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Truth, Knowledge, Experience *3rd Quarter 2017*

The Family Conversation: Addressing Your Health Care Needs in Retirement

Presented by Stephen Geremia

Hi Everyone,

Washington remains dysfunctional and the markets have responded to the status quo. As we move in to the holiday season enjoy time with friends and family.

Sincerely,
Steve Geremia

In This Issue:

Maybe you and your family have already attempted to have "the conversation." You know the one: the discussion about your and your spouse's assets and what will be done with those assets during the rest of your lives and after you pass away. Perhaps, because of your children's sibling rivalries, the family conversation turned to one about gifts and inheritances and about who deserves more or less of the assets based on "good" or "bad" behavior. If things continued this way, you likely skipped over the most important aspect of this conversation: how the assets will be used to pay for your health care during retirement and how much that health care will cost.

Moving beyond the fear

Most people are aware that life expectancies are on the rise, but we put off thinking about getting older, getting sick or infirm, and having to pay for health care for a prolonged period. Medicare and Medigap premiums, deductibles, and co-payments alone will consume a significant portion of your income. And long-term care expenses can quickly drain even a large nest egg. Recognizing the complications posed by financing health care in retirement can make you fearful and even more reluctant to make any decisions on the matter.

But your family conversation won't yield a viable plan or a shared understanding without honest and insightful preparation and soul-searching. Asking yourself (and your family) questions about physical, financial, and legal matters is a helpful starting point. You may find it less stressful to review each concept separately. Once you have some answers, you can piece them together to arrive at guidelines for your family's conversations. And those conversations can lead to building an action plan.

Looking back to get a clearer picture of the future

Before you begin wrestling with your own ideas and concerns, think about your parents' and grandparents' experiences:

How old were your grandparents when they died? What illnesses were common among other family members of their generation? You may remember that your grandmother was very forgetful, but you likely don't remember a diagnosis of dementia.

Does longevity run in your family? How old were your parents (and your spouse's parents) when they died? Or are your and your spouse's parents still alive? Are they in good health are declining physically or mentally?

What were some lessons learned from your grandparents' and parents' final years? For example, did an uncle or aunt—or brother or sister—take on the caregiving? How did the caregiver feel about that? It's common for one sibling to feel saddled with caring for aging parents and grow to resent his or her siblings for not helping with those responsibilities.

> Greed is not a financial issue. It's a heart issue.—Andy Stanley

What is the probability that you or your spouse will live much longer than the other? If one of you incurs large health care expenses during retirement, will the other spouse be able to continue living in his or her current lifestyle?

How and where do you want to live?
Now, think about how you want to age and how you want to use your assets for your care:

Have you thought about long-term care and what it would cost?
If you have a long-term care policy, do your children know its benefits?
What other resources do you have for funding long-term care?
Have you thought about assisted living? If so, what type of assisted living or continuing care residence would offer you the lifestyle you want?
If assisted living doesn't appeal to you, have you considered selling your house and downsizing to a smaller and easier-to-maintain living space, such as a condominium?
Will you rely on your children to be your caregivers? One child may be willing to be your caregiver, but has he or she considered how those duties will impact his or her employment and finances?
Would you consider relocating to another part of the U.S.? Perhaps your children live in different states, but one of them is more than willing to serve as your future caregiver. Would you be willing to leave established friendships and activities to move where this son or daughter lives?

Whom do you trust?
Even if a dementia diagnosis is not in your future, most people do experience some cognitive decline. So whom do you trust to manage your assets and carry out your financial plan if you are no longer able to? Your most reliable child may live across the country, and the son or daughter whom you (and your other children) are reluctant to trust resides nearby. What do you do?

Beyond these threshold questions, you'll want to consider several related and equally important issues:

Do you have basic estate planning documents, including a last will and testament, power of attorney (POA), and health care POA? If you do have these documents, how old are they? Do they need to be revised?
When do you want your general durable POA to take effect—immediately or only years from today after you lose capacity?
Do you have a revocable trust? If so, was it drafted and executed before the federal portability and increased exemption amounts became effective?
Are the beneficiary designations on your assets correct and up to date? Remember: Those designations—not the terms of your will—determine the distribution of your assets.

Can your family let bygones be bygones?
Finally, ask yourself and your children whether they will be able to put aside long-standing differences to follow through on whatever your wishes may be. This may be the most difficult question to answer objectively.

