



RETIREMENT AHA MOMENTS



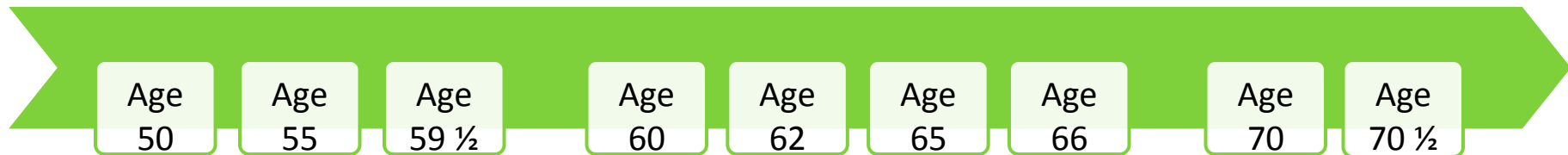
RETIREMENT AHA MOMENTS

Retirement Aha Moments

Be “In The Know” On Key Dates and Decisions



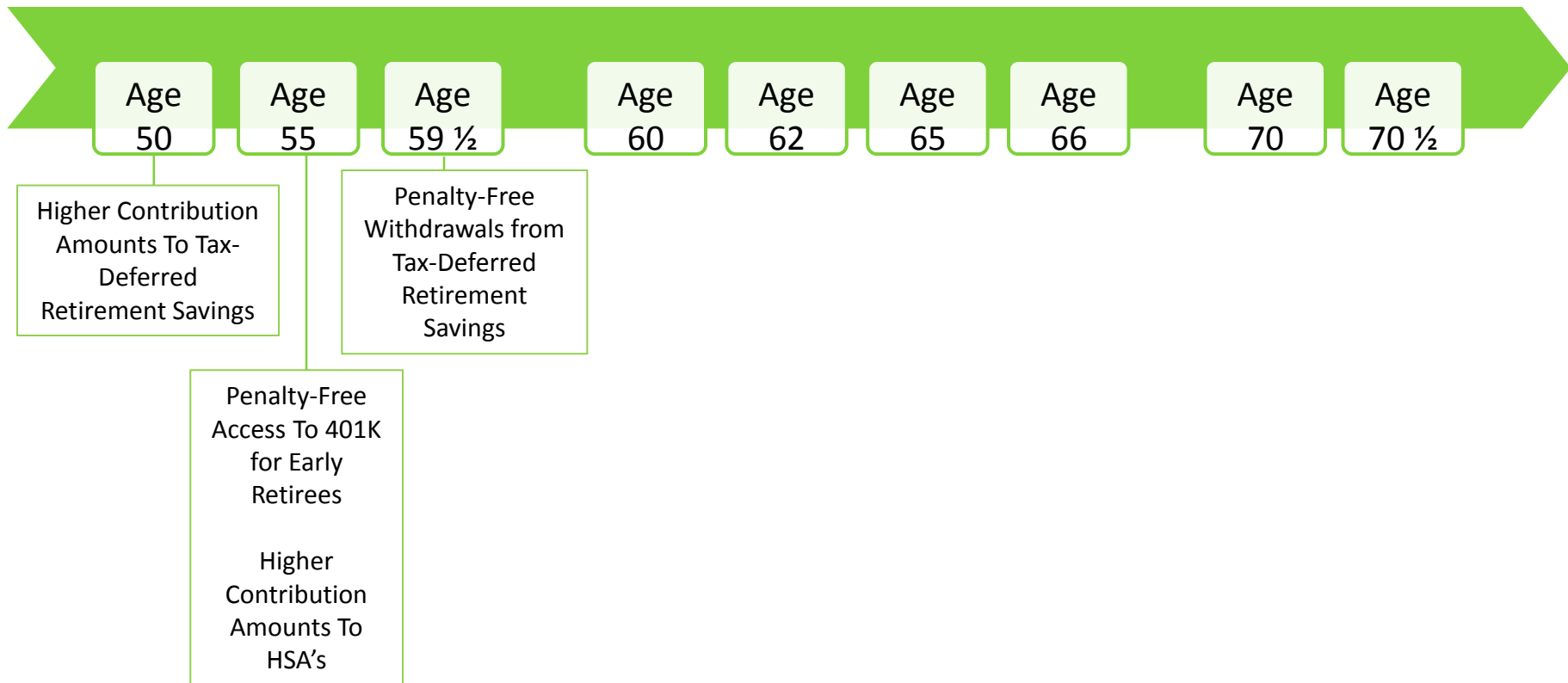
- When you or your spouse celebrate the birthdays shown below, be sure to check on the key benefits and requirements as shown on the next pages



Retirement Aha Moments

Be “In The Know” On Key Dates and Decisions

- Starting in your fifties...



