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Understanding Social Security and Medicare Planning for What's Next (Webinar Recording)

Debra Gates: Well hello, everyone. I'm so excited about today and talking about this subject. I have two subject matter experts here with me today, and I'll introduce them as soon as I just give a few disclosures. But we're so happy to ha- have everyone that took the time to join this session. So today's discussion really is intended for educational purposes.

For your individual retirement needs or your personal questions, as Ashley just noted, please know that you can contact CAPTRUST a CAPTRUST representative for further assistance. And the key point is that individual investors have different needs, and, there's no single solution that fits every investor.

And so for what we're going to speak about today, there's not-- it's not a one-size fits all. Now, today, here again, I think if you've been listening to CAPTRUST videos and coming onto our webinars we had them probably... Oh, it wasn't last year, but I think it was the year before. And so I've asked them to return because they were such a delight to work with.

They have not only that, but they have extensive experience working with clients. Collectively, they have over 40 years of industry experience. Their full bios are in the handout section for your perusal. So I wanna welcome Ed and Kirk. Thank you for taking the time to be with us today.

Kirk Futrell: Absolutely.

Absolutely.

Ed Cheatham: Thanks, Deb.

Debra Gates: Absolutely, yes. So before we get into the details, I just wanna take a moment to set the stage because Social Security and Medicare, they're not just retirement programs. They are a part of the broader picture of financial wellness, healthcare planning, family security, and quality of life.

And so as we move through today's discussion, I want you to keep something in mind, that retirement looks different for everyone. Some people may be close to retirement, while others may be helping a parent or a spouse or an- another loved one just kinda navigate these decisions. And some may feel confident about the topic.

Others may be hearing this information for the first time. But wherever you are today's goal is to help make these programs easier to understand. We wanna make this less intimidating. We want this to be more actionable. So as we talk through Social Security and Medicare, we'll not focus only on the rules, but also on some, some real-life decisions that people face, and, when to start, what to watch out for, what questions to ask, and where to go for help.

So let's dive in.

So I'm gonna start with you, Kirk. All right. So most people have at least, they've at least heard about Social Security. Sure. But can you explain Social Security in plain language for someone who may not be as familiar with how the program works?

Kirk Futrell: Yeah. So Social Security, basically it's, it, you can think of it like a pension.

So as you go through your working career, you're gonna be paying 6.2, if you look at the middle column there, you're gonna be putting 6.2 from your paycheck into the Social Security system. Your employer, if you're gainfully employed, that employer will put in 6.2%. And it, you have to do that for at least 10 years.

They actually call it 40 quarters. But for 10, if you work for 10 years and pay into the Social Security system, then you're eligible for a benefit. So that's gonna be between the ages of 62 and 70. You can turn that individual benefit on. You'll just receive a monthly paycheck. We're gonna go into quite a bit of detail on what would affect the amount that you would receive.

And then if you'll look at the far column to the right, that's your full, what is important to know. Couple terms that we're gonna cover, but full retirement age is one I think that people get confused about because You can turn your Social Security benefit on any time between 62 and 70. Your full retirement age, though, as defined by the Social Security Administration, is based strictly on your year of birth.

We'll get into that a little bit more detail, but just know that if you're born in 1960 or later, your full retirement age is 67. But that does not mean that you have to wait till 67 to retire. It's just an important term to remember.

Debra Gates: Okay. Good information. I know that both of you have tons of experience.

You're both well-credentialed. So what are some of the common questions that people ask or that's top of mind about Social Security? And I'll start with you, Ed. Do you have any stories that you can share with the audience?

Ed Cheatham: Yeah. I think the biggest question that, that people have when we come ... both Kirk and I are financial planners, and so the, the Social Security piece is always a huge part of a retirement plan.

And what you're gonna ... I know it's gonna sound like a, a trite response, but everybody has a different situation. I looked at the answers to those questions, what everybody was doing this summer. You've got people going all over the place. I think everybody on this is retired, it looks by all their answers.

But ... Which I know isn't the case. But so much of ... The biggest question is when do I file? When do I start this? I know I'm eligible at 62. What's the downside if I start at 62? Why do I have to wait till 67? If I wait till 70, what, what happens if something happens to me or my spouse?

Or ... so that's the biggest question is that we face is w- when do we start drawing? And we always include that. I'll transition to Kirk, 'cause I know there, there's something else that he'd like to share, too, in terms of the other questions we, we both hear.

Kirk Futrell: Yeah, I've got a couple of them.

What about Chris? Yeah. I got a couple of quick ones. One is is it gonna be here? So I know, like Ed said, we do a lot of financial planning, and when we work with someone on their income, their future income, they ... we're plugging in these investable assets to determine an income stream in retirement, Social Security's a big part of that.

But there's a lot of people that, that will blatantly say, "Let's not include Social Security because I don't think it's gonna be there," or, "Is it even gonna be there?" And so to touch on that real quick, we're ... if things are, if things continue going the way that they are, in the year of 2034, they would have to cut benefits by 20%.

So everybody's benefit would only be 80% of what you're getting. But, there's a lot of different ways they can fix that. I think with the two-party system, one just doesn't want to be the one that takes the risk of alienate a certain a, a certain age group in making those changes- ... because, they wanna make sure that everybody's gonna still receive benefits.

There's 70 million people, over 70 million people in the United States that are getting Social Security, so for them to just wave a magic wand and make Social Security go away I just, I don't see that happening. My short 58 years on this earth, it just seems like, like it doesn't work that way.

