They have demanding jobs that require 60 to 80 hours of time per week. They may have college tuition bills that collectively cost even maybe more than your client's house. They have perhaps financial responsibility of caregiving for elderly parents.

Moreover, we have heard the stories about adult children who boomerang back home, unable to find a decent job on their own and adult children who spend down your client's assets without financially contributing to the household. Adult children may conflict with your client in a family owned business and put at peril family succession planning for that business. What about children who come into a second marriage or a blended family? How do they integrate? And lastly, sky-rocketing health insurance premiums and medical issues require more from your clients than simply taking it easy.

How are boomers preparing for retirement? This is our key question with the transfer of wealth coming in this next generation. Are boomers preparing for retirement? Great question. Statistics show that 29 percent of households age 55 and older have neither a retirement savings account or a pension. Of the 36 percent of married couples who say that their partner is saving for retirement, one in five has no idea how much they are saving. 21 percent don't even have a general sense of the value of their partner's retirement account.

"Are they, in fact, preparing for retirement?" is the question. 30 percent of respondents with at least one partner saving for retirement do not talk to the other about how much money they will need to retire. Nearly 40 percent of all couples surveyed disagree on the lifestyle they expect to live during retirement according to a 2013 Fidelity study. And not only that, half of them disagree on the retirement age. So, despite these concerns, it is interesting that only two in ten couples actually sit down to prepare a detailed retirement income plan to make sure or to ensure that they don't outlive their savings. Well, you see the ticking time bomb.

We have mismatched expectations for retirement years: everything from the amount that you are saving to what it will cost, to when you retire, to what you will do during retirement. We have a lack of knowledge about retirement savings and the resources available to your clients. There is a lack of communication in most marriages about planning for retirement. And this is a kicker: there may be a potential age disparity between the two spouses of significance. I call a decade or more significant.

When you add divorce to this mix, you find that older divorcing adults will now be facing financial challenges on the same issues they have avoided talking about for years.

They are going to have to look at their assets and decide how to cherry pick or share equitably the various kinds of assets they've accumulated. They may have to break up or reconfigure family-owned businesses. They may have to downsize lifestyles. Most importantly, they will negotiate retirement benefits between themselves.

Many times, older divorcing adults who have substantial assets and have peak earning years will also deal with complicated compensation structures, such as: restricted stock, stock options, executive comp packages, performance bonuses, capital accounts invested in partnerships,

employer-provided perks, meal allowances, travel, financial, legal services, apartments, and bodyguards. They will also have to determine future cash flows for support purposes in contemplation of when the earning years will cease.

Outside of the normal scope of discussing routine daily living expenses, they may have to determine how an inheritance impacts their divorce: does it affect the division of marital assets and liabilities or even support? We mentioned that gray divorce is not spread evenly among the demographics, and it is especially likely to occur among couples who are socially and economically disadvantaged, raising concerns about long-term healthcare issues and their wealth and wellbeing.

Older, divorcing adults are unlikely to recoup financial losses associated with divorce or to improve earnings powers to build up their savings. The time horizon is too short. So who is significantly affected? Older women who are vulnerable in many different ways from this generation. For older women, the loss of accumulated wealth and income is harshest if they have been out of the workforce for a significant period. Gray divorce women have relatively low Social Security benefits on their record and end up with relatively high poverty rates. Approximately 20 percent of older, single women rely exclusively on public benefits and live in poverty.

The Platinum Challenge in retirement for gray divorce means that you may have a reduced financial cushion, longer life expectancy with fewer assets and wealth, increasingly complex family structures and dependence. We are seeing that the typical family with biological parents and children is only one in five families in the US today, which means we have blended families with adopted children, surrogacy, half-children, step-children, you name it. We also have elder care issues and healthcare issues. The biggest problem is income uncertainty during these retirement years.

What Do Advisors Need to Know and Practice About Gray Divorce?

You need to recognize that gray divorce is a perfect storm that impacts your clients. I invite and encourage you to seize the opportunity to address the essential concerns and all the potential contingencies with forward thinking on behalf of your clients, even when your clients are unwilling to prepare, listen, or act for themselves. You should recognize that clients will have unique needs after divorce during the retirement years that must not be ignored or postponed.



Eight key points to address with clients divorcing after age 50

Review and/or discuss:

1. Credit rating
2. Individual financial identity
3. Health and LTC insurance coverage and affordability
4. Social Security eligibility & claiming strategy (specifically for age disparity and suspension during remarriage)

PLATINUM RETIREMENT MANAGEMENT



Eight key points to address with clients divorcing after age 50

5. Pensions
6. Estate plans and inheritances
7. Future families
8. How to protect and preserve wealth

Eight key points to address with your clients who are contemplating divorce, going through a divorce, or nearly are divorced after the age of 50. Review and or discuss credit rating with your clients. Do they have an individual financial identity? Do they have healthcare and long-term care insurance coverage? Is it affordable? Is it accessible to them? What is their Social Security eligibility? What will be an appropriate claiming strategy? If there is a significant age disparity between the spouses and if they intend to remarry, there will be a suspension of benefits.

You want to look at pensions and any benefits with that pension, such as healthcare or COLA adjustments for future years. There are estate plans and inheritances that may need updated beneficiary designations. Are your clients anticipating having second, third, fourth remarriages? Consider how to protect and preserve their wealth without any earning capacity during the retirement years, or if they do plan to remarry or cohabitate with someone.

Let us take a broader view and put it within the context of the law because making financial decisions and analysis are all taking place within the context of the law. How does the law look at gray divorce? Your state law governs divorce. Each state legislates its own laws for divorce,

separation, and annulment. Divorce occurs as a formal court procedure. It is a legal order or a legal judgment. All 50 states now offer some version of no-fault divorce. No-fault divorce defines any divorce where one spouse does not have to prove that the other one did something wrong to file for divorce.

There are two kinds of divorce: contested and uncontested. A contested divorce is one in which spouses cannot agree either about getting divorced or about any terms of one or more issues in the divorce. Those issues are generally about two significant categories: children and money. If a settlement cannot be reached in a contested divorce through negotiation, ultimately the client may have a trial, and a judge will make a binding decision. When you go to trial, anything is possible. Generally, the result is dissatisfying for both parties. The rule of thumb is, if they are both unhappy, neither one is likely to appeal because there's no clear win-win.

In an uncontested divorce, which is the second kind, spouses have negotiated all of the issues. They have agreed on everything, they have reached a final agreement, and they do not need the court to intervene and make a determination for custody, property division, or support. An uncontested divorce will move quickly through the legal system. It is less complicated, less costly, and more likely to be the product of spouses who have done their own divorce, whether through a mediator or attorneys. About 90 percent of all divorces get settled without ever going to trial.

Financial issues include property division, child support, spousal support (alimony), and college for many states. In property division, most states determine whether the property is marital or separate. Note this please: definitions differ significantly from state to state as to what is considered marital property or separate property, and all states will distribute property in one of two approaches: equitable distribution or equal/community property. There are only nine states that follow the community property approach.

Any property that is transferred between spouses pursuant to a divorce order is a non-taxable event. The cost basis of every asset transfers to the new holder of that asset. Even though there is no taxable event at the time of property transfer between spouses, you should pay close attention to the cost basis and the tax impact of those assets if your client liquidates, sells, or holds the asset post-divorce. Never overlook the tax impact. The rules will vary widely among every state.