Retirement Aha Moments



Age 50

Higher Contribution Allowance To Retirement Accounts

Starting at age 50, you can put more money into your tax-deferred IRA and 401(k) or your tax-free Roth accounts. This is known as a “catch up” contribution.

In 2015, if you are 50 or older you can put an extra \$6,000 into your employer-based retirement plans in addition to the \$18,000 allowed for younger workers, for a total of \$24,000.

Those 50 and older can also add an extra \$1,000 into a traditional or Roth IRA for a total of \$6,500 in 2015.

For details, go to: www.irs.gov

Retirement Aha Moments



Age 55

Penalty-free 401(k) Distributions For Early Retirees

If you leave your job at age 55 or older, you can take money out of your 401(k) or other employer-sponsored retirement account without the normal 10% federal tax penalty on early withdrawals. Remember, you will need to pay income taxes on the money that you withdraw. This is known as an “early out exception”.

This rule does not apply to IRAs, which penalize distributions before age 59 ½.

For details, go to: www.irs.gov

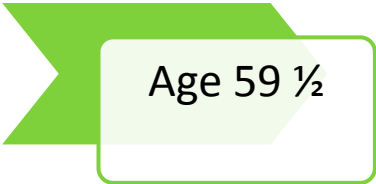
Higher Contributions To Health Savings Accounts

55 is also the age when individuals with a high-deductible health insurance plan can contribute an extra \$1,000 to a tax-deferred Health Savings Account (HSA) to pay for qualified medical expenses at any time without federal tax liability or penalty. In 2015, this means that you can contribute a maximum of \$4,350 (\$3,350 + \$1,000 catch-up) to an individual HSA or \$7,650 (\$6,650 + \$1,000) to a family HSA.

You can roll over unused HSA funds from year-to-year, so you can use these funds to offset some of your out-of-pocket healthcare expenses in retirement.

Call The US Dept. of the Treasury with HSA questions: 1-800-829-1040

Retirement Aha Moments



Age 59 ½

Penalty-Free Retirement Account Withdrawals

When you turn 59 ½, you are eligible to withdraw money from your IRAs and other qualified retirement plans without incurring a penalty.

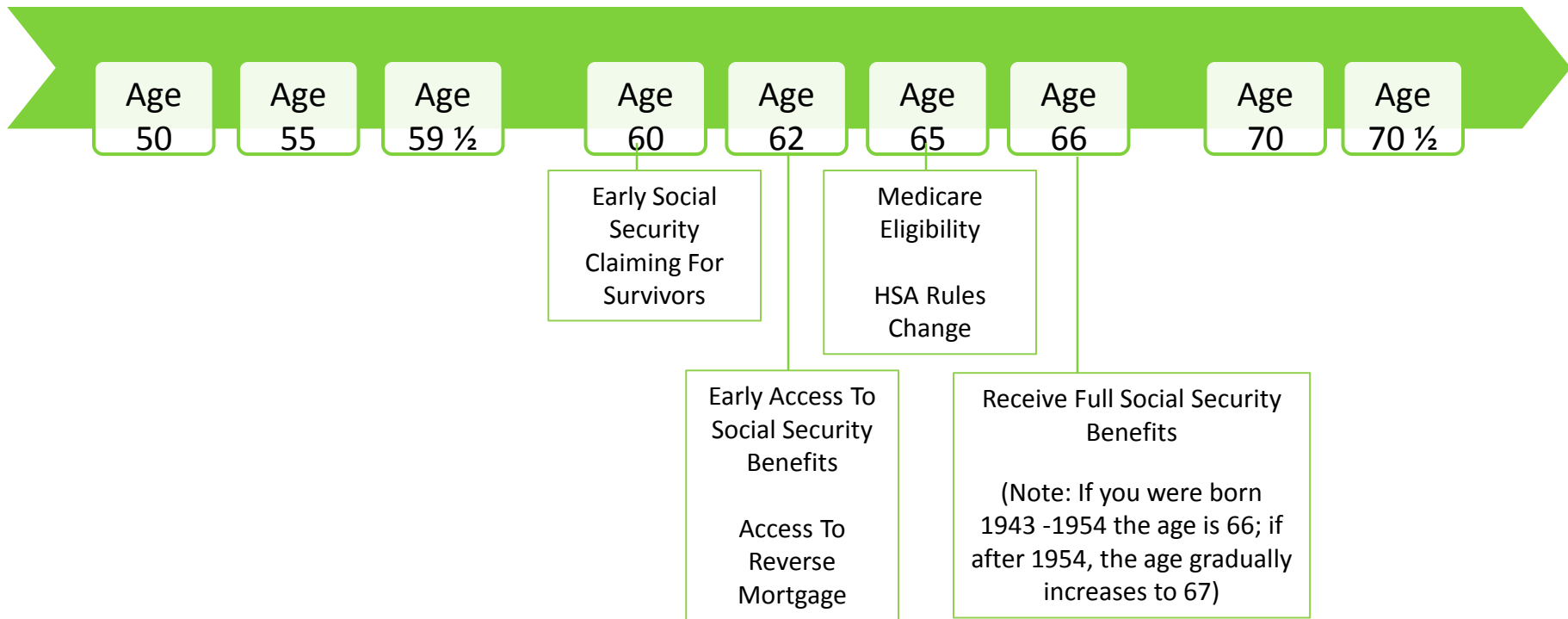
Remember, if you are still employed at age 59 ½, you will need to check your employer's policy, because some employers don't allow distributions from 401(k) or other types of retirement plans while you're still on the job.