And, the federal government i- is, everybody's seen, isn't afraid to raise taxes oftentimes. We believe that Social Security's gonna be here. It m- it will probably look very similar to the way that it does now, but there are there's the chance that there could be some changes. Yeah.

Ed Cheatham: Yeah. There's some subtle changes, I think, that we can talk about. You'll see in terms of when y- when you look at the full retirement ages how that's changed over the years. There's some adjustments there. It's probably gonna look more like that in the future. Again, as a firm, in terms of our planning aspect from CAPTRUST's perspective, we talk about this all the time, but we include it in our planning.

It's a huge piece o- of a lot of people's retirement plan. That, those are the ... When to file and is it gonna be here? Those are really the two biggest questions we, we get.

Debra Gates: And we've probably gotten that question in the chat. So let's go to this next slide, because I think this leads in for you, Kirk, talking more about that full retirement age.

And I'll just... And I have a chart here in front of you that you can either write this down or those that are in the audience, or Kirk is gonna talk about this.

Kirk Futrell: Yeah. So like I said, full... Thanks, Deb. Full retirement age is calculated based on the year in which you were born. A- again, it's not related, necessarily related to when you retire.

I know that I run into retirees all the time, and they say I can't retire until 67 because that's my retirement age." So I always say that full retirement age is a misnomer, even though that's a term that's really important for everybody to know. So if you look on the left, year in which you were born is gonna determine what your FRA is.

So that's an important detail to know for several reasons. We're gonna get into that in a minute, but everybody needs to know what their full retirement age is as defined by the Social Security Administration

Debra Gates: So will that take us to our next slide here? And then these key terms, Ed

Can you hear me, Ed?

Kirk Futrell: Can hear you, Ed.

Ed Cheatham: Yes, I can. Sorry. You are. I'm all right. '

Debra Gates: Cause we're trying to stay on mute so that there won't be any ambient noises.

Ed Cheatham: I was, I was- While we're doing this ... I was try- trying to stay on mute. Yeah, the, these are the two key terms that we've that really is the biggest takeaway, I think, from from a high level from the Social Security.

Kirk just touched upon the full retirement age. You just saw the chart there. And again prior to that prior slide, we talked about one of the questions, is it going away? We might see something like it, it's continually, gradually like they did for people that were born after 1960.

But when we think about the full retirement age, right now, if you're born after, from 1960 on, your full retirement age is 67. Why that's important is it's tied to what we call the primary insurance amount. So at age 67, you're gonna, you're gonna have a number there that's based upon your 35 highest years of of earning, making sure that, if you were to retire right on your 67th birthday, that would be the amount that you would qualify for at that point.

Now, if you wanna take it earlier than that, the, just un- just understand that you take it before 67, it's gonna be less than your PIA, your primary insurance amount. If you wait till after 67 it's gonna be more than that amount, and it's done on a monthly basis. And I think there's a slide in the future here where Kirk can really discuss it in more detail, but you don't have to retire right on your birthday.

You can retire at 67 and two months, 67 and eight months. And the 8% a year is added to each month there. So a- again, I guess we're going down the rabbit hole there a little bit, but your primary insurance amount is the amount that you would receive at your full retirement amount, and that's the baseline where everything is either reduced prior to 67 or added after 67.

Debra Gates: Okay.

Kirk Futrell: Yeah, so this is an illustration here of what Ed was just talking about. At your f- if you look right in the middle at that row the full retirement age and in this case we're gonna use someone that was born in s- 1960 or later, that's gonna be 100% of that calculated amount. So they take that, and it's very important to know too, if everybody goes, and I would recommend that everybody go to ssa.gov and set up a portal.

So you'll have a username and password, you'll have security questions that you'll have to answer s- so that they can prove that it's you when you log in. If you file as early as 62, now this is for just a individual benefit. We're gonna get into some, some more advanced benefits here in, in just a short amount of time.

But for your individual benefit, you can file as early as 62. And something important that, that Ed mentioned that I wanna reiterate is, like, when you go on the SSA site and you look at the different ages in which you can file, it's only gonna show those based on a year, on, age 62, age 63.

But you can actually file, you don't have to file right on your birthday or right on January 1st. Any month that you wait is going to make your benefit higher. Okay? So that's important to know. At age 62, you're gonna get about 70% of that calculated amount, and then at full retirement age you'll get that primary insurance amount.

And then at age 70 that's what I wish they would call full retirement age, because people wanna say, "I get my full benefit at 67." I say you get your full benefit at 70, 'cause that's the largest benefit that you can get. It's gonna be 124% of whatever your calculated benefit is. There's some illustrations, some dollar figures on the right that give you an example of what your benefit may look like, depending upon which of those three you file.

But do remember that it's gonna go up every month that you wait. That's important This is just a slide showing what we call... Yeah, you can leave it at the next slide, Debra.

Debra Gates: Let me go here.

Kirk Futrell: Yeah, that's a good visual illustration of break e- of break even as far as cumulative benefits goes.

So like we stated before, if you wait, if you start at 62, you're gonna get the smallest benefit, but you're gonna get it for longer. If you were to die at 68 years old and you never turned on your Social Security you will not receive a Social Security benefit. But if you had started it earlier, you would've at least gotten some.

Although if you wait until 70, you're gonna get the largest benefit that you can, and the longer you live, the better option that would've been for you. And the break even on those is around 82 or 83, just so people know, what that break even is.

Ed Cheatham: And keep in mind too, this doesn't necessarily dictate when we, when we advise clients to claim or when not to claim.