Usually, each state picks an effective date to value the property. The effective date could be anything from the date of filing for the divorce to the date of the actual divorce. Most property decisions are a one-shot deal. They cannot be renegotiated or reopened after the divorce is final. There are very few legal exceptions that exist for reopening a judgment or appealing a decision. The legal hurdles are incredibly high. And this includes anything that clients believe was true and later found out on their own to be fraudulent. Even then, it may or may not come to that basis. So what do you tell your clients?

First, they must persist in full discovery and an accurate valuation. They must obtain all policy plan documents, as tedious as this sounds, to understand what the retirement benefits are, where the trigger dates are for initiating those benefits, and if there are survivor entitlements. Do not overlook any difficult-to-value assets or intangible assets such as unvested awards, private equity investments, family businesses, and even good will. Remember that debts are part of property division too.

Moving from property, consider financial support and lifestyle. The definition of spousal support or alimony is a legal obligation of a person to provide financial support to his or her spouse during the marriage while the divorce is pending or after marital separation or divorce. It is an entitlement system based on numerous statutory factors and case law in each state. These factors and case law vary from state to state. Only 10 to 20 percent of all divorces involve some element of alimony or spousal support.

Lately, the courts are awarding less spousal support for shorter periods of time. That is a nationwide trend. With the recent change in the tax law, the alimony deduction is the only deduction that was made permanent, which then impacts almost every calculation in divorce since alimony is the only one where you can shift tax subsidy between spouses to achieve maximum cash flow. Spousal support awards are complicated to negotiate and far and few between to obtain.

There are no guarantees that both spouses will have sufficient means or capacity to support the same lifestyle they had during their marriage after divorce. There is no universal formula or standard for awarding spousal support. Only a few states have methods for calculating support. Spousal support can be waived forever or preserved with just a dollar a year award written into the divorce judgment. Courts have extensive discretion over awards, and they can vary enormously among different county jurisdictions and even to the judge you have presiding that day.

Spousal support, is usually the very last piece of the financial puzzle to fall into place in divorce. According to a survey by the American Academy of Matrimonial Lawyers, the top three areas of dispute in gray divorce are spousal support (83 percent), retirement accounts and pensions, and business interests. The most common area of disagreement was housing and real estate.

What are the obvious risks? You have ex-spouses entitled to a long duration of spousal support that are effectively being robbed because of their proximity to the normal retirement age. Many spouses are going to have to work past normal retirement age if spousal support terminates or is modifiable. In a gray divorce, particularly where neither spouse is working and they have to both survive on fixed incomes, being able to boost income with the spousal benefit can make a huge difference.

Gray Divorce is Really About Making a Lifestyle Choice

Divorcing on the cusp of retirement typically takes place in peak earning years for individuals that have a lifestyle reflecting the accumulation of their hard work and wealth. It is a time for serious reckoning by clients to realize that these peak earnings that have funded a household's mature lifestyle may or may not last much longer than a few years. Accumulated assets that are now being divided may not be sufficient to support two households post-divorce, because of limited time to retirement age and reduced earning capacity. Are people then inclined more or less to work past normal retirement age? In survey after survey, significant percentages of workers say that they plan to work well past the traditional retirement age of 65.

In a Gallup poll published in May 2017, 31 percent of nonretired adults said, "Sure, we're going to work past age 68 or older." In another study published by the Employee Benefit Research Institute in March 2017, 38 percent of the workers said they expect to retire at age 70 and beyond.

According to the Bureau of Labor Statistics, about a third of Americans 65 to 69 were employed past age 70. A growing number of seniors are declining to or are unable to retire. And this trend is up 22 percent since 1994, comparable to the divorce trend.

When the Federal Reserve asked retirees to identify sources of funds in later life, only seven percent of respondents said that they had earned income from a job. If an individual works past normal retirement age, you should know that they may or may not be ordered by the court or the legal system to continue to pay spousal support to their ex. Some states have legislated successfully (and many more are seeking laws) to terminate spousal support at normal retirement age, even if that ex-spouse continues to earn income.

Why is there a disparity between workers' plans and retirees' experiences? What are the downside risks of working past the retirement age if you are divorced? For the payor of alimony, you may be obligated to continue payments until you are no longer working. It may be difficult to seek a downward modification of the amount that you pay if your ex-spouse's expenses have decreased, and you are trying to prove that the costs are less because courts are generally protective of ex-spouses in old age.

For the recipient of alimony, if you file for Social Security benefits while collecting alimony, your income may be high enough to have the Social Security benefits taxed at federal and state levels. If you are receiving Social Security benefits on your ex-spouse's record, remarriage will suspend all benefits for one year until you requalify under your new spouse's Social Security benefits record. There is a gap of income for at least a year. If there is a time gap between qualifying for Medicare and coming off of COBRA coverage, clients may have to go to work to secure medical insurance. That puts at risk a downward modification in alimony.

So why is there a disparity between the workers' plans and retirees' experiences? The easy answer is life is messy. Health problems, layoffs, the need to care for a loved one, age discrimination, a scarcity of job openings in your client's particular area, any of these circumstances can and do push people into retirement far earlier than planned. Divorce adds yet another layer of the need for both emotional and financial recovery that really may keep you from being so productive in the workforce. And the facts all suggest that gray divorce is imperiling to wealth.

Retirement Assets and Cash Flow

During the divorce process, what can you do as an advisor? How can you uncover opportunities to maximize income, to preserve wealth for your gray clients? Focus on these financial areas. I have found these three to be the most significant impact in providing confidence and a sense of security for clients post-divorce. The first is cash flow. The second is retirement assets. The third is dividing the retirement assets.

Consider cash flow from the retirement assets. How do you get cash? In divorce, there are unique opportunities to do things that are exceptions under IRS rules. Under IRS Rule 72(t), you can withdraw cash without penalty before age 59 1/2 from a qualified retirement plan (but not an IRA) through a qualified domestic relations order (QDRO). The QDRO must specify the exact dollar amount in cash and where it will be distributed.

If you are dividing an annuity, you absolutely should predetermine if the annuity is divisible during the divorce with the same terms between the ex-spouses for each spouse post-divorce. Does it have to be transferred in ownership, or does it have to be canceled and replaced with a new policy? Can it continue to be held jointly if the parties are divorced? What is at risk?

What is the cost of ownership transfer, a division of benefits, or opening comparable policies individually? If the annuity is in payout status now, we have a different ballgame. Can those distributions be segregated in each spouse's name? Annuity companies will tell you time and time again different stories depending on whom you contact. Each annuity company has very different rules.

You should always identify if any loans exist against the retirement accounts by an ex-spouse. You should always be dividing the account net of loans. This verification also applies to whole life insurance that has cash value in it.

You always want to ensure direct transfer of retirement accounts from custodian to custodian according to a divorce decree to avoid any possible taxes or penalties. This is true in divorce as well. Note that IRAs do not require a qualified domestic relations orders. They do not need a certified legal order to divide them. They must be divided post-divorce.

An atypical situation might be this: assume your client's spouse has received an inherited IRA (from their deceased parent) and it is in payout status. The ex-spouse who receives half of that inherited IRA must step into the shoes of their ex-spouse and continue to receive the same RMDs. They cannot recalculate that IRA over their own life expectancy as they would be able to do with a straightforward IRA that is not in payout status.