For details, go to: www.irs.gov

Retirement Aha Moments

Be “In The Know” On Key Dates and Decisions

- Many of the important dates occur in your sixties...



Retirement Aha Moments



Age 60

Early Social Security Claiming For Survivors

If you are a widow or widower, you can collect Social Security survivor benefits as early as age 60.

However, it would be important to consider your options before you take this step. First, the amount that you would receive may be much lower (as much as 28.5% lower) than if you wait to claim your Social Security benefits at the “full retirement age”, which is 66.

Second, if you are still working at age 60, your survivor benefits may be reduced or even eliminated.

For details , go to: www.socialsecurity.gov/

Retirement Aha Moments



Age 62

Early Access To Social Security Benefits

You are entitled to collect retirement and spousal benefits as early as age 62, but it's really important to consider your options at this point.

See the charts in the Social Security section which show the extra benefits you will get by waiting until your full-retirement age of 66, or even until age 70 when you will receive the maximum benefits.

For details, go to: www.socialsecurity.gov/

Retirement Aha Moments



Age 62

Access To Reverse Mortgage

If you're looking for money to finance a home improvement, pay off your current mortgage, supplement your retirement income, or pay for healthcare expenses – you might consider a reverse mortgage.

It's a product that allows you to convert part of the equity in your home into cash without having to sell your home or pay additional monthly bills.

In a “regular” mortgage, you make monthly payments to the lender. In a “reverse” mortgage, you receive money from the lender, and generally don't have to pay it back for as long as you live in your home. The loan is repaid when you die, sell your home, or when your home is no longer your primary residence.

The proceeds of a reverse mortgage generally are tax-free, and many reverse mortgages have no income restrictions.

(cont'd on next page)

Retirement Aha Moments



Access To Reverse Mortgage (cont'd)

Age 62

Reverse mortgage loan advances are not taxable, and generally don't affect your Social Security or Medicare benefits.

There are three types of reverse mortgages:

- 1) *Single-purpose reverse mortgages*, offered by some state and local government agencies and nonprofit organizations
- 2) *Federally-insured reverse mortgages*, known as Home Equity Conversion Mortgages (HECMs) and backed by the [U. S. Department of Housing and Urban Development](#) (HUD)
- 3) *Proprietary reverse mortgages*, private loans that are backed by the companies that develop them

The HECM lets you choose among several payment options:

- "Term" option – fixed monthly cash advances for a specific time
- "Tenure" option – fixed monthly cash advances for as long as you live in your home
- Line of credit that lets you draw down the loan proceeds at any time, in amounts you choose until you have used up the line of credit
- Combination of monthly payments and a line of credit.