There's so many other different aspects into it, and we'll get to the different spousal benefits if you're widowed, all these different things. But typically what we think about conceptually when we're talking about this with clients is we traditionally would like to see the, the bigger, the larger earner wait as long as they can if rel- if they're relatively the same age.

And, so sometimes that's the situation in terms of when we think about what's the break even there? If we're combining these two together, this chart's gonna look a little bit different. Again, every situation is unique. And other things that might affect this in terms of, your age, or, I'm sorry, your health.

I- if you don't feel that you don't have... If you don't I don't mean to sound ver- a little bit detrimental, but i- if you don't have good health or history in your family, you might wanna claim earlier rather than later. Every situation is different, and we just use this as a guide as well when we're sitting down and saying, "Listen, if you reach 82, then you're, this is gonna be beneficial to you."

Or, and it's an aggregate number. And, sometimes you don't wanna you don't want this to dictate the entire decision, because if you need that money upfront it's, you really don't have that much of a choice sometimes. Okay. This-- Yeah, go ahead.

Debra Gates: No, go ahead, please. This is a

Kirk Futrell: big one.

Ed Cheatham: No. No, go ahead. Go ahead and transition here

Oh, I'm sorry ...

Kirk Futrell: if you're working and claiming it, this is- Yeah ... when you asked before, Debra, you asked if we had some situations that we might wanna share with the audience on questions that people ask, and this is a huge one. Can I... We call it double-dipping. So if you're working and you wanna go ahead and turn on your benefit, you have to be careful, and this is probably the main reason to know your full retirement age.

Because if you do intend to continue to work, once you hit full retirement age, you can receive your full benefit each month, no problem. If you file prior to your full retirement age, you're gonna, they're gonna take a look at what's called the earnings test. You're gonna, you're gonna be under the earnings test.

So for this year, now, these, these earnings amounts change, usually change every year. But prior to your full retirement age, if you're making over $24,480, they will actually withhold some of your benefit. So you're not gonna get all of your benefit if you earn over that amount. Now, they wi- the way that they do it's kinda goofy.

They're gonna withhold $1 for every $2 that you earn over that, and then they're gonna start basically taking your checks away. So you would not then receive a check in, let's say December for example. So they don't smooth it out over the whole year. If you earn... Good example. Let me use some numbers. If you earn $28,480, that's $4,000 more than the earnings limit- If your benefit, just for illustrated purposes, is $2,000 a month, so you're, you feel like you should be getting $2,000 every month, but you earn 28,480, what they're gonna do is they're gonna look at it, they're gonna say, "Hey, this person earned $4,000 over the limit.

We're gonna withhold $1 for every $2."

So because you're 4,000 over, they're gonna withhold $2,000. So that's one full month payment to you that you're not gonna get. So you would then, in that case, you would not get December's benefit. So that tells you, just illustrates how they withhold the benefits. Then once you reach full retirement age, another good reason to know your full retirement age, they're gonna basically add back in whatever time that you had checks withheld, and they're gonna recalculate your benefit.

So if you are subject to the earnings test and they do defer some of your benefit and you don't receive it, just know that once you hit age 67 in most cases, but your full retirement age, they'll recalculate that benefit and oftentimes you'll get a little raise at full retirement age. So that's some good news.

Ed Cheatham: But the year- Yeah, here's the big thing ... prior to- Yeah ... full retirement age, it's a different calculation but the same concept.

And I think the biggest, the biggest takeaway from this slide is that you're not getting, you, you're not getting taxed at this rate. You're not getting taxed for whatever that...

Certainly, you're getting a delayed benefit. But when you don't receive that benefit because of the earnings test, whatever months you don't receive, to, to Kirk's point, is gonna be added later. There, this is one of the confusing, and I don't Kirk did an excellent job of describing that. It's, these are one of the more confusing t- tasks that we work within because, things might change in terms of what, what goes on.

Initially, when you claimed earlier you, maybe you've inherited some money or maybe there's some differences and so you're gonna feel that impact of what was taken away earlier later on in, in your journey. Our next slide.

Debra Gates: I tell you what, wait- up until this point- Hold

Kirk Futrell: it.

Ed Cheatham: Oh.

Kirk Futrell: I've

Debra Gates: got

Kirk Futrell: a good- you know- One second, Debra, I'm s- Oh, go ahead. I'm sorry. Okay, That's fine ... what's really important to, to know here is that is what is earnings? So let's say for example, you reach the age 59 and a half, and you begin taking out distributions from a retirement account. Those don't count as earnings for the earnings test.

We're gonna get into why they may count in a different calculation in a little bit, but as far as how much did I earn this year, as far as working and claiming for the earnings test only, they only look at earned income. So that's, it's income that you receive from your job. They don't ta- they don't count pensions, they don't count, let's say you might have some farm income or some rental income that, that doesn't count as earnings for the purposes of the earnings test

Debra Gates: Good information, Kurtie.

So up until this point, we've really focused on Social Security topics that that, that's apply, that apply to the broader audience, to many people, so such as eligibility, full retirement age, claiming decisions, and working while receiving benefits. Now, we're just gonna shift a little bit.

We're gonna go into some benefit categories that are applicable to certain situations in life, such as the widow's benefit, spousal benefits, divorced spouse benefits, and these may not apply to everyone personally, but for those who are eligible and they can be very important. And even if they don't apply to you directly, this information may help you support someone else who is navigating these decisions.

So really the goal at this point for the next three slides is really awareness. We want you to understand that these benefits exist know some of the basic rules, and recognize when it may be worth, just asking additional questions about it. So I'm gonna go to the next slide, and I think Ed, you're gonna take this about the widow's benefit because I'm sure that might be applicable to some people on the call today.