The most critical area for a divorcing client to consider is a pension. Find out if the pensioner has multiple options for joint with survivor benefits. Sometimes it is 50 percent, and sometimes the scale goes all the way to 100 percent of a lifetime benefit if the pensioner dies during the payout period. Does the alternate payee also have an election option at the trigger date? Once the pension has been divided through a QDRO, does the alternate payee have their own election option to take it as a lump sum or as a payment stream? You should definitely confirm that an ex-spouse has never signed a spousal waiver to the retirement account or plan benefits either during the marriage or the divorce process without knowing about it. A waiver absolutely affects the division of the pension in divorce and the survivor benefit calculation.

Lastly, if the employee's spouse dies before retirement, does the plan offer a pre-retirement survivor annuity to retire early with a reduced lifetime benefit? Very few divorcing spouses are aware of this. Consider all retirement cash flows: is there an opportunity to equalize income during the retirement years from all sources of income, such as Social Security benefits, RMDs, pensions, investment income, annuity income? If you have a client who is a teacher or is in the military, special conditions exist that may impact Social Security benefits and affect how much the pension should be shared with that spouse if you are aiming to equalize retirement cash flows.

Dividing Property in Gray Divorce

When it comes to dividing property, be sure you do not overlook some significant assets or debts that could affect your client post-divorce regarding spending or savings:

- reward points, mileage points, cash rewards, cash rebates, timeshare points
- health saving accounts
- tax refunds
- tax loss carryforwards
- depreciation recapture and tax liability on selling a vacation home, and
- Auto leases.

In some states, case law suggests that it's possible to force a decanting of a trust to either divide the assets held in that trust or to access income from that trust. In divorce, life insurance is typically required to securitize any support obligations.

One of the key parts of divorce for individuals who have family-owned businesses is how you value them and what stream of income will continue to be provided or divided between the two spouses. Family businesses have different methods of determining each spouse's share of ownership interest, the value of a capital account, the buyout or buy-sell agreements between partners, formal or informal appraisals, business valuation or key man life insurance.

One of the most controversial areas for valuing a family business is the concept of double dipping. This idea refers to the double counting of the family business as both an asset in property division as well as an income stream in the award of support. The theory is premised upon the fact that the same cash flows that are capitalized to determine the value of a spouse's business are also the same component used for a spouse's income from that business.

The result of a business valuation is very often misinterpreted and misapplied by the courts, and often a battle of the experts. But in the simplest of terms, it really comes down to deciding if a business valuation is based upon the averaging of past income, or is it a projection as to what future income will be? The methodology for a business valuation as well as the premise of double dipping are critical determinants in a gray divorce. The platinum challenge of retirement is made so much more complicated by gray divorce. Just as in every divorce, there are sequential financial phases to complete. Clients and professionals are often sidetracked by emotional, legal and psychological issues.

The Divorce Financial Expert

Divorce is a legal process that is more focused on the past than the future. You call in the divorce financial expert. The role is defined and circumscribed very cleanly by what the legal process is all about. As advisors, the hats we wear could be as an advocate, as a neutral, or as an expert witness. Above all, apart from all other advisors involved in our clients' lives, we have to play by the rules of somebody else. We are in someone else's sandbox, that of the legal professional. We are fee-only financial planners that have absolutely no bias of selling product in this process, per se. We are trained in interdisciplinary legal and financial issues.

We adhere to our professional standards, codes of ethics, and protocols. As any divorce professional, we must carry professional liability insurance. We are often the lightning rod for very unhappy and dissatisfied clients. Divorce is especially complicated and expensive for people over 50. As an advisor, you can demonstrate how much you care about your client's well-being by pointing them to a divorce financial expert who will save them time and legal fees and money

during this process. Your client will benefit from the critical step of understanding their financial situation within the legal context. They will work with the financial expert who will operate seamlessly with their legal professionals, and they will initiate a divorce with a greater sense of confidence because they will know how to have prepared for it.

In summary, the trend in gray divorce reflects a shifting meaning of marriage in the United States. Divorce has become acceptable if a marriage is unsatisfying. More boomer women initiate divorce by 66 percent and claim satisfaction almost 70 percent than men. For some older adults, a divorce is a liberating event from a relationship that simply has run out of steam.

But no matter what the trigger or the reason for gray divorce, coupled with the general reluctance to talk about retirement planning throughout a long-term marriage, this comes down to a combination of dangerous silence and ignorance of your parties. As an advisor, you should be in a position to provide clarity on the topic and claim some degree of authority to help guide them. You can offer a better education for more effective approaches for gray divorce because your wisdom will cut two ways: keeping your clients from developing false ideas and expectations during a divorce and preventing your clients from making ignorant decisions during the divorce process.

Most importantly, ask your client about what they project as their lifestyle and what their needs will be post-divorce. Focus on expected cash flow needs and how to replace income. Manage their expectations and help them by referring them to a divorce financial expert. Admit what you do not know. Educate them about the interplay between shorter- or longer-term alimony and Social Security claiming strategies. Revisit all their estate plans, update their beneficiary designations, but most of all, be truly neutral if you are working with a divorcing couple if you hope to retain both or either one as clients.

**About Lili Vasileff, CFP®, MAFF, CDFA®,
President, Divorce and Money Matters, LLC and
Wealth Protection Management**

Lili Vasileff, CFP®, MAFF, CDFA®, President of Wealth Protection Management, is a nationally recognized expert practitioner, leader, author, writer, and speaker about financial planning for wealth protection.

Lili is sought after for her seasoned experience and deep knowledge about complicated financial issues in wealth management and is called into cases that have national recognition. Lili is qualified as a testifying expert in courts.

Lili Vasileff is one of the distinguished trailblazers of divorce financial planning who has been a catalyst in developing a professional niche that has led to an international movement and thousands of practitioners today. A highly regarded educator, trainer, and speaker, she is sought after by international financial planning institutions and legal professionals.



Lili Vasileff serves as President Emeritus of the Board of Directors of the national Association of Divorce Financial Planners and holds active memberships with the Financial Planning Association, the Connecticut Council of Non-Adversarial Divorce (CCND), CT Bar Association, New Haven County Bar Association, Fairfield County Bar Association, New York Association of Collaborative Professionals, Collaborative Divorce Team of Connecticut, Institute of Divorce Financial Analysts, and International Academy of Collaborative Professionals. She is also a founding member of the Collaborative Divorce Team of CT, and currently serves as the Chair of the Finance Subcommittee of the New York County Law Association's Family Law and Child Welfare Committee.

Are you looking for a retirement speaker for your next conference, consumer event or internal professional development program? Visit the [Retirement Speakers Bureau](#) to find leading retirement industry speakers, authors, trainers and professional development experts who can address your audience's needs and budget.



Retirement Speakers Bureau

How Much Can I Spend in Retirement? A Guide to Investment-Based Retirement Income Strategies

 retirement-insight.com/how-much-can-i-spend-in-retirement-a-guide-to-investment-based-retirement-income-strategies/

By Wade Pfau, Ph.D., CFA, author of academic retirement research with practical application, RetirementResearcher.com

There are two schools of thought regarding retirement – probability based and safety first – that really approach retirement income from fundamentally different perspectives. We'll focus here on the probability-based side, the idea of using an investment portfolio to manage retirement risk. Markets today are in uncharted waters to some extent with regard to where they were in the past. Interest rates are low. Stock market valuations are high and that suggests lower returns. Low interest rates mean lower returns on bonds, lower sustainable spending for bonds, high stock market evaluations. It is more controversial, but the idea or the implication is, lower stock returns in the future, lower sustainable spending from an investment portfolio, and as well, there is a precedent to look at this idea that maybe 4 percent doesn't always work.