For more information go to: www.consumer.ftc.gov

Retirement Aha Moments

Age 65

Medicare Eligibility

When you turn 65, and you are already getting benefits from Social Security or the Railroad Retirement Board (RRB), you will automatically get Medicare Part A (Hospital Insurance) and Medicare Part B (Medical Insurance).

If you're 65 or older and you aren't getting Social Security or RRB benefits yet (for instance, because you're still working), you won't get Part A and Part B automatically.

- You can sign up during your Initial Enrollment Period, i.e. the 7-month period that begins 3 months before the month you turn 65, includes the month you turn 65, and ends 3 months after the month you turn 65; or.
- You can sign up during a Special Enrollment Period, which includes:
 - Anytime that you or your spouse are working, and you're covered by a group health plan through the employer;
 - During the 8-month period that begins the month after the employment ends or the group health plan coverage ends, whichever happens first

NOTE: There may be significant penalties if you do not sign up for Medicare coverage when required.

For details, go to: www.medicare.gov/Pubs/pdf/11219.pdf

Retirement Aha Moments



Health Savings Account Contributions Rules Change



Age 65

Once you've enrolled in Medicare, usually at age 65, you can no longer contribute to a Health Savings Account, but you can spend the money on anything, penalty free, but you'll continue to get tax-free reimbursements for qualified health care expenses.

Remember, you'll need to pay income taxes if you use these funds for any non-medical purposes.

Who to call for help with HSA questions:

1-800-829-1040

Retirement Aha Moments



Age 66

Receive Full Social Security Benefits

If you were born 1943 – 1954*, when you turn 66, you have reached what Social Security calls “Full Retirement Age” and you now qualify for your full benefits.

See the charts in the Social Security section which show the extra benefits you will get by waiting until age 70 when you will receive the maximum benefits.

For details, go to: www.socialsecurity.gov/

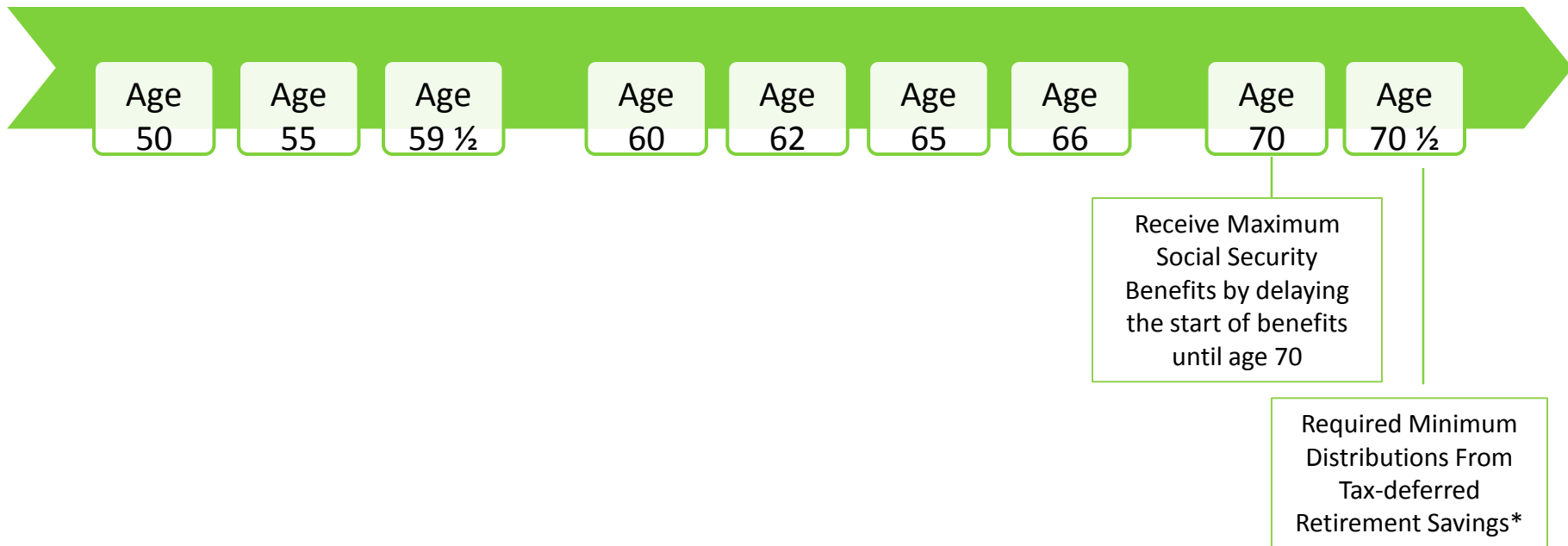
* If you were born after 1954, the age increases to 67