Ed Cheatham: A- and so again I think previously I, m- I mentioned in a two two earner or even both that c- that file for Social Security, even if one was, let's say a, a stay-at-home spouse they'll be able to benefit, too, in terms of that spousal benefit. But this is a widow's benefit, a- and why does it why is it important?

It starts at the a- as early as 60, and again, if you start then, r- remember that whatever your f- full retirement age is, if it's below that, they're, you're gonna rreceive some percentage less than what that PIA, remember that per that primary insurance amount is. The important thing to remember about this is, when you're, when we sit down with a couple we really wanna take into consideration both of their earnings history, both of what their PIA is, and their and to see what that looks like.

We typically, i- in most situations, just because of just because of nature in that women last longer than men, we typically like to see, all things being equal or even leaning more towards one or the other we like to delay that one strategy for typically the male in the situation, and all health being equal, just because of the timing.

Why is that? Because if that h- if that benefit is higher, whichever benefit is higher, the widow or widower will receive that benefit in retirement or once their spouse passes. Again, lots of rabbit holes to go down here, but just understand that when you're looking at those benefits you're going to...

the one that's le- the widow or the widower will receive their spousal's benefit if it's higher. If it's not, they'll keep their own. Again, yeah. Yeah.

Debra Gates: Anything to add to that, Kurt?

Kirk Futrell: Just that if you- Without going down a rabbit hole ... file prior, if you file for a widow's benefit prior to your full retirement age, you're gonna also be subject to the earnings test. Okay? So it's, the benefit is gonna get decreased because it's prior to FRA, and you're gonna be subject to the earnings test because you are filing prior to FRA.

So the earnings test and the reduction apply to any benefit. So r- that's another, great reason to know what your full retirement age is. If you have a spouse that has passed away and you're gonna take advantage of the widow's benefit, that's the only benefit that you get to decide if you wanna turn your benefit on or if you wanna receive the widow's benefit.

So a very common strategy would be to turn on a widow's benefit, and then let your current benefit continue to grow until 70. You can turn your own benefit on earlier, but as long as you're receiving a widow's benefit, oftentimes we'll have the client wait and file their own benefit at age 70.

So just another strategy to think about.

Debra Gates: That's what we're looking for today is strategies, and make sure that people are aware at least to know what questions to ask so they'll know what to do and when they're in, if and when they're in this type of situation.

Kirk Futrell: Yeah.

Debra Gates: So let's move on over to the spousal benefit, Kirk.

Kirk Futrell: Spousal benefits. Okay, if you're married you may potentially be able to claim a spousal benefit. Now, how this happens is a lotta times in, in households, I think this is becoming less and less applicable to, to the working class, but oftentimes one spouse may be a, a stay-at-home spouse, is an example for whatever reason they've not entered the workforce to be eligible for a benefit.

So but what you would then be able to do is file for a spousal benefit based on your eligible spouse's benefit. Now, remember FRA? We've been beating that to death. So the maximum amount you can receive for a spousal benefit would be half of the working spouse's primary insurance amount. Remember Ed went over that.

It's the calculated amount that person would receive at their full retirement age, which for most people is 67. But that benefit ... so the non-working spouse can start as early as 62 and as late as full retirement age. No reason to wait till 70 for a spousal benefit because the maximum you can get is half of that spouse's primary insurance amount if you file at your full retirement age.

Regardless of what their full retirement age is, you get half of theirs. You don't actually take it from them, but it's a calculated amount based on their primary insurance amount, half of their primary insurance amount, and it's discounted down. Remember, you, if you take this prior to 67, it's always discounted.

Then it's also subject to the earnings test. So that's important to remember too

Debra Gates: I

Kirk Futrell: think I covered everything on that one.

Debra Gates: I think you did. And now we get to sometimes there's a divorce. We don't marry to get divorced, but in the, in those situations where there is a divorced that comes into play, talk about that benefit.

Adam, I'm gonna let you lead on that one.

Ed Cheatham: Yeah. Th- this is the biggest takeaway here h- very high level, is that if you're divorced, you can file on your ex's benefit, and it will not affect your claim or their claim whatsoever. That's you've got to-- the eligibility requirements, you've had to have been married at least 10 years, you've had to have been di- divorced at least two years, and you can't be married remarried and try to claim on your ex-spouse's.

It has no bearing or no indication. They're not notified or told anything but which I think when I first started becoming a planner I didn't I really didn't understand this. I thought that they would be affected somehow, but they are not at all. And again whether you claim in the future and your ex is trying to claim that divorced spouse benefit, it's not gonna...

You c- you have no impact of them not taking it or they, the, them taking it won't impact you as well. So I think tho- that's really the, the big takeaway here in terms of what that looks like.

Kirk Futrell: Yeah and wait, back up one second. One second. I just wanna point one little thing out here

Debra Gates: You got something to add, Kirk?

Okay

Kirk Futrell: I certainly do That's surprising I certainly do. So So, so if you go down to key key details there on that slide, if you have, if you've been married a couple of times, some, some people get married, two or three times, but if you were married to each of your ex-spouses for 10 years, and then you've been divorced for over two years and not currently married, you actually get a choice.

The, the Social Security Administration will know if you go in, set up an appointment or have a phone appointment, they'll know what benefits you are eligible for, and you'll get to choose the higher of the two benefits. So that's pretty cool. And then the most that you'll be able to receive is the equivalent, and this is just very much like the spousal benefits, the highest amount you can receive is if you wait until your full retirement age, and then you would receive half of your divorced spouse's benefit.