The first study I published on financial planning in the *Journal of Financial Planning* back in 2010 looked at the stock and bond returns for 20 developed market countries going back to 1900. The 4% Rule worked in the U.S. and Canada and did not work in the other 18 countries. If you put all that international data together the 4% Rule works two thirds of the time. It did not have that high success confidence as in the United States.

You might say, "Who cares because we live in the United States?". The 4% Rule makes an implicit assumption that the 20th century U.S. market performance will be repeated in the 21st century. The U.S. market performance in the 20th century was really a remarkable period in wealth history. The U.S. had an amazing century, became the world's leading superpower, increased the stock market capitalization as a percentage of the world's total from 20 percent in 1900, to 50 percent in 2000. This century might be more typical of an international experience, especially considering the low interest rates and high stock market evaluations.



Wade Pfau, Ph.D., CFA, author of academic retirement research with practical application, RetirementResearcher.com

Editor's note: This article is an adaptation of the live webinar delivered by [Wade Pfau, Ph.D., CFA](https://WadePfau.com) in 2018. His comments have been edited for clarity and length. You can read the summary article here as part of the [2nd Qtr 2018 Retirement InSight and Trends Newsletter](#), worth 1.0 CE when read in its entirety (after passing the online quiz).

You may also choose to take the full length course [How Much Can I Spend in Retirement? A Guide to Investment-Based Retirement Income Strategies – Wade Pfau](#) for 1.0 hour continuing education (CE) credit.



This article includes highlights from [Wade Pfau's book](#) available on Amazon that provides a comprehensive analysis of various spending strategies.

Managing Sequence Risk

When it comes to spending from an investment portfolio or just spending from assets in retirement even more generally, there are four ways to manage sequence risk. The options include: *Spend conservatively*. The 4% Rule defines conservative spending at a low enough rate that you're not going to run out of money. There are other options. Sequence risk is triggered by selling assets at a loss. If you can avoid selling assets at a loss, that can really help to manage sequence risk and allow for higher spending levels.

1. *Spend conservatively*. The 4% Rule defines conservative spending at a low enough rate that you're not going to run out of money. There are other options. Sequence risk is triggered by selling assets at a loss. If you can avoid selling assets at a loss, that can really help to manage sequence risk and allow for higher spending levels.
2. *Spending flexibility*. If you can reduce your spending after a market downturn, then that can allow you to spend at a higher initial rate.
3. *Reduce volatility*. To be clear, that doesn't mean going into all bonds because with bonds you can figure out exactly how much you're able to spend. You can build a bond ladder. If I want 30 years of inflation adjusted spending, I can use TIPS, Treasury Inflation Protected Securities. Today's TIPS yield curve is around 1 percent real (so 1 percent plus inflation), so I can spend at about a 3½ percent withdrawal rate using TIPS today – \$35,000 out of a million. If I want to spend more than that, I've got to either look at still exposing to the stock market or perhaps use a simple income annuity converting a premium into a lifetime income.
4. *Buffer assets*. These are assets outside the investment portfolio that are not correlated with the investment portfolio that you can temporarily draw from after the market is down to avoid selling portfolio assets at a loss. There are basically three buffer assets:
 - a. cash sitting outside the portfolio as a temporary source of funds to draw from after a market downturn.
 - b. cash value of a permanent life insurance policy, or
 - c. the growing line of credit on a reverse mortgage.

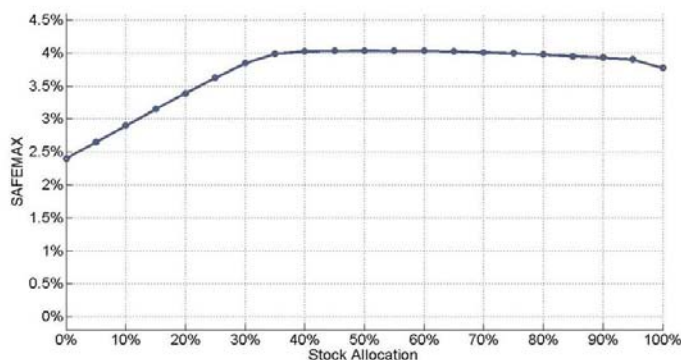
These are sources of funds guaranteed not to decrease in value if you're not spending from them to provide an opportunity for the portfolio to recover before you resume distributions from the portfolio. Being able to skip one key distribution can make a dramatic difference in the retirement outcome especially for those who may not want to reduce their spending in the face of a market downturn and may not be willing to look at a risk pooling approach.

The Basics of Spending Conservatively

We can look at sustainable spending with a few basic assumptions. The 4% Rule (Bill Bengen, 1994) assumes we adjust spending for inflation. Bengen calls for using a portfolio of 50 to 75 percent stocks, but as close to 75 percent stocks as possible. Basically, as you increase the stock allocation, for the most part, you're increasing the sustainable spending rate. There's a little more downside risk, but it's not much relative to lower stock allocations. You're just effectively getting more upside without really taking on more in the way of downside.



Connection between SAFEMAX and Stock Allocation



This is the lowest spending rate from the historical period over 30 years for each stock allocation. You can see that when you further break this down into five percentage point increments, anywhere from about 35 percent stocks to about 80 percent stocks, you're riding right along on that 4 percent curve. Any allocation there has the same amount of downside risk. Less than 35 percent stocks and you're seeing the withdrawal rate drop in a dramatic way. You can also see a little bit of a drop if you get beyond 80 percent stocks.

The idea is in that sweet spot of 50 to 75 percent stocks, you're really having the least amount of downside risk that it's riding along that 4 percent curve.

Variable Spending Strategies

The 4% Rule assumes you use "constant inflation-adjusted spending" throughout retirement. The 4% Rule fails at one extreme on a spectrum, where spending stops when portfolio hits zero. Constant inflation-adjusted spending has the most sequence risk of any strategy because it doesn't have any flexibility built in and enhances the exposure to the ordering (sequence) of market returns.

The other extreme is the "fixed percentage of the remaining balance". If you take 4% of the remaining balance every year, there is a full adjustment to market returns. There's no sequence risk at all with this other extreme; you're always just taking a fixed percentage of what's left, so the order of returns also doesn't matter.

Variable spending strategies tend to seek some sort of compromise between these two extremes. You don't want to have too many spending cuts when markets are down, but you also want to protect against the risk of having a drastic spending cut later because the portfolio is just too decimated to be able to continue.

There are nine different decision rule strategies including Bengen's Inflation Adjusted Spending Rule, Fixed Percentage Distributions, and other variations on these themes. Probably the most famous decision rule would be Jonathan Guyton and William Klinger's decision rules on how to adjust spending in response to portfolio performance.