The answers that guide the conversation you have with your family will be as individual as its members. Your children may not react well to the subject of your lifetime health care needs. But by persisting in your efforts—and factoring aging into the conversation—you can create your own stable framework and perhaps a legacy for your family. And, remember, even if the conversation leads to family strife, you still have a lifeline. Whatever the answers to the questions posed in your conversation and the consequences, you can find helpful guidance by consulting your attorney or financial advisor.

The financial crisis that began in the summer of 2007 was an extraordinary complex event with multiple causes – Ben Bernanke

Medicare Basics You Need to Know

Presented by Stephen Geremia

The concept of Medicare can be murky for soon-to-be retirees. If you learn basic enrollment guidelines and some of the nuances of various Medicare plans, you'll be empowered with the knowledge you need to make better decisions—and avoid costly penalties. Here, we explore key points and address common questions about this federal health insurance program.

When to enroll

Generally, you are eligible to enroll in Medicare at age 65. The open-enrollment period is the seven-month span surrounding your 65th birthday—specifically, the three months before you turn 65, the month you turn 65, and the three months after you turn 65. If you already collect social security benefits, you will be enrolled automatically in Medicare Part A when you turn 65. In addition, you will receive a letter outlining your options to enroll in other Medicare plans.

Many people don't realize that if you fail to enroll when the law requires, you may incur penalties, which may result in a lifetime of more expensive premiums. A 10-percent penalty may be assessed for each 12-month period you fail to enroll for Medicare Part B; a 1-percent per-month penalty may be assessed if you fail to enroll for Medicare Part D. Finally, a failure to enroll could create coverage delays and potential gaps in medical coverage.

There are exceptions. You may delay enrollment, and **avoid penalties**, if:

You are still employed and covered under your employer's health plan.
Your spouse is employed, and you are covered under your spouse's health plan.

If, on the other hand, you are covered by either of the following, you typically would **incur penalties** by delaying enrollment:

COBRA coverage from a previous employer (COBRA plans may allow ex-employees to continue health coverage under a group plan for a specific period.)
Retiree health insurance (Some coverage may allay the cost of a penalty on Part D, but not Part B.)

If you are an employee—or the spouse of an employee—covered under a group health plan and you're approaching 65, find out whether your group insurance provider is the primary payer for medical costs. Employers with fewer than 20 employees may consider Medicare the primary payer for medical expenses and group coverage as a secondary payer. In these cases, you may be responsible for a larger percentage of out-of-pocket medical costs.

Understanding Medicare options

There are three parts to Original Medicare: Part A covers in-patient hospital expenses; Part B covers doctors and out-patient testing; and Part D covers prescription costs. There generally is no out-of-pocket premium cost for Part A (you paid for this through your payroll taxes).
In lieu of selecting Original Medicare, you could select Part C, also known as a Medicare Advantage Plan, which is offered through private insurers. Medicare Advantage Plans cover Part A, Part B, and—in some cases—Part D. Like a private, managed care plan, the costs, copays, and out-of-pocket expenses differ among insurers, and doctor-referral requirements also vary. Carefully make your choice based on your budget and circumstances.

