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CERTIFIED FINANCIAL PLANNER™ Professionals

Planning Points

RFC Quarterly Newsletter

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OUR THOUGHTS:

ABOUT MEDICARE AND MEDIGAP COVERAGE

Despite all the public discussion about healthcare, very few people under the age of 65 understand the basics of Medicare, the federal health program for seniors and certain disabled individuals, or Medigap, the supplemental private coverage many buy to cover treatment that the federal program does not pay.

Even if you have years before you qualify, why focus on Medicare and Medigap now? Because as big changes happen in our healthcare system, those who understand the programs and products ahead of time will not only be better equipped to plan for their post-retirement healthcare options, but they will have a better understanding of how these federal programs change over time.

We can give a broader view of what the federal government will and will not pay and how you should plan your coverage going forward. Here is a summary:

Who is eligible for Medicare? Medicare is available to anyone over the age of 65 who is a U.S. citizen or a permanent legal resident for five continuous years. Yet people under the age of 65 qualify under certain circumstances, including: If they are permanently disabled and have received Social Security disability payments for the last two years, or if they need a kidney transplant, are under dialysis for permanent kidney failure or have Amyotrophic Lateral Sclerosis, also known as Lou Gehrig's disease.

How does Medicare cover expenses? Medicare coverage is divided into three primary parts: Part A, Part B and Part D. And yes, there is a Part C. Here is what each part covers:

- **Part A** is the segment of the program most associated with hospital care. It covers hospital inpatient care, a limited amount of care at some skilled nursing facilities, some specific home healthcare alternatives and hospice care. Most people are enrolled automatically in Part A when they reach age 65, and they get this coverage for free. It is important to note that Medicare does not cover long-term nursing home expenses, so that is why long-term care planning is necessary for most individuals.
- **Part B** is all about outpatient services. This is the part of the plan that covers doctors' visits, outpatient care and some other medical services that Part A does not cover, such as the services of physical and occupational therapists, and other aspects of home healthcare. You do have to pay a monthly premium for Part B coverage with a deductible – in 2009, the basic premium is \$96.40 per month, though it might be higher for some people based on income. By the way, you will sometimes hear people refer to Part A and Part B coverage as "Original Medicare."
- **Part D** is Medicare's prescription drug coverage. Part D is administered by a number of private insurance companies that operate in various areas of the country, so this requires some shopping on your part to make sure you are getting the right drugs at the right price. Financial assistance might be available if you need it.
- **Part C** is actually the Medicare Advantage Plan, which is an optional plan individuals may choose so they receive their Medicare benefits through private health plans. You will also hear this plan referred to as Medicare+Choice. These private plans include conventional HMOs and PPOs and are required by law to offer benefits that cover everything that Medicare covers, but they do not have to cover everything exactly as Medicare Part A and B do. There might be some customized options that allow for lower copayments or lower total out-of-pocket expenses. Simply put, Medicare Advantage plans blend the benefits of Original Medicare and Medigap plans (more on this below). By law, you can't buy Medigap supplemental insurance if you have chosen Medicare Advantage. However, it is very important to get some expertise on the choice between Original Medicare and Medicare Advantage plans based on your anticipated healthcare needs to make sure the coverage you buy covers what you really need.

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What about Medigap? So-called “Medigap” coverage is supplemental coverage that is available for people who opt to be covered under Original Medicare – Part A and B coverage. You buy Medigap insurance from a private insurer, and your primary goal is to determine whether that supplementary coverage actually pays for the things you know you will need that Medicare does not cover. You do have to pay a monthly premium for this coverage. And again, if you choose Medicare Advantage (Part C) coverage, you are not allowed to buy Medigap coverage.

To compare Medicare and Medigap coverage, visit the [Medicare Personal Plan Finder](#) on the www.medicare.gov website.

When do I enroll for Medicare? You have a six-month window to enroll for Medicare that starts three months before your 65th birthday and ends three months after. As mentioned above, if you are already receiving Social Security at age 65, you will automatically be enrolled in Part A, but if not, and you enroll more than three months after your 65th birthday, you may be subject to a late enrollment penalty.

By the way, what’s Medicaid? This is the name for the federal program – and corresponding state programs – that pick up healthcare costs for impoverished children and adults.

DID YOU KNOW?

HEY BIG SPENDER – Only six of the last fifty fiscal years in U.S. history have ended with a surplus (government receipts in excess of outlays). Fiscal year 2009 spending (the \$3,500,000 trillion spent during the twelve months ending 9/30/09) is double what the government spent in fiscal year 2000. (source: Treasury Department).

OLD AND GRAY – 10% of the U.S. population was age 65 or older in 1970, but that group represents 13% of our nation today. By the year 2025, it is projected that 18% of our population will be age 65 or older (source: United Nations).

USED TO BE MUCH HIGHER – At the end of August 2009, the personal savings rate in the U.S. was 3%. Throughout the decade of the 1970’s, the country’s personal savings rate averaged 9.6%. (source: Commerce Department).

401K’s in 2010 – The maximum amount an employee may contribute to his/her 401K in 2010 will be \$16,500, unchanged from 2009. This amount does not include the \$5,500 catch-up deferral amount available to individuals at least age 50. This limit was \$10,500 in 2000 and \$7,979 in 1990. (source: IRS).

RFC NEWS:

We would like to introduce Elizabeth Allen. Beth is a fellow CERTIFIED FINANCIAL PLANNER™ with 23 years of experience both practicing and teaching financial planning, and a former CFP® instructor of ours. In helping Beth transition into an eventual retirement, and merging her business with ours, you will be seeing more of her presence within our practice.

RFC EVENTS:

We are teaching the following community education classes at the locations listed below. If you are interested in signing up, please call the numbers below to register.

Ann Arbor Community Education / Rec & Ed (734) 994-2300

- “Coping With Market Uncertainties & What To Do Now?” January 20th from 6:30-8:30 PM
- “Road Map to Retirement” (2 DAY) January 27st & February 3rd from 6:30-8:00 PM each day

Dexter Community Education (734) 424-4180

- “Coping With Market Uncertainties & What To Do Now?” November 4th from 7:00-8:30 PM

Farmington Community Education (248) 489-3333

- “Managing Your Retirement Plan Accounts” November 18th from 6:30-8:00 PM

Plymouth Community Education (734) 416-2937

- “Coping With Market Uncertainties & What To Do Now?” November 11th from 6:30-8:30 PM
- “College Savings Plan Options” December 2nd from 6:30-8:30 PM

Saline Community Education (734) 429-8016

- “Road Map to Retirement” (2 DAY) November 3rd & 10th from 6:30-8:00 PM each day
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Our business continues to be successful because of great clients like you. If you know anyone else who is looking to simplify and organize their financial lives, please let us know. With their permission, we would be happy to contact them and introduce ourselves.

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