Retirement Researcher

Decision Rule Methods
1. Bengen's Constant Inflation-Adjusted Spending
2. Fixed-Percentage Withdrawals
3. Endowment Formula: Weighted Average of Methods 1 and 2
4. Endowment Formula: Fixed Percentage of Three-Year Moving Average Portfolio Balance
5. Bengen's Dollar Floor-and-Ceiling Withdrawals
6. Vanguard's Percentage Floor-and-Ceiling Withdrawals
7. Kitces's Ratcheting Rule
8. Guyton and Klinger's Decision Rules
9. Zolt's Glide Path Spending Rule
Actuarial Methods
10. Modified Required Minimum Distribution (RMD) Spending Rules
Apply PMT Formula (with different returns, longevity, and spending smoothing)
Monte Carlo PMT Formulas:
• Frank, Mitchell, and Blanchett's Age-Based 3-D Model
• Blanchett, Maciej, and Chen's Mortality-Updating Constant
• Probability of Failure
• Blanchett's "Simple Formula"

In terms of academic research, just using the required minimum distribution rules to define how much you're allowed to spend every year is a close approximation to an actuarially-efficient spending strategy, taking an increasing percentage of what's left every year by basing your spending on your age, remaining time horizon and basing your spending on the actual portfolio performance. In the *Journal of Financial Planning*, there have been several different strategies that are using that same sort of RMD concept, taking an increasing percentage of the remaining portfolio balance as you age.

When we look at variable spending strategies, we can't just look at the probability of success or the probability of failure. With a probability of failure, we're really talking about an initial spending rate. One strategy might let us spend more initially, but then has a lot of bigger cuts in the future versus another strategy that never changes spending.

Evaluating Variable Spending Strategies

Some of the characteristics we may care about include:

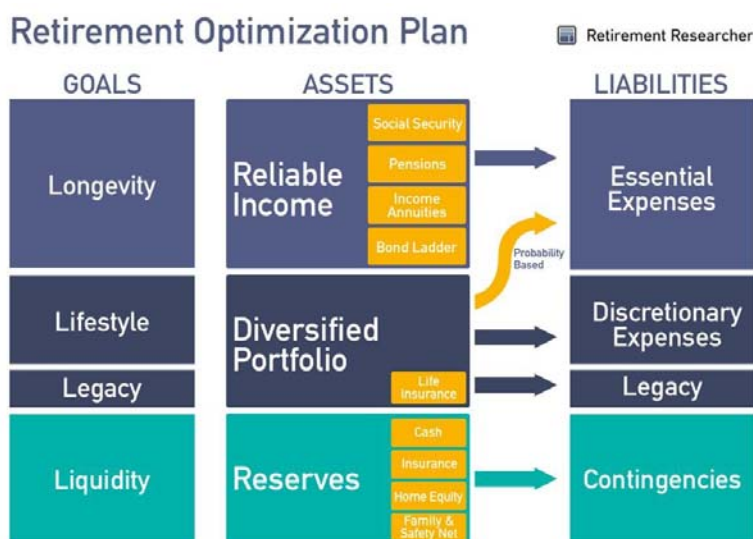
- Will good returns let you increase the standard of living while the standard of living stays somewhat constant with average returns? How much might lifestyle be reduced if market returns are poor?
- What's the general spending pattern for retirement? Is this a strategy that will let your spending start high and tend to reduce it over time which probably fits much better to actual spending patterns that clients want to have in retirement with their Go-Go, Slow-Go, and No-Go years, or wanting to spend more early on in retirement? Or is it a strategy that would start spending low, but then has more of a mechanism where with low initial spending you probably can increase your spending over time?
- How much volatility are you willing to accept with your spending? If the average spending over retirement is higher, it has a lot more volatility and it can have dips where you're forced to spend a lot less. Somebody who's more risk averse and more conservative regarding spending may generally be willing to accept lower average spending to reduce the volatility in their spending. Somebody who's more flexible and therefore can have more of a focus on

upside might prefer where they on average could have higher spending, but they have to anticipate the chance of having to make significant cuts from time to time.

With these kinds of things in mind, when we look at variable spending strategies we can think about what's the initial spending rate the strategy allows? What will be the range of how much can be spent throughout retirement based on how markets perform? How much can you spend in the 90th percentile when the markets are doing well? How much could you spend in the median case? How much could you spend in the 10th percentile when the market is doing poorly? You could also then look at how much wealth is left with the strategy after say 30 years.

Key Takeaways

Build a retirement income plan where the financial goals of retirement are the Four L's: lifestyle, longevity, legacy, and liquidity. They map into liabilities on the right, the expenses associated with those goals, and it becomes a matter of thinking about how to allocate the entire retirement balance sheet, not just the investment portfolio, but other reliable income resources and other reserve assets to meet these goals.



With investment-based strategies like the probability-based 4% Rule, the emphasis is on how much can we spend in terms of protecting our essential and discretionary expenses using a diversified investment portfolio.

The 4% Rule does have limited applicability for retirees today. It creates the most sequence risk. With the low interest rate environment, you shouldn't be thinking about anything near a 4 percent withdrawal if you want a 90 percent chance that the plan will work. But real retirees won't follow all those assumptions. They can adjust spending to portfolio performance. Their actual spending might not keep pace with inflation and so, therefore, that might justify using some of those variable spending strategies that start with a higher initial spending level but reduce their spending over time.

These questions about portfolio spending need to be put into the broader context of determining how much you can spend in retirement. Factors to think about include your capacity to take risks, your aspirations about how much you want to spend, the realities of where the markets are, and

then emotional constraints in terms of your investment portfolio and risk aversion, and what other kinds of tools you may be willing to look at as well.

About Wade Pfau:

Wade D. Pfau, Ph.D., CFA, is a Professor of Retirement Income in the Ph.D. program for Financial and Retirement Planning at The American College. He also serves as a Principal and Director for McLean Asset Management, helping to build retirement income solutions for clients, and Chief Planning Strategist of software provider inStream Solutions.

Wade is passionate about retirement income security for Americans by providing educational material and information about retirement income strategies for advisors. Wade recently joined the American College in the spring as a Professor of Retirement Income in their new Ph.D. program on Financial Services and Retirement Planning. He holds a doctorate in economics from Princeton University and publishes frequently in a wide variety of academic and practitioner research journals on topics related to retirement income.

Wade hosts the **Retirement Researcher** website (we recommend subscribing to his email list), and is a monthly columnist for *Advisor Perspectives*, a *RetireMentor* for *MarketWatch*, a contributor to *Forbes*, and an *Expert Panelist* for the *Wall Street Journal*. His research has been discussed in outlets including the print editions of *The Economist*, *New York Times*, *Wall Street Journal*, *Time*, *Kiplinger's*, and *Money Magazine*.

Wade is the author of **Reverse Mortgages: How to Use Reverse Mortgages to Secure Your Retirement**, available through Amazon, along with his most recent book, **How Much Can I Spend in Retirement?: A Guide to Investment-Based Retirement Income Strategies**, part of the *Retirement Researcher's Guide Series*.

Are you looking for a retirement speaker for your next conference, consumer event or internal professional development program? Visit the *Retirement Speakers Bureau* to find leading retirement industry speakers, authors, trainers and professional development experts who can address your audience's needs and budget.



This article includes highlights from Wade Pfau's book available on Amazon that provides a comprehensive analysis of various spending strategies.



Medicare 101 – The A, B, C, and D's of Medicare

 retirement-insight.com/medicare-101-the-a-b-c-and-ds-of-medicare/

By Erin Fisher, President, Find Medicare Plans, LLC

Please note: all references to premium, deductible, copay, etc. dollar amounts reflect 2018 numbers.

What is Medicare? Medicare is health insurance for people 65 or older. People under 65 can also enroll in Medicare when they have certain disabilities, and people of any age that have end-stage renal disease or Lou Gehrig's disease are also eligible to enroll in Medicare. Makes it sound simple, doesn't it?