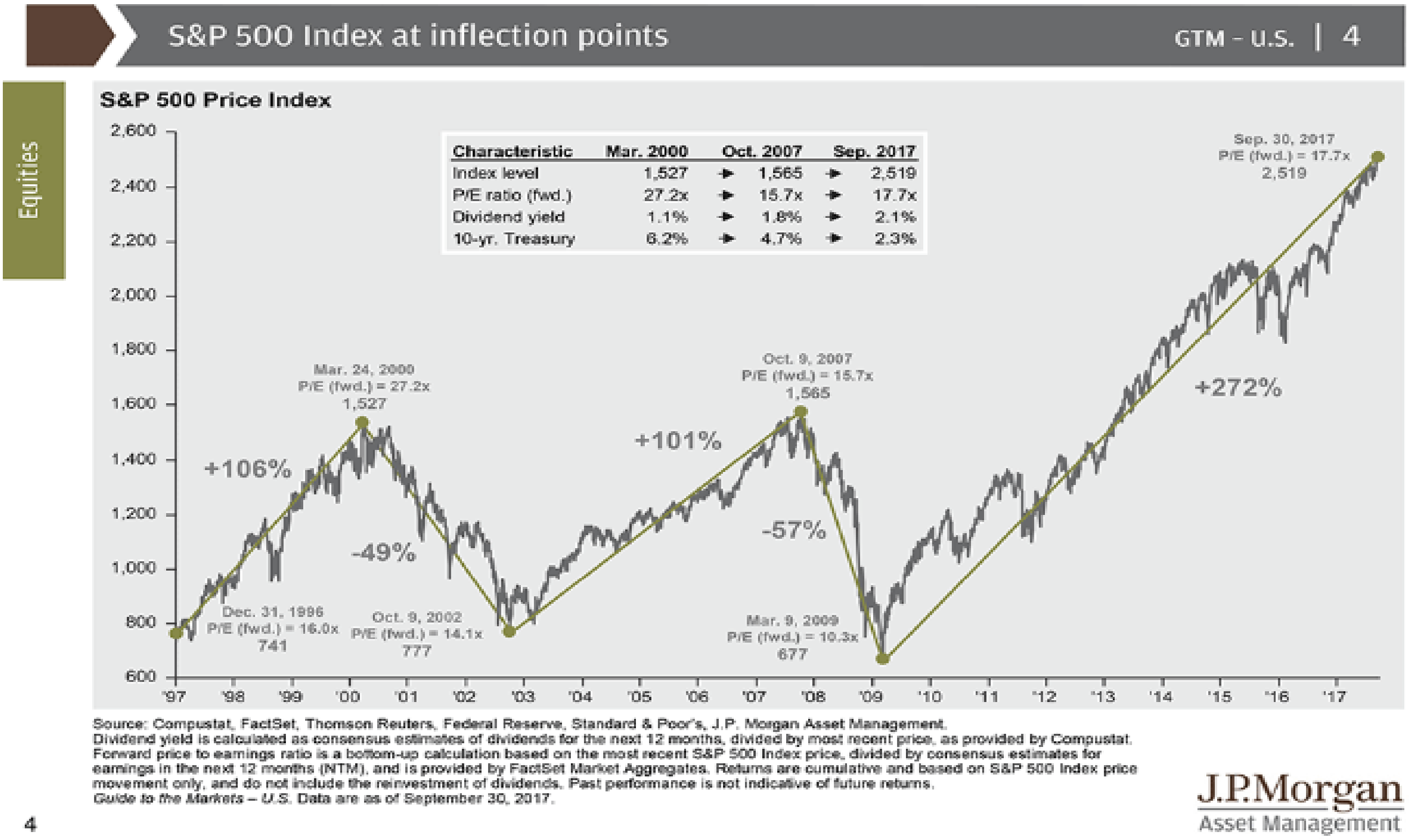
Today, if you look at financial systems around the globe, more than half the population of the world – out of six billion people, more than three billion– do not qualify to take out a loan from a bank. This is a shame. - Muhammad Yunus

Understanding Medicare Supplement Insurance (Medigap) policies
If you select Original Medicare coverage, you may want to consider purchasing Medicare Supplement Insurance—also known as a Medigap plan—through a private insurer. A Medigap plan may offer coverage that Original Medicare does not, such as coverage when traveling internationally or dental and eye care coverage. Generally, there are 10 standardized plans; the most popular are Plan F and G. Shop carefully and evaluate these plans based upon cost and personal needs. If you select a Part C Medicare Advantage Plan instead of Original Medicare, you would not be eligible to purchase a Medigap plan.

Means-tested Medicare premium costs
The premium cost for Medicare (other than Part A) is means tested. When you first enroll, your modified adjusted gross income (MAGI) from two years prior to enrollment determines your premium cost. For example, a 2018 enrollment references your 2016 MAGI. There is a standard premium cost and, where applicable, an income-related monthly adjustment amount (IRMAA). Your cost is evaluated annually, so your annual cost may vary depending upon your MAGI for the referenced year. For more guidance on the standard Part B premium amount and the IRMAA at various MAGI levels, visit http://www.medicare.gov/your-medicare-costs/part-b-costs/part-b-costs.html.

A word about health savings accounts and Medicare
If you currently contribute to a health savings account (HSA), be advised that once enrolled in Medicare, you are no longer eligible to contribute to an HSA. Depending upon when you enroll in Medicare, your enrollment may be retroactive up to six months. To avoid a contribution penalty, stop contributions to an HSA at least six months prior to your enrollment in Medicare, and be specific about when you want Medicare coverage to begin.

When you understand these basics about Medicare, you can avoid costly errors in your enrollment and coverage choices. We are happy to assist you in planning for these important decisions.



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