Retirement Aha Moments



Be “In The Know” On Key Dates and Decisions

- When you and/or your spouse turn seventy, you are considered truly “retired” by the government’s definition, and the full retirement program is now enacted



* Beginning with the April 1 following the calendar year in which you turn age 70 1/2, you must begin taking the required minimum distribution. Thereafter, you must take subsequent minimum distributions by each 12/31. Failure to take the required distribution can result in a penalty of 50% of the amount you should have taken. For details, go to <http://www.irs.gov/pub/irs-pdf/p590.pdf>

Retirement Aha Moments



Age 70

Receive Maximum Social Security Benefits

If you haven't started collecting retirement benefits, now is the time to start even if you keep working. Delayed retirement credits, worth 8% per year starting at full retirement age, end once you turn 70.

See the charts in the Social Security section which show the amounts that you and/or your spouse will receive.

For details, go to: www.socialsecurity.gov/

Retirement Aha Moments

Age 70 ½

Required Minimum Distributions From Your Tax Deferred Retirement Savings

Beginning no later than the April 1 following the calendar year in which you turn age 70 ½ you are required to start taking annual minimum distributions from your IRA and other tax-deferred retirement accounts.

If you don't comply, you'll owe a 50% penalty on any amount you fail to withdraw.

Minimum distributions are not required from Roth IRA's or Roth 401(k)s based on IRS life expectancy tables.

For details, go to: <http://www.irs.gov/pub/irs-pdf/p590.pdf>

SOCIAL SECURITY AHA MOMENTS

Social Security Aha Moments



Social Security Retirement Benefits

- You qualify for Social Security income benefits in your retirement by earning Social Security credits when you work in a job and pay Social Security taxes
- Anyone born in 1929 or later needs 10 years of work , or 40 credits, to be eligible for retirement benefits. People born before 1929 need fewer years of work
 - In 2013, you receive one credit for each \$1,130 of earnings, up to the maximum of four credits per year.
- If you stop working before you have enough credits to qualify for benefits, your credits will stay on your record. If you return to work later on, you can add more credits so that you can qualify
- You can calculate your Social Security benefits at www.socialsecurity.gov/planners/benefitcalculators.htm

Social Security Aha Moments



- If you are single, you are entitled to individual benefits based on your personal work history
- If you are married, your household is entitled to individual benefits, spousal benefits and survivor benefits

	Eligibility
Individual Benefits	Eligible to receive primary insurance amount (PIA) at full retirement age age 66
	Collecting earlier (at 62) <u>permanently</u> reduces benefits
	Deferring collection <u>permanently</u> increases benefits; no increases beyond age 70
Spousal Benefits	Eligible to receive 50% of spouse's PIA once spouse has filed.
	Amount is reduced by own individual benefits and/or collection of spousal benefits prior to FRA
Survivor Benefits	Eligible to receive, upon passing of spouse, the higher of: spouse's benefits OR 82.5% of spouse's PIA (assumes that surviving spouse has attained FRA).

Source: www.socialsecurity.gov

Social Security Aha Moments



At Age 62, You Should Seriously Consider Deferring Your Social Security Benefits So You Have a Larger Safety Net of Inflation-Adjusted Lifetime Income

This example shows that waiting until age 70 increases both the Individual Benefits and the Survivor Benefits quite significantly

Husband's Social Security Benefits	Individual Benefits	Adjusted Spousal Benefits For Wife	Survivor Benefits For Wife
62	\$1,650	\$350	\$1,815
66	\$2,200	\$500	\$2,200
70	\$2,904	\$308	\$2,904

Note: When to begin Social Security is a very personal decision and beginning earlier may make sense for you, e.g. you are not in good health, have a family history of shorter than average life expectancy or simply desire to retire early and do not have other income to tap. Keep in mind however, that you'll receive much lower monthly income than if you wait.