That's the calculated amount. They don't take half away from your spouse. I used to make a joke about that, but I think it's it's dark- Maybe not now ... so I don't do that. But,

Debra Gates: Maybe not now.

Kirk Futrell: But anyway, it's a calculated amount based on half of their primary insurance amount.

The, it's, if you take it early, you're gonna be subject to the earnings test and that discount that we referred to earlier also.

Debra Gates: Wow. Okay. We have so much information, and you guys are so knowledgeable, and I know we're starting to press a little against time. So I wanna thank you for walking us through those benefit options.

So as we move forward, let's bring everyone else back into the broader planning conversation and talk about what happens when circumstances change, when timing matters, or w- or when someone needs to better understand their options before making a decision. Kirk, I think the question here is there any flexibility when and if you need to change your mind about receiving benefits or can't you change your mind?

Kirk Futrell: Yeah. Yeah, you sure can. There's some stipulations though, some things to know. One of them is your FRA. Yeah, I just beat that up so much, so I apologize. But it's... and I do that because it's so important. The, your options change based on when you file in relation to FRA. So first of all, anyone, no matter when you file between 62 and 70, when you file your benefit, you, everyone gets a one-time do-over.

So let's say you were three, four, five months into receiving your individual benefit, and you attend a wonderful live webinar from your gracious hosts at CAPTRUST, and you decide, "Boy, I wish I had waited," but it's too late. No, it's not. If you just filed within 12 months, as long as you're willing to pay those benefits back You can have a one-time withdrawal of benefits.

So you can s- you can say, "Oopsie," I and just get a, a mulligan. You get a do-over. So they will pretend like you never filed. So all the other filing rules will apply going forward, but as long as you pay them back, you have a one-time do-over. Now, if you look towards the bottom of the slide in front of you, y- know that if you wait till after full retirement age

Okay, wait. Real quick. What happens if you wait till after the 12 months? If after the 12 months, you don't get to do that do-over again. And if you did that prior to full retirement age, so let's say you filed at 62 or 63, once that 12 months passes, you're stuck with that benefit until full retirement age.

There's nothing you can do. Okay? Once you hit full retirement age, the option's open. So you can sus- it's called suspension of benefits. So you can suspend your benefits any time you want to past full retirement age. Okay, think l- life has a way of changing. So if maybe you have a, a, an inheritance would be a great idea.

Maybe you just ... A a, a good illustration. Maybe you decide to go back to work, because this whole retirement thing's kinda boring maybe. So if you do that and suspend your benefits, that benefit will then continue to grow at 8% a year. Or the way I like to look at it is 1/12 of 8% every single month. And then you can refile any time after full retirement age, or just wait till 70, and that way you'll get the largest benefit available to you.

Debra Gates: Great.

Kirk Futrell: Great.

Debra Gates: Thank you for that. I'm gonna take us to the next slide. And we've talked about when to claim Social Security, how different life circumstances can affect benefits. Now we're gonna shift to another important planning consideration, taxes. And this is a area where people are often surprised, because they may assume their Social Security benefit will not be taxed, or they may not realize how other sources of retirement income can affect those calculations.

So Kurt, so before we look at the details on the slide, let me ask you this. Why is it important for participants to understand the tax impact of Social Security before they begin drawing income from multiple retirement sources?

Kirk Futrell: Yeah, so different retirement sources are treated differently by the IRS and Social Security's one of those.

And you'll, you're gonna wanna know how each of those sources is affected because that's gonna help you decide the timing of when you file. And an example would be, ... so let me back up. When we discussed the earnings test earlier, so if you'll remember, that's the amount that your benefit is affected if you f- if you're earning and file prior to full retirement age.

They only look at earned income for that purpose. The taxation slide that we're covering now uses a different earnings. It uses what we call provisional earnings. So that's basically what you would then do is write down half of your annual Social Security benefit, and then you would add all other benefits, financial benefits that are coming into your household.

So that would include distributions from IRAs, pension income, rental income, things like that all go to, to raise that provisional income. So then, if you look at the slide, it's gonna show on the left is gonna be how much of your benefit is going to be included as income. So up to 85% of your benefit you'll have to add as income when you're filing taxes.

And then there's filing statuses on the right and in the middle. If you're a single filer and you earn less than 25,000, you are not taxed on your Social Security benefit. Now, remember, it's provisional income, so most people y- we find that quite a few people fall into the the latter category, where their provisional income, so again, that's half of your Social Security benefit plus all other, benefits that are coming in to you, most people fall into the category of having 85% of their benefit included as income.

That's not the rate at which it's taxed. That's just how much of your benefit would be included as income. And then on the right, if you're married filing jointly it has some different categories there, different brackets there.

Debra Gates: And remember, you'll get a copy of this recording, so you'll be able to see that information in more detail.

So Ed, at what point should someone start talking with a tax professional or a financial advisor about this?

Ed Cheatham: I would say, anytime you're considering that y- you should at least at the, at a bare minimum, you should be y- you should be looking at your ssa.gov account at a age 55.

You should start to pay attention to what that record's at, what that looks like. And then in terms of a, a financial advisor, there's lots of different pieces of the puzzle. I think the biggest takeaway with this whole s- security situation is n- it's more nuanced in terms of making the decision.

The har- the, the easy part, and I say easy, the easy part is accumulating these assets in your 401plan or outside of your 401plan or in an IRA, y- self-directed. So what you have outside of this really has an impact in terms of how are you going to make a decision in terms of when you file. I'm speaking from my position here, but the sooner you can meet with, here's a little CAPTRUST promo.