There are four parts to Medicare: A, B, C, and D.

1. Part A covers a person when they're an in-patient in a hospital and if they're an in-patient in a skilled nursing facility.
2. Part B of Medicare covers a person when they are not in a hospital and not in a skilled nursing facility. It not only covers doctor visits, which may or may not be costly, but it includes the emergency room visits, out-patient surgery, all the testing that goes on including MRIs, CAT scans, etc. An ambulance, durable medical equipment, home healthcare, just everything you can think of is covered if you're walking outside your home and going for medical treatment.
3. Part C of Medicare is called Medicare Advantage Plans. These were created by the federal government in the early 90s to reduce fraud in Medicare. The government pays the premium to the carrier, and the carrier delivers all of the Medicare benefits to the individual that enrolls in their plan. The plan also, by virtue of its name, Advantage, needs to give additional benefits to an enrollee that Medicare does not cover. The Medicare Part C plans are part of Medicare's open enrollment.
4. The Medicare Part D plan, which is the prescription drug plan, is in and of itself its own federal law. It has many regulations to it just like the rest of the parts of Medicare which is one of the reasons that make this federal law so confusing. You could almost think of it as IRS. Because there are so many regulations for people here, many people do make mistakes in enrolling in all of these parts of Medicare.



Erin Fisher, President and Founder of Find Medicare Plans, LLC.

Editor's note: This article is an adaptation of the live webinar delivered by [Erin Fisher](#), President and Founder of Find Medicare Plans, LLC. in 2018. Her comments have been edited for clarity and length.

You can read the summary article here as part of the [2nd Qtr 2018 Retirement InSight and Trends Newsletter](#), worth 1.0 CE when read in its entirety (after passing the online quiz).

You may also choose to take the full length course [Medicare 101 – The As, Bs, Cs, and Ds of Medicare – Erin Fisher](#) for 1.0 hour continuing education (CE) credit.

Medicare Part A

With Part A, there is no premium that we pay the government because we've been paying for it in our paychecks all our lives. If a person has no other insurance, they pay 20 percent of their bill if they're an inpatient in the hospital. Medicare is going to pay 80 percent, but the person would pay

20 percent without any other insurance.

Medicare also has a hospital deductible of \$1,340 per benefit period. A benefit period is when a person is in the hospital for a certain diagnosis, they come out, and if they're readmitted within 60 days, they're in the same benefit period. If they're admitted again after 60 days, they would have another deductible for that same diagnosis and they would have the \$1,340 deductible applied if they're readmitted within 60 days for a different diagnosis. If a person is in the hospital for longer than 60 days, they have a \$335 co-payment per day up to 90 days. After 90 days, a person has a lifetime of 60 reserve days. Once you use them, you lose them. In order not to have a person pay all of these costs, they buy other insurance.

On the right side of the page, the skilled in-patient nursing under part A – again, they're spending the night here – there is no co-pay for the first 20 days of a benefit period. Still, it's the same idea; they have 100 days here. If you're there for 21 to 100 days, the cost would be at \$167.50 a day, and again this is the same idea as being in the hospital as per the benefit period. You pay the cost for each day after day 100 if you stay in the skilled nursing facility. The idea of a skilled nursing facility under Medicare regulations is that a person has to show that they're getting better through the therapy they're receiving. If they are not showing signs of getting better, then the skilled facility knows that Medicare is not going to pay them. They tell the person they either have to pay for themselves, or they would have to leave the facility.

Medicare Part B

Under Part B, this year there's an annual deductible of \$183. Again, this goes up a little bit every year, maybe \$3, \$4, or \$5, and a person would pay 20 percent of their claim if they had no other insurance and Medicare pays 80 percent of the claim. Doctor visits mean you're not in the hospital and you're not in a skilled nursing facility. We know these can be very expensive, or they can be minimal. I have seen them for \$5,000. Out-patient surgeries obviously could be costly. Home healthcare certainly is.

Medicare does have some preventative screenings that were put into place a couple of years ago. Before that, they had none. It's not considered a full annual physical. They call it a wellness visit, and there are a lot of preventative screenings within it, but some people are surprised that it's not covered. For instance, an EKG isn't covered under a wellness visit. If the person needs one, they would have to make another appointment and come back to the doctor for that.

The durable medical equipment, which is DME, is covered under here. It could be expensive. All testing is covered under here, chemotherapy, the ambulance, and many other benefits.

Medicare Part C

Part C of Medicare includes Parts A, B, and possibly D. You can have plans that don't cover D because many companies might have their only retiree benefit be a prescription plan, which is really good. Medicare Advantage Plans may or may not have prescription coverage included. Medicare Advantage Plans can be an HMO. They can be a PPO, a POS plan, or a PFFS, or a Private Fee for Service, plan.

We all know what an HMO is. A PPO is a preferred provider organization. POS is a point-of-service plan where you pay a percentage for your out-of-network part, and the company pays the higher amount. You might spend 20 percent. "Private Fee for Service" plans are not widely available because there is so much trouble with them. The federal government asks plans not to offer them. Only in very rural areas would there be a possibility of having these plans.

All of these Medicare Advantage Plans have different co-pays, different providers, and different drugs on their list, and it's a very detailed explanation. When a person gets the information from a Medicare Advantage Plan, it has to meet federal government regulations so that everything is very clear-cut.

How can you get one? You can either buy them through people who are certified to sell the Medicare Advantage Plans, or you can get them directly from the carriers. The idea of getting them through an agent is that hopefully, that agent represents more than one Medicare Advantage Plan so a person can have options. Just because a Medicare Advantage Plan may be \$0 in premium, there can be different costs within the plan. The co-pays and the co-insurance can be different, and it could make a big difference to a person signing up on one of these plans. Many of these plans start at a \$0 premium; some of them go up to about \$100 a month.

Medicare Advantage Plans do include all of original Medicare, which would be the A and B of Medicare, and they do have to offer some additional benefits. They can provide some vision coverage because having your eyes examined for reading or distance glasses is not a Medicare benefit. Dental expenses are not covered under Medicare, so some of them might give you money towards dental care. You might have to pay a premium to get a dental plan. Some of them offer money towards hearing aids; some don't. Many of them offer gym memberships and discounts on other over-the-counter items. The details of the Medicare Advantage Plans again are very well-documented when a person sees all of the co-payments under these plans, which they have to be given by an agent or if they go through a health plan, they have to be given to them in writing.

Medicare Part D

Here's how the prescription drug coverage works. Today there are 700 plans in the country. Most states have between 20 and 30 plans, and obviously all plans aren't created equal or there wouldn't be that many. The difference is not only in the premium, which is the least of a person's worries here, but it's in whether the drug is on their formulary and what tier that drug would be on. A drug can be on different tiers with different carriers, so the cost analysis of doing this is very important for a person. All these plans have mail order. A person may or may not save money with the mail order. It also can be determined when the cost analysis is done.

There are four stages to this prescription plan. Some of the plans may have a deductible. They're set in stone every year how high they can go, but many plans do not have a deductible. Many plans only have the deductible for the brand-name drugs. This year the deductible is \$405. It can't go higher than that. It can be lower, however.

