Social Security and Medicare: Managing the Maze

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Welcome, everyone! Thanks for attending this [Summit Chapter/chapter] educational event.

For those of you who aren’t currently members of Modern Woodmen of America, we’re glad you’re here! Educational programs are just one of the many ways Modern Woodmen gives back to the community. Please see me after this program if you’d like to learn more about our many other member benefits. I’ll be glad to give you some information.

Social Security retirement benefits and Medicare are the topics of [today’s/tonight’s] presentation.

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First, let’s talk about Social Security retirement benefits.

Social Security covers about 96 percent of all American workers. To qualify for benefits, you must have earned 40 “credits” by working and paying Social Security taxes a total of 10 years (fewer if you were born before 1929).

You can earn up to four credits each year you work and pay Social Security taxes. The number of credits you earn depends on your level of earnings during the year. Most workers easily earn the maximum four credits each year.
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The monthly Social Security benefit you can expect to receive will depend on:
- Your average earnings over your working years.
- The age at which you decide to begin collecting benefits.

The age at which you’re eligible to begin receiving full Social Security benefits varies according to the year you were born. For example, if you were born between 1943 and 1954, your full retirement age is 66. If you were born in 1960 or later, full retirement age is 67. If you were born between 1954 and 1960, it’s somewhere in between.

You should apply for benefits about three months before you want to begin receiving them. You can sign up by calling 800-772-1213, or you can apply online at ssa.gov. When you apply, you’ll need your birth certificate, last year’s W-2 form and other forms.

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If you take early or late retirement, your Social Security benefits will be affected.

If you retire earlier than your full retirement age – say, at age 62 – and begin collecting benefits at that time, your total benefits are decreased by about 25 percent. If, on the other hand, you were born in 1943 or later and you decide to collect benefits later than your full retirement age, your benefits will increase 8 percent each year you delay, or until you reach age 70.

Keep in mind it’s really important to sign up for Medicare at age 65 no matter what your decision concerning Social Security. We’ll discuss Medicare more in a few minutes.
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Three months before workers reach age 25, and every five years thereafter, the Social Security Administration mails statements to those who aren’t yet receiving benefits and do not have a My Social Security account. The statements describe the benefits that might be expected at age 62, full retirement age and age 70. Hang onto these statements! Your Modern Woodmen financial representative can use this information as you discuss your financial plans for retirement.

The Retirement Estimator at ssa.gov can also provide these estimates. Just enter basic personal information and your annual earnings last year.

A worker’s current spouse is eligible for up to half of his or her retirement benefits. Spouses who are entitled to full benefits because of their own employment will receive the higher of the two benefit amounts.

If desired, spouses can maximize their own benefits by taking the spousal benefit amount until their own full retirement age or up to age 70.

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If a person’s deceased spouse was eligible for retirement benefits, he or she can receive survivors benefits beginning at age 60, or age 50 if disabled. These benefits are not affected by remarriage. For more information, go to ssa.gov and search under “Survivors Benefits.”

Under certain conditions, an ex-spouse may qualify for an eligible worker’s benefits. The couple must have been married 10 or more years and the ex-spouse must be 62 years of age or older. For more information, visit ssa.gov and search for “If You Are Divorced.”

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You can continue working while collecting Social Security retirement benefits. But your benefits will be reduced $1 for every $2-$3 you earn if your income exceeds certain limits.

Once you’ve reached full retirement age, your benefits won’t be reduced, no matter how much you earn. But keep in mind some who receive Social Security must pay federal income taxes on their benefits.

If you have questions about employment and retirement benefits, go to ssa.gov and read the “How Work Affects Your Benefits” booklet.
Here are some final thoughts about Social Security.

To live comfortably in retirement, you’ll need about **70-80 percent** of your preretirement income.

Social Security will only provide about **40 percent** of this amount, so you will have to supplement your Social Security benefits with savings accounts, investments, a 401(k), annuities and other forms of retirement income. You might even consider taking a part-time job.