Everybody has access to our two help desks along on both, on either side of the country. You have access to individual advisors at CAPTRUST. We're, we come with y- your plan. We come with the ability to help you and help guide you. Again, I think I'm gonna give Kirk's cell phone number out here because he, this guy loves to talk about, he loves to talk about make sure that every aspect, every situation i- is discussed.

And quite honestly, the two of us can't address every situation 'cause everybody's unique. So the earlier and the sooner you start, the better off you are.

Ashley Thomas: For sure.

Debra Gates: Agreed. All right. So we're looking here at sake of, for the sake of time, ... when to set up this appointment because we still need to talk about Medicare.

I wanna definitely get that in before we leave on this call. So can you briefly talk about this, when to set up an appointment at-

Ed Cheatham: Yeah. Like I said when you wanna set up an appointment I would set up at least three months before you plan on starting receiving those benefits, the actual benefits.

You can apply make sure, again, not to be redundant, ssa.gov. You gotta go through your, the ID.me process, and it'll give you access to everything, and then you call the 800 number to schedule an appointment. It's pretty simple. But, if you're, for example, looking at now if you turn 67 at the end of this month and you think you wanna start claiming September 1st, it's not gonna happen.

It's just not. And again they'll back pay you if you want, but give yourself at least three months. And there's, the required information you're gonna need. You're gonna need your birth certificate. You're gonna need a license. You're gonna need, a marriage certificate or a divorce certificate, all these different things that you're gonna need, and they'll let you know what you bring to that appointment.

Three to six months ahead of time is when you wanna start with that. Perfect. So we've spent time talking about Social Security, which is often one of the most recognized retirement income sources. Now let's just shift to Medicare, which is equally important because healthcare can be one of the largest and most emotional expenses in retirement.

Debra Gates: And so understanding when to enroll, what coverage is available, how to avoid penalties, that can make a significant dis- d- difference. And I want... I wanna reiterate that this is being brought to you for educational purposes, and also to make you aware of your options, and that there are implications to your decisions.

So Ed, I'll come back to you. What do people tend to underestimate most about healthcare planning in retirement?

Ed Cheatham: We just ... Oh, I'm sorry, go on

Debra Gates: And then what's one mistake that they can, that can be costly or difficult to correct?

Ed Cheatham: A- as complicated or a- as the previous conversation about Social Security was, it's something that Kirk and I we handle on a daily basis, I can only impress upon everybody that's listening, Medicare is twice as complex, twice as many rules.

And it- it's just I think that's the one thing that people really underestimate, not so much even the cost, but the actual, ... For example I had a knee replacement a, a few years back, and I was actually in the waiting room of the knee replacement, and there was a an older couple in there that were, they were getting ready to do the paperwork and everything, and they

I was at, a front row to this. They had no idea that the doctor didn't take Medicare, that the doctor's fee was just supposed to be out of pocket. So these people had traveled. I had overheard them. They traveled halfway across the country, said they wanted this specific doctor to do this, and there they were.

They just weren't aware in terms of what goes on there. So there's a lot of different things we need to think about when we go through the alphabets of Part A, Part B, Part C, Part D, all this stuff. So that's the confusing part. That's the ... what people underestimate about this. A- and quite honestly, we have a good partnership with people.

I have some locally. I'm in the w- suburbs of Chicago, so I have some great people that work with that. But a- as a CAPTRUST participant, you have access and we'll talk about it later to a resource that we have called Chapter. It ... This is really where you want a lot of help. And big mistakes just, y- filing not filing or transitioning, the timing of everything.

You look at all these, look at all this and when to enroll, three months before you turn 65. Sometimes yes, there's an enrollment period. There's a special enrollment period. There's all these different things working on. So earlier the better in terms of trying to track down what you wanna do but that's really the

what people underestimate, the amount of complexity that, that, that is in that, that healthcare plan.

Debra Gates: So Kirk, how do they pay ... How do you pay for Medicare, and are there multiple options?

Kirk Futrell: Yeah, there's a couple different ways to pay for it. I say there are two and a half ways. If you are enrolled in Social Security and you turn 65, they will automatically deduct it out of your Social Security check, okay?

You might not want that to happen. That's up to you. The other option would be to pay out of pocket. And I say there's two and a half ways. The other way is you're paying out of pocket, but if you're eligible for an HSA, so that would be if you have a high deductible healthcare plan and you've saved up in a healthcare savings account, you have the option to pay Medicare Part B and D from your HSA.

So that's a triple tax-free account. Highly recommend those, but that's another way that you can pay for it also

Debra Gates: Okay. And are there costs to participants? So if they get a local provider, how much more does that cost? And I know, Ed, that you've had some experience with Chapter, and just briefly at a high level, Chapter is a broker, and they'll review all the different providers that are available, and they can help you when you do decide to enroll that three months before you're at the age that you're going to take it.

So Kirk, how do you pay for Medicare?

Kirk Futrell: I'm sorry- Now, there's no cost to that Debra- ... for Chapter?

Debra Gates: Absolutely.

Kirk Futrell: And the participants on this call are eligible to, to, to access that resource, I believe.

Debra Gates: And I do believe we have something in the handouts that references Chapter, and so you can definitely reach out, out to them.

So let's

Ed Cheatham: go here- Yeah and they're wonderful. They are they're a wonderful Deb. I just, th- just to reiterate. They're fiduciary Medicare planners, so they really are on your best behalf. Anyway. Okay.

Debra Gates: So look, S- Kirk, can you briefly explain the differences between the varying levels of Medicare benefits?