Source: www.socialsecurity.gov

Social Security Aha Moments



The Amount of Social Security Income That Your Household Will Receive in Retirement Will Depend On When Both Spouses Begin To Claim Benefits

Example: Husband Lives to Age 85, Wife Lives To Age 92				
	Both Start Collecting at Age 62	Both Start Collecting at Age 66 (FRA)	Both Start Collecting at Age 70	Hybrid Approach *
Wife's Individual Benefits	\$129,600	\$144,000	\$152,064	\$129,600
Wife's Spousal Benefits	\$100,800	\$120,000	\$59,136	\$120,000
Husband's Individual Benefits	\$475,200	\$528,000	\$557,568	\$557,568
Wife's Survivor benefits	\$152,460	\$184,800	\$243,936	\$243,936
Total Benefits	\$858,060	\$976,800	\$1,012,704	\$1,051,104

* Hybrid Approach: Wife Begins Claiming Her Own Reduced Benefits at Age 62 and Unreduced Spousal Benefits at 66. For additional information on how to optimize your household's Social Security benefits, go to www.socialsecurity.gov/retire2/yoursouse.htm#a0=0

MEDICARE AHA MOMENTS

Medicare Aha Moments



Medicare “Parts” and Definitions

- **Part A** covers **Hospital insurance**. It helps pay for inpatient care in a hospital or skilled nursing facility (following a hospital stay), some home health care and hospice care
- **Part B** covers **Medical insurance**. It helps pay for **doctors’ services** and many **other medical services and supplies** that are not covered by hospital insurance
- **Part C** refers to **Medicare Advantage plans, which are available from private health insurance carriers** are available in many areas. People with Medicare Parts A and B can choose to receive all of their health care services through one of these provider organizations under Part C
- **Part D** covers **Prescription Drugs**. It helps pay for medications doctors prescribe for treatment

Medicare Aha Moments



Three Simple Steps In Selecting Your Medicare Coverage

- **Step 1: Decide if you want Original Medicare or a Medicare Advantage Plan**
 - You can choose “Original Medicare”
 - You can choose a Medicare Advantage Plan
 - If you don't join a Medicare Advantage Plan or other Medicare health plan, you'll have Original Medicare
- **Step 2: Decide if you want prescription drug coverage (Part D)**
 - If you want this coverage, you must choose and join a Medicare Prescription Drug Plan. You usually pay a monthly premium
 - These plans are run by private companies approved by Medicare
- **Step 3: Decide if you want supplemental coverage (Original Medicare only)**

Medicare Aha Moments



Step 1: Decide if you want Original Medicare or a Medicare Advantage Plan

- **What is Original Medicare?**
 - Part A (Hospital Insurance) and Part B (Medical Insurance)
- **Who provides coverage?**
 - Medicare provides this coverage
- **How do you choose your providers?**
 - You have your choice of doctors, hospitals, and other providers that accept Medicare
- **Who pays the premiums?**
 - You usually pay a monthly premium for Part B
- **Who pays deductibles and coinsurance?**
 - Generally, you or your supplement coverage pay deductibles and coinsurance
 - “Coinsurance” is an amount you may be required to pay as your share of the cost for services, after you pay any deductibles; usually a percentage , for example 20%)

Medicare Aha Moments



Step 1: Decide if you want Original Medicare or a Medicare Advantage Plan

- **What is A Medicare Advantage Plan?**
 - It is referred to as “Part C”. It includes **both** Part A (Hospital Insurance) and Part B (Medical Insurance)
- **Who provides coverage?**
 - Private insurance companies approved by Medicare provide this coverage
 - You can choose a Health Maintenance Organization (HMO) or Preferred Provider Organization (PPO)
- **How do you choose your providers?**
 - In most plans, you need to use plan doctors, hospitals, and other providers or you pay more or all of the costs
- **Who pays the premiums?**
 - You usually pay a monthly premium (in addition to your Part B premium)
- **Who pays deductibles and coinsurance?**
 - You may pay a copayment or coinsurance for covered services. Costs, extra coverage, and rules vary by plan

Medicare Aha Moments



Step 2: Decide if you want prescription drug coverage (Part D)

- **You Choose Original Medicare**
 - If you want prescription drug coverage, you must choose and join a Medicare Prescription Drug Plan
 - You usually pay a monthly premium
 - These plans are run by private companies approved by Medicare
- **You Choose A Medicare Advantage Plan**
 - If you want prescription drug coverage, and it's offered by your Medicare Advantage plan, you must get it through your plan
 - Some types of plans don't offer drug coverage, so you can join a Medicare Prescription Drug Plan separately