The initial coverage level: This is a level where a person pays a co-pay, and the carrier pays the rest of the price of the drug. When the co-pay plus what the carrier pays equals \$3,750, they are in the "coverage gap." In the initial coverage level, a person could conceivably be paying a couple

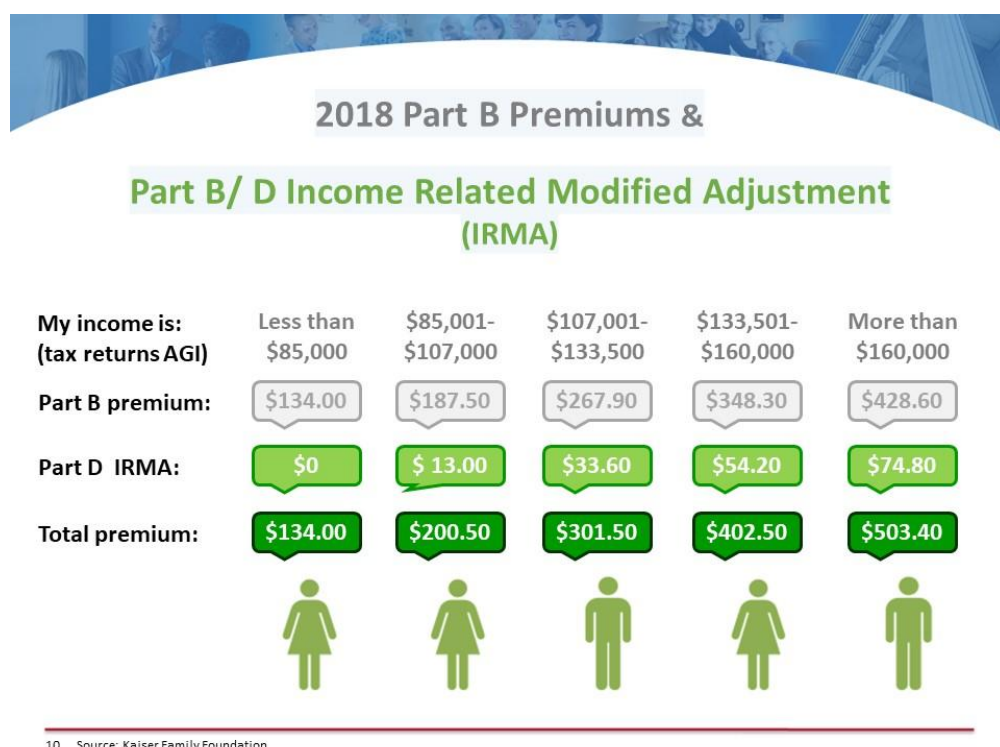
hundred dollars, but the carrier is paying a couple thousand. They're getting a monthly report – and they could also call the carrier – on where they are in these stages. If they have a cost analysis, they'll know before even signing up for a plan if they're going to go into any of these stages during the year.

Let's say the person did get to \$3,750 – then they would be in the coverage gap. This year, they have to pay 44 percent of the cost of generic drugs and 35 percent of the cost for brand-name drugs until they have spent another \$1,250. If they reach the \$1,250 level, they would be in circle four or the catastrophic coverage level where a person is either going to pay \$3.35 for a generic prescription or 5 percent depending upon the cost of the generic because some of them are expensive. They pay \$8.35 for brand-name drugs or 5 percent.

Medicare Parts B and D Premium Costs

This whole process of four Part D stages starts anew every January 1. If a person signs up mid-year, then the costs are prorated, so they're geared towards the month that they enroll.

As I mentioned before, there's no premium when a person goes on Part A because we've been paying for it in our paychecks, but there is a premium for Part B. The income levels here represent modified adjusted gross income (MAGI = your total adjusted gross income and tax-exempt interest income). You double the premiums if people file jointly.



In the first column, if a person makes \$85,000 or less, they pay the government \$134 a month for Part B coverage. If they're getting a Social Security check, it's automatically deducted. If not, no problem; the government will be glad to send them a bill on a quarterly basis.

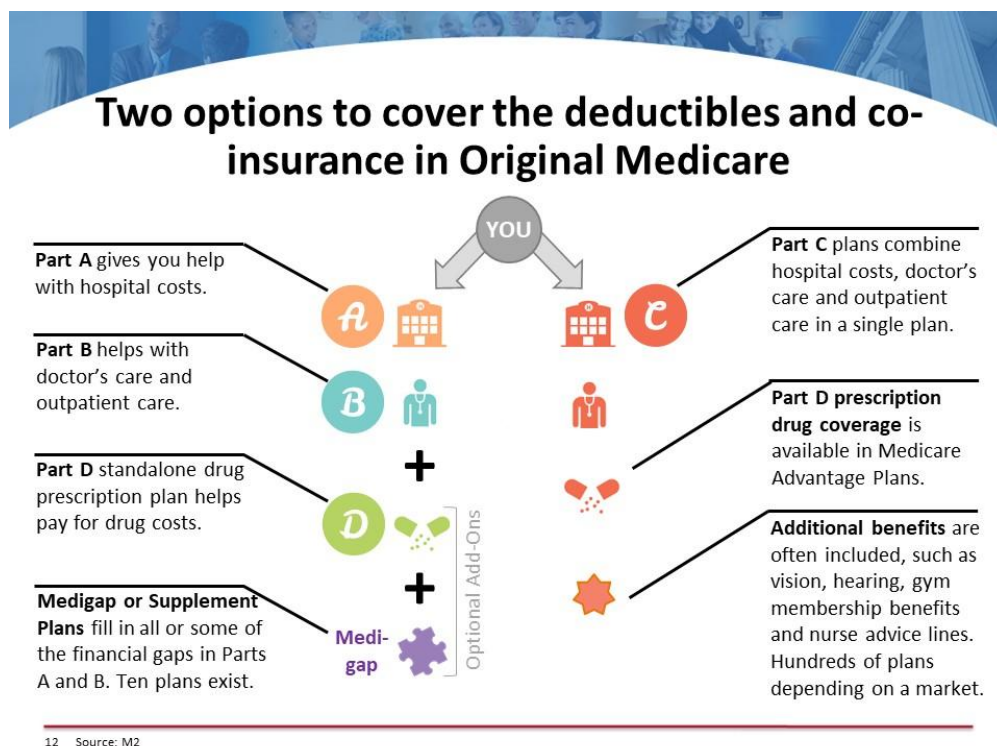
The Part B premium increases for higher incomes, but also under Part D, there's something called IRMA (income-related monthly adjustment). When a person makes over \$85,000 they are charged this adjustment to help pay for the Part D program throughout the country. They do not get a plan

for this amount of money. It just helps pay for the program throughout the country. For incomes of \$85,000 to \$107,000, the total premium is \$250. These amounts went up drastically starting last January 1st. Every year they can go up, but they don't necessarily go up. They are announced every year at the end of November.

If a person's income is \$107,000 when working but is expected to go down to \$85,000 when they retire, they can tell Social Security when they enroll that they're going to retire, and their income is going to be much less. They would be able to get the lower premium if they went into a lower bracket. If a person inherits money, they're going to go into a higher bracket for the year. There's not a way to get into a lower bracket because they had a one-time windfall, but if a person does go into a lower bracket, they would need to call Social Security to fill out a re-determination form.

Coverage Options

Here are some coverage options. On the left side, for a person that's on A and B and D of Medicare, they could enroll in a supplement plan. A supplement plan is going to cover the A and B of Medicare, and their Part D plan would be separate. There are ten supplemental plans, but, in most states, it narrows down to about three plans that are financially worthwhile. So, there is math to be done here.