Kirk Futrell: Yeah. Yeah, I'll run down the list there. It's so Part A is free. So everybody knows you're eligible for that at age 65. Also know that if you're contributing to an HSA, you cannot continue to contribute if you have Medicare. So if you turn 65 and you accept Part A, which most people do because it's free, that covers hospitalization.

Okay? Because you can imagine if you went into the hospital how quickly that would drain your investable assets if you had to pay out of pocket. So everyone at age 65 is eligible for hospitalization, so that's Part A. Part B is what we kinda think about as health insurance. So if you're working or if you're a member, you have, you, you have your health insurance deducted from your paycheck, Part B is that, is very similar to that.

It still has you're still gonna have a deductible. You're still gonna have co-pays. You're still gonna have co-insurance. So everything that you're kinda used to in regular health insurance applies to Part B. There's a way around that, but we're gonna get that, get to that in a second. Part D is what we call the drug plan, so that's pretty easy to remember 'cause it starts with a D.

But that's ... It's very inexpensive. It's about, I think it's about $30 a month. But you're really gonna wanna add that, too. And that covers most drugs and a lot of a lot of generic drugs, too. But then I mentioned that there's deductibles, co-insurance, co-pays and an additional, some additional drug costs.

If you get a ... Now, if you'll go down one more, it says Medigap. That's what we think of as a supplement So you would get A, that's free. B, you're gonna pay for that. That's gonna be a couple hundred bucks a month. Part D is about 30 bucks a month. Then your Medigap policy is what you're gonna get from a local provider.

So Chapter will help you find that if you choose to access that resource. Or if you have a Medicare provider near you then you would r- definitely wanna talk to them about supplemental coverage or a Medigap policy. And then finally, the Medicare Advantage. Most providers don't really recommend that because you have to use your network.

So if you're traveling and something happens and you have to go to the hospital, you're not covered. Now you can get a special you can get special permission to have that covered, but it's it ca- it's timely. It takes a lot of time, and it's difficult to do. They're, they also have a lot bigger deductibles and co-insurance and co-pays.

So most providers do not recommend the Medicare Advantage Plan, but- ... but it's something to keep something to keep in mind for sure.

Ed Cheatham: Okay. The biggest hurdle here with the Medicare Advantage is the pre-authorizations. That's where most of my clients have issues in terms of just jumping through all the hoops and not getting the doctor that they want.

Debra Gates: Okay. Okay. Such great information. And oh my gosh, we're running up against, we're running up against time. This is Medicare eligibility. Can you expound on it? Tell us something that they should do if they're unsure if they qualify.

Ed Cheatham: Yeah. So- So ssa.gov- Yeah.

Kirk Futrell: Go ahead, Ed.

Ed Cheatham: No, i- it's just it's going to qualify if you qualify as a US citizen and you're qualified for Medicare I'm, excuse me Social Security the, the, the, it's the same requirement, the 10 years, the 40 credit for Social Security.

And then the only kind of a, we're, strange exception is government employees who did not pay into Social Security, but they still did pay Medicare payroll taxes during employment. So take a look at that. If you're not paying Medicare payroll taxes and you're on a future pension that might make you somewhat subject to some different requirements and some rules.

Debra Gates: Okay.

Kirk Futrell: This is a big one. Your initial enrollment period when you, when three months before you reach the age of 65, also the month in which you turn 65, and then three months after that. That's your initial enrollment period. That's when you need to sign up for Medicare. You don't have to do that though if you're, if you choose to continue to work and you're covered under a qualified workplace plan.

So you talk to HR, make sure that you're ... cOBRA doesn't count, so that's not a qualified plan. Make sure that your employer tells you whether or not it's a qualified plan that you're covered under because if you don't do that, if you reach 65 and you don't file, if you're not covered under a qualified plan, your actual Part B premiums can go up 10% a year forever.

So that's not a good thing. So at age 65, that's when you really wanna enroll Part A, Part Part B, Part D, and for most people we recommend a supplement. So get that. The supplement you have to get within six months of filing for regular Medicare.

Debra Gates: Okay.

Kirk Futrell: And so can you tell me about that? Gen- general enrollment's just if you miss open enrollment.

Debra Gates: Okay.

Kirk Futrell: So if you miss that, you don't hit your three months, the seven-month window, so three months before, three months after in that month, you have to wait until open enrollment, general enrollment.

The problem is they can start looking at they can start looking at what's the word I'm looking for, Deb? If you had something before, preexisting conditions.

Ed Cheatham: Preexisting

Kirk Futrell: conditions. So as long as you enroll during your seven-month window, they cannot disqualify you or turn you down because of preexisting conditions.

That's probably the biggest reason why that, that window is so very important.

Debra Gates: All right, let's go here. And here's his contact information. I do wanna get in time because we have quite a few questions that are in the chat. We have people there answering questions but this is very important. Here's how to get Social Security, how to get to Medicare, so we won't spend a lot of time there.

So Ashley, I know that you're chomping at the bits with some questions in the background. So can you please ask those questions, and we'll try to get in as many- Yes, okay ... as we possibly can.

Ashley Thomas: Okay. So one of the questions that has been coming up is there has been some confusion around those spousal divorcee benefits.

Can someone receive both their spousal benefit, that divorcee benefit at the same time while receiving their Social Security benefit? Can we get some clarity on that?

Kirk Futrell: No

That's it. So you're- That's a complete sentence. When you file for your benefits ... that's it. That's it. When you file for benefits- Yeah, that's a complete sentence ... Social Security your, everybody now, this changed in 2016, but everybody now, when you file, you are what's called a deemed filer, which means that when you apply for a benefit, they will take a look at all of your, whatever benefit you're eligible for.

