

MONEY TALK

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Medicare Premiums — What Does It Mean for You?

To Determine Your Premium, You've Got to Know Your ABCs...and D!

Medicare Part A (Hospital Insurance) typically does not charge a premium if you or your spouse paid Medicare taxes while working.

Medicare Part B (Medical Insurance) is calculated by using the **Modified Adjusted Gross Income (MAGI) reported on your federal income tax return from two years ago and every two years thereafter.**

Medicare Part C (Medicare Advantage Plans) is composed of private plans for individuals enrolled in Parts A and B which cover vision, dental, hearing, and have some other benefits. Part B premiums will apply in addition to any premiums charged by the private advantage plan.

Medicare Part D (Prescription Drug Benefit) is *also* calculated using your **MAGI from two years ago.**

Sign Up Before Age 65

Many social security eligible people decide to postpone drawing on their retirement benefits until after age 65. Regardless, **to avoid gaps and/or penalties it is recommended that you apply for Medicare Part B within the three months before the month that you turn 65.** When applying for Part B, you should then be automatically enrolled in Part A.

If you miss your enrollment window, you will pay a lifetime late enrollment

penalty—your Medicare premium will be higher each and every year.

Note—if you have group health plan coverage through your employer or your spouse's employer (the employer must have 20 or more employees, as defined by the IRS), you have the option to temporarily delay enrollment in Part B. To avoid a gap in coverage and/or a lifetime penalty, it is recommend that you apply for Part B several months before the employer coverage ends.

The Impact On Medicare Costs

Because of the two year MAGI look-back, many people overlook or don't fully understand how this impacts their Medicare premium.

When viewing the chart below take into consideration *all taxable income.* This



includes, but is not limited to, wages, windfalls, Roth conversions, and taxable investment income (e.g., dividends and capital gains). Speak to your tax preparer about other possible income or adjustments to your MAGI. With proper planning and timing of received income, you may avoid an increase in your Medicare premium.

Check Medicare.gov as this information may have changed after going to press.

If your Modified Adjusted Gross Income in 2016 was:			In 2018 your monthly premium for Part B is:	In 2018 your monthly premium for Part D is:
File individual tax return	File joint tax return	File married & separate tax return		
\$85,000 or less	\$170,000 or less	\$85,000 or less	\$134	Your plan premium
above \$85,000 up to \$107,000	above \$170,000 up to \$214,000	Not applicable	\$187.50	Your plan premium + \$13.00
above \$107,000 up to \$133,500	above \$214,000 up to \$267,000	Not applicable	\$267.90	Your plan premium + \$33.60
above \$133,500 up to \$160,000	above \$267,000 up to \$320,000	Not applicable	\$348.30	Your plan premium + \$54.20
above \$160,000	above \$320,000	above \$85,000	\$428.60	Your plan premium + \$74.80

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Five Steps to Financial Success

To thrive in an uncertain and volatile economic market, you need a solid plan. Without one, you might be putting your future, and that of your loved ones, at risk. Financial planning takes discipline, so it's best to employ a step-by-step approach.

1. Establish Your Financial Goals

Drafting goals can be daunting. Reflect on your vision for the future and what you want from life. Keep it simple. Start with the financial basics: retirement, wealth building, education expenses, insurance needs, tax planning, and estate matters.

2. Examine Your Cash Flow Assumptions

Test your assumptions and the likelihood that your target funding goals can support unexpected events. Consider various “**what if**” scenarios. For example, “What if I retire at age X?” Will you have enough money to last through retirement? Can you afford the expenses of a long-term care illness, or the ongoing escalation of insurance premiums?

3. Create a Realistic Spending Plan (Budget)

Take a hard look at your expenses. Do you have enough money left over to achieve your target funding goals? If not, you've got to either spend less or make more! Can you cut down on discretionary spending like dining out, expensive cell phone or cable TV plans, clothing, or vacations? Your financial success is dependent on your willingness to take a realistic approach to spending.

4. Put Your Plan in Motion

Equate financial planning to something that you can relate to—for instance, losing weight, quitting smoking, or training for a half-marathon. If you put in the time and energy to properly plan and then begin funding your goals, chances are you will be successful.

5. Review and Refine Your Plan

Financial planning is a never-ending process. As your priorities in life change, so will your plan. Your financial outlook might be altered by external factors like tax laws and investment returns. During times of market volatility, remind yourself that you have built a sound planning foundation.



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