



First Quarter 2019

Turning 65 Triggers an Important Deadline

There is a very narrow window for future retirees to enroll in Medicare or face lifelong delayed enrollment penalties. The initial Medicare enrollment period covers just seven months, the three months before you turn 65, your birthday month and three months after you turn 65. If you do NOT sign up during that time, your costs for Medicare coverage could be higher for the rest of your life. If you miss the initial enrollment period, you must wait until the next general enrollment period that occurs every January through March for coverage beginning July 1.



The exception is if you retire early and claim Social Security benefits before you are 65, in which case you are automatically enrolled in Medicare – although there's still a lot to be decided to optimize your coverage. If at age 65 you are still employed and covered by group insurance through a current employer, you can delay enrolling in Medicare penalty-free for up to eight months after your job or group insurance ends but make certain you have dotted the right "i"s and crossed the right "t"s to avoid delayed enrollment penalties.

The delayed enrollment penalty for missing the initial enrollment period is an additional 10% tacked onto the monthly premium for Part B for every 12 full months the individual was eligible to enroll in Medicare Part B but did not. Miss the deadline by two full years and the penalty increases to 20%. Miss by three full years and 30% is added to the premium. The higher premiums continue for as long as the individual is enrolled in Medicare Part B.

It's best not to wait until the last minute to sign up because Medicare coverage is increasingly complex and the financial impact of having insufficient coverage can be considerable. Only during the initial enrollment period or special enrollment period can new retirees choose a supplemental Medigap plan without medical underwriting. These plans are health insurance policies that offer standardized benefits that work with original Medicare (not a Medicare Advantage Plan).

Medicare has four parts. Part A covers hospitalization and is free for most people. Part B covers outpatient services and doctors' fees. In 2018, the monthly premium for Part B was \$134 for most enrollees, rising to \$135.50 in 2019. Higher-income retirees, i.e. individuals with modified adjusted gross incomes above \$85,000 and married couples with joint incomes of more than \$170,000, pay more. Medicare Part D covers prescription drugs and is also subject to high-income surcharges. Medicare Part C is a less expensive all-inclusive plan, also known as Medicare Advantage, which may offer additional benefits not provided by original Medicare, such as dental and vision care, and often includes prescription drug coverage.

Medigap plans pay part or all of certain costs, such as deductibles, coinsurance and copayments. Where you live will influence which of up to 10 different Medigap policies you will have to choose from: A, B, C, D, F, G, K, L, M and N, with Massachusetts, Minnesota and Wisconsin offering policies under different names.

Because unanticipated medical costs are one of the greatest risks individuals face in retirement, it's not unreasonable to start researching your options and costs when you turn 64, rather than waiting until you are eligible to enroll. Make certain your present doctor accepts Medicare if you wish to continue with the provider, or research alternative health providers, particularly if you are considering the lower cost Medicare Advantage Plan.

There's a lot more to retiring than kicking off your shoes and relaxing. You have work to do before you can take it easy!



Brian R. Carruthers, CFP, CMT



BRIAN CARRUTHERS & ASSOCIATES

Your Conservative Advisory Firm Since 1990
301 Forest Avenue
Laguna Beach, California 92651-2115 USA
Telephone: 1-949-464-1900
www.gobcafunds.com
brian@gobcafunds.com