Medicare Aha Moments



Step 3: Decide if you want supplemental coverage (Original Medicare only)

- You may want to get coverage that fills the “gaps” in Original Medicare coverage Parts A and B
 - You can choose to buy a Medicare Supplement Insurance (MediGap) policy from a private company
 - Costs vary by policy and company
- Examples of “gaps”: Medicare Part A Hospital coverage does not include: private-duty nursing, a private room (unless medically necessary); a television and a phone
- If you join a Medicare Advantage Plan:
 - You can't use MediGap to pay for out-of-pocket costs you have in a Medicare Advantage Plan
 - You can't be sold a MediGap policy
 - You can only use a MediGap policy if you cancel your Medicare Advantage Plan and return to Original Medicare

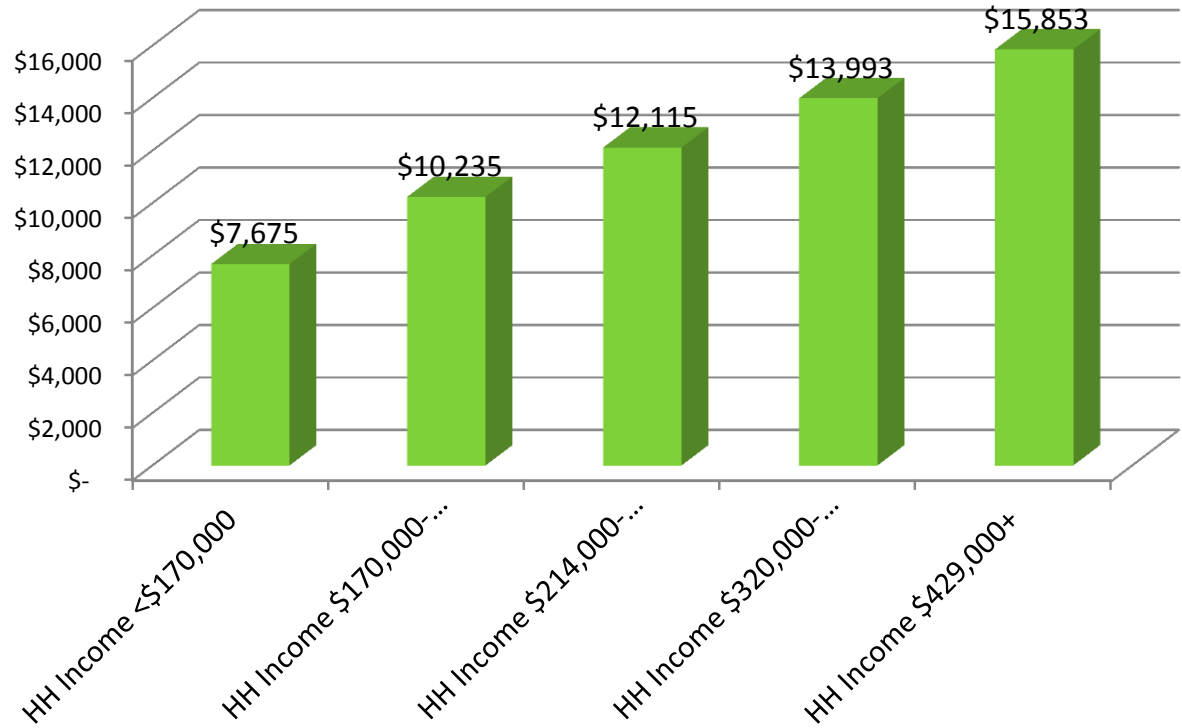
Medicare Aha Moments



Did You Know That Your Annual Medicare Costs May Increase If Your Income Increases?

- Medicare costs will be higher for those with a higher Modified Adjusted Gross Income or MAGI
- As shown, if your household's annual MAGI increases from below \$170,000 to between \$170,000 and \$214,000, your annual Medicare costs will increase from \$7,675 to \$10,235
- How might this happen? Let's say that you received a large influx of cash in a given year (from the sale of stock options, sale of a business, taking income from your tax-deferred savings after 70½), you would have a higher income for that year and your Medicare costs would be adjusted accordingly

Total Household Medicare Costs For Healthy Couple Aged 66



For details, go to: www.socialsecurity.gov/pubs/10536.html

Disclaimer

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