So let's say you're a divorcee, let's say that you're over 62, so you're eligible for your benefit and let's say that you're currently married. You're eligible for multiple benefits. Social Security Administration will look at all of those, and you will get the higher of all of those. You cannot double dip.

Ashley Thomas: Okay. The answer is no. Yeah. Great. Now, if we can squeeze in one more, can I enroll in Medicare if I delay Social Security? Yes You can, you can- So you can delay Social Security all the way to age 70. But Medicare, you take that at 65, if you choose to, if you're no longer working. And it's- Let's try to get in a couple- Medicare, one of the reasons people, you know, apply for Medicare is it's really good coverage, and it's not super expensive.

Kirk Futrell: And they ha- doctors have to take... If they take Medicare, they have to take you, and you're not subject to preexisting conditions.

Debra Gates: Ashley, let's try to get in one more.

Ashley Thomas: Okay.

Debra Gates: Or

Ashley Thomas: get a couple of more. Now, here's one more that kept coming up multiple times. If I'm claiming that ex-spouse on their benefit, will they know if I'm actually claiming from their work history?

Ed Cheatham: No. Yeah.

Kirk Futrell: Nope, they don't get anything. They get the one dollar. It doesn't affect their benefit at all. Yeah. Speaking from a divorced person, I don't even want that phone call. If they're claiming, let them claim. Everybody just, let's all be happy and healthy and, But I don't, yeah, they don't inform them.

They don't let them know. It's yeah. It's just you- Okay ... filing for your benefit.

Ashley Thomas: Now, how do I compare Medicare Advantage versus Medigap?

Kirk Futrell: Medigap is a supplement

Ed Cheatham: Yeah ...

Kirk Futrell: that goes with Part A, B, and D. So you get, regardless of if you're doing Medicare Advantage or m- or regular Medicare with a supplement, you have to pay for B with both of those. That's about a hun- two, a little over 200. Medicare Advantage is, you it doesn't cover a lot of procedures if you're out of network.

So for a lot of people travel in retirement Medicare Advantage can be a real problem if you're traveling, because you're not at, you're outside your network. I- So you've got to be pre-authorized- I've seen a lot of it depend on- ... to get a procedure. Go

Ed Cheatham: ahead, Ed. Yeah. I've seen a lot of it depend on the health of the, the individual.

And if there's, if they're healthy and I've seen people go in d- each different direction. But, again, we didn't get into it, but you can change that every year Kirk? In, in terms of whether you move back and forth. But there, that window, from, what is it October 15th to December 7th every year, you can change back and forth.

Again, that's a rabbit hole that I'm just ev- I'm just constantly amazed how complex Medicare is,

Debra Gates: and so we are at 10... We're at I'm in California, so we're at 12:57. And thank you guys so much for all of the information, and I'm sure the audience appreciates it as well. And if you need, if you have more questions, you can reach out to our advice desk.

Remember, we have the other resource chapter if you have questions and you're getting close to that time where you're going to start taking Medicare. But you can reach us at cap- set up an appointment at captrustatwork.com. You can also call us at 800-967-9948. This session has been recorded.

You're going to receive a copy of the recording in the upcoming days. And if you wanna call directly, Monday through Thursday, 8:30 AM until six o'clock p- sorry, till 5:30 PM, Monday through Thursday. If you're scheduling an appointment, you can schedule that appointment from 8:30 AM until 8:00 PM Eastern Time.

On Friday, scheduling an appointment, 8:30 until six o'clock. On Friday, making that phone call from 8:30 until four o'clock. So just wanna... Can you give me-- We have two minutes left, so you have a minute each just to give us one closing thought that would be really beneficial to the audience.

Ed Cheatham: Yeah, I'll start.

Remember th-this whole this whole retirement thing as you transition into this retirement and i-if you have done the heavy lifting of saving or you haven't understand that, the Social Security and the Medicare are a huge portion o-of what goes on. But th-think about the emotional piece, too, a-a-as, as you're, as you go-- head into retirement.

This is really a component where we try to help people plan the last third of their life in terms of what it looks like. And we may not know all the answers but we're doing this on a daily basis. You're gonna do this once. So don't hesitate to reach out to us at CAPTRUST. This is what we do all day long.

We have these conversations. And if we don't have the answer to it, we'll get you the answer. So just know that. So thank you very much for everybody hopping on. Everybody's got busy lives. We really appreciate it. Kirk?

Kirk Futrell: Know your dates. Social Security is 62 to 70. Know your full retirement age and the implications to filing around that date, and then don't miss open enrollment when you turn 65 unless you're working and you're covered under a workplace plan.

Absolutely. Once you quit working, you have eight months to file for Social Security, or they're gonna ding you 10% on Part B. So keep working, that's fine, but when you stop, you need to get on the phone. Absolutely.

Ed Cheatham: Kurt, do you wanna show them your FRA tattoo? Did you have tattooed to your arm, FRA? No, you don't want to?

Debra Gates: No, we don't have time for that. Yeah. We're at time. Thank you guys so much. The two of you together. And just one, just as a quick reminder, the recording will be shared, but the deck will not be shared, just as Ashley noted at the beginning, that because of compliance, we cannot share the deck.

But thank you everyone for coming. Thank you, Ed. Thank you, Kurt, for all of this information. You have questions, don't forget to reach out to the AtWork desk, and we are at time. Thank you so much, and stay safe. Have a great day today