The state of Texas has 47 supplement companies. Most states average around 20. Every supplement plan does exactly the same thing; the government is in control of each of those plans. The idea is to get the plan that has the lowest premium with the company that has the highest A.M. Best rating, which is not hard to figure out. If a person wants to pay more and they're on any supplement plan, they're not going to get any more coverage.



Medi-Gap Supplement Plans

	A	C	D	F	High F	G	N
Part A	✓	✓	✓	✓	✓	✓	✓
Part A Deductible (\$1,260)	✓	✓	✓	✓	✓	✓	✓
Part B Deductible (\$147)		✓		✓	✓		
Part B Coinsurance (20%)	✓	✓	✓	✓	✓	✓	\$20
Part B Excess Charges				✓	✓	✓	
Skilled Nursing Facility		✓	✓	✓	✓	✓	✓
Preventative Care	✓	✓	✓	✓	✓	✓	✓
Hospice Care	✓	✓	✓	✓	✓	✓	✓

✓ Indicates benefit and deductible is covered

13 Source: Medicare Matters

The supplement plan can cover all of those costs that we went over for Part A and B, or they could cover some of them with one or two co-pays. There are several plans that a person might want to consider. They would have to purchase a separate Part D plan, and they can do that through the carriers. Generally speaking, they should give whomever they're talking to at the carrier a list of all of their drugs to make sure they get the plan they want. This person could hopefully analyze all of the plans available in their area. By the way, if a person just goes to a carrier, that carrier can only analyze the plan they offer. They cannot analyze all the plans in the state. They're not allowed to by federal regulation because they're not licensed with the other carriers.

So, the chart outlines the coverage of each of the plans. For the most part, people take Plan D, F, G, or N. It just depends upon what the rates are where they live because every state has different rates, and what the individual would like. There's much math that goes on here because the person that goes on a supplement plan would generally be paying maybe I would say the average would be \$150 a month for a supplement plan. Many states are much higher; they're more than double that amount. For instance, in New York and Florida, it is costly to have a supplement plan.

How and When to Enroll

There are many, many regulations involved here. If a person is turning 65, it's easy for them to enroll. They can go to either [Social Security.gov](https://www.ssa.gov) website or they can go to the [Medicare.gov](https://www.medicare.gov) website. It takes about ten minutes to enroll. The Medicare.gov website has a very prominent green button that says, "Apply for Medicare," and it takes them over to the exact landing page on the Social Security site where they do the enrolling. If you go to the Social Security site, it's just a little bit harder to find where that page is, so it's easier to go through the Medicare.gov website.

If a person is 65 plus three months after their birthday month, they're in their "initial enrollment period." A person would need to go to the Social Security department to enroll. They have a form called a request for employment information that the employer would have to sign, and a reason

that the person would want this done is so that they don't have a penalty for not enrolling in Medicare when they were 65. It's readily available by searching online, or Social Security would mail it to them. A person can also go to a Social Security office and enroll there. If they're 65 plus three months, it's better not to enroll online because you need this form to prove that you had health insurance, so you don't get a penalty.

If a person has a group plan, they could just enroll in Medicare Part A. They don't need B and C if there are more than 20 employees in the company. The Department of Labor has a regulation that says if there are more than 20 employees, the employer cannot tell a person to enroll in Medicare; they can't coerce them. If there are less than 20 employees, Medicare pays all the claims first, so it's incumbent upon the person to enroll in Part A and B of Medicare. If they don't, then they would be paying as though Medicare were paying the bills. Some group policies where there are less than 20 employees have to state in writing that they're going to pay the Part B premium if a person is eligible for Part B. If they don't have that in the policy, then the person needs to enroll in Part A and B of Medicare. They can stay on their company plan if they want to or they can enroll in either one of the Medicare options, the supplement plans or the Advantage Plans.

The annual enrollment period is usually October 15th to December 7th. During this time anybody on a Medicare plan can change to a different Medicare plan if they want. Anyone with a prescription plan or a Part D plan would be subject to this annual enrollment period. The supplement plans are not. You can change your supplement plan the 1st of any month, the caveat being you may be underwritten if you're already on a supplement plan. On October 15th, a person can decide if they want to change their plan up until December 7th, and the coverage would begin on January 1.

Closing Thoughts

Here's a word about Health Savings Accounts (HSAs). If a person has an HSA account right today, they should not enroll in Part A of Medicare if they want to continue to contribute to their HSA account. They can contribute up to their 65th birthday month and then go on Medicare. That's okay, but if they are past their 65th birthday month and decide they want to go on Part A, they should not do it. If the government finds out (through an audit is the only way they'd find out), the person will have to pay back about six months' worth of their HSA contributions, plus they'll be assessed a penalty.

So, if the person is over 65 and did not enroll in Part A, Part A is always retroactively effective for six months; this is a Medicare regulation. Nobody knows why it's there, but it's there. If a person is 70, they have an HSA, and they know they're going to retire at a certain point, they should not contribute to their HSA six months before their retirement date.

Erin Fisher, is President of Find Medicare Plans, LLC, a national Medicare plan agency based in Stamford, Connecticut. She founded the company ten years ago.

FindMedicarePlans.com works nationwide to assist people with getting on Medicare through the Federal government and finding the plan that meets their needs (supplements, Medicare Advantage and Part D), representing twelve carriers.

Erin's 24 years of Medicare sales and management were with United Healthcare, Emblem Health and Oxford Health Plans. Her accounts at these carriers included General Motors, IBM, Marriot, American Airlines, Delta Airlines, Federated Department Stores and the United Nations.

Erin is a member of the National Association of Health Underwriters (NAHU); NAHU National Medicare Advisory Group; NAHU Connecticut Board Member, NAHU Leading Producers. Through this organization she has been successful in getting Federal legislation passed to reduce burdensome regulations on Medicare enrollees and is lobbying to effect further changes in Medicare regulations.

Erin is also a member of Orion Resources, a non-profit dedicated to seniors, Chapin Hill Advisors, Retirement Resource Center and the Financial Planners Association. She is the past President of Women in Insurance and Financial Services (WIFS), New York Metro Chapter, WIFS Circle of Excellence member; has received the AARP Community Service Award and many professional achievement awards including those from Senior Market Sales, Aetna and United Healthcare to name a few.

Are you looking for a retirement speaker for your next conference, consumer event or internal professional development program? Visit the [Retirement Speakers Bureau](#) to find leading retirement industry speakers, authors, trainers and professional development experts who can address your audience's needs and budget.



Earn 1 free Continuing Education (CE) credit for the June, 2018 Issue of InFRE's Retirement InSight and Trends

retirement-insight.com/earn-1-free-continuing-education-ce-credit-for-the-june-2018-issue-of-infres-retirement-insight-and-trends



You can earn 1 CRC® CE credit for the June, 2018 issue of Retirement InSight and Trends.

[Click here](#) to access the quiz and earn 1 free CE credit upon successful completion of the quiz.

When you have completed the last question, click the "submit" button to submit your final answers. You may not return to review or change your answers after clicking submit or if you close the browser window. You may restart the quiz if needed.

A score of 70% is required to pass the quiz and earn CE credit. You will see your score on your screen upon submitting your answers. An email will automatically be sent to you for your records as proof of successful completion.

[Click here](#) for additional CE opportunities through InFRE's CE partner, the Int'l Retirement Resource Center.