Due to a huge increase in the aging population, annual Social Security retirement benefits exceeded payroll tax revenues in 2013. If no changes are made, it’s estimated the system will provide just 79 percent of benefits owed when funds are exhausted in 2034. (2015 Old-Age, Survivors, and Disability Insurance Trustees Report)

As you consider important financial decisions before and during retirement, your Modern Woodmen financial representative and the Retirement Planning section of Modern Woodmen’s website, modernwoodmen.org, can be valuable resources.

The Social Security website, ssa.gov, features more than 100 online publications – and many other resources as well. I think you’ll find the booklet “Social Security Retirement Benefits” (Publication 05-10035) especially helpful for answering any questions you may have.

All the publications are regularly updated so you get the very latest information.

Before we move on to discuss Medicare, does anyone have any questions about Social Security retirement benefits?
Now let’s turn our attention to Medicare.

As you know, Medicare is America’s health insurance program for those 65 and older. Younger people who have a disability or certain serious diseases can also qualify for Medicare.

Medicare covers only a portion of health care costs – and it doesn’t include most long-term care.

Medicare consists of four parts, A through D. We’ll discuss each part separately.

Medicare Part A is hospital insurance for inpatient care or care in a skilled nursing facility after a hospital stay. Part A also includes some follow-up services like home health care and hospice care. You can visit ssa.gov to learn about the eligibility requirements for Medicare Part A.

If you’re eligible for Social Security benefits or meet other requirements, enrolling in Medicare Part A will require no additional premiums. Other individuals can receive Part A benefits by signing up during an enrollment period and paying a monthly premium.

Even if you’re still working at age 65, you’re eligible to receive benefits under Medicare Part A.

Medicare Part B is medical insurance. It covers doctors’ care, outpatient hospital procedures and other medical services. If you’ve reached full retirement age and are eligible for Social Security benefits, you’re eligible for Medicare Part B as well as Part A.

When you enroll in Part B, you’ll begin paying a monthly premium. This premium is deducted from your Social Security check.

You can opt out of Part B coverage. But if you change your mind later and decide to enroll, you’ll pay an additional 10 percent for each 12-month period you weren’t enrolled in Part B.
If you’re already receiving Social Security benefits and are about to turn 65, you’ll receive Medicare enrollment information a few months before your birthday. If you’re not yet receiving benefits and are no longer working and covered by group health insurance, you must sign up during Medicare’s seven-month Initial Enrollment Period, which begins three months before your 65th birthday. If you don’t enroll during the Initial Enrollment Period, you may have to pay higher monthly premiums when you do sign up. This “late enrollment penalty” will continue throughout the period of time you’re covered by Medicare Part B. If you’re still working at age 65 and are covered by a group health insurance plan, you can delay Medicare enrollment with no penalty. You will instead sign up during a Special Enrollment Period.

Medicare Part C includes Medicare Advantage plans offered through private, Medicare-approved companies. These plans provide Parts A and B, and most offer Medicare Prescription Drug Plans (Part D). Some Medicare Advantage plans may also offer coverage for vision, hearing, dental and/or health and wellness programs. Each plan has its own unique set of rules, premiums and out-of-pocket costs. Even if you enroll in a Medicare Advantage plan, you will still have to pay premiums for Medicare Part B (medical insurance).
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Medicare Part D includes Medicare Prescription Drug Plans or PDPs.

Medicare Parts C and D have specific enrollment periods each year. If you don’t sign up for Part D when you’re first eligible, you’ll have to pay a late enrollment penalty with each month’s premiums when you do enroll, for as long as you have Part D coverage. You can delay enrollment in Part D, however, if you’re currently working and have adequate prescription coverage.

If you’re enrolled in Part D and experience gaps in coverage, you may be able to find discounted generic and brand-name prescription drugs.

You can locate pharmaceutical and state assistance programs in your area by going to BenefitsCheckUp.org, a free service of the National Council on Aging.

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While they sound similar, Medicare and Medicaid are different programs.

Medicaid provides hospital and medical coverage for individuals with low incomes and little to no resources. Medicaid is jointly managed by the state and federal governments, so eligibility and coverage vary.

To access state Medicaid information and an online application, search “Medicaid” and the state name. A website with the domain name .gov will be a reputable resource.

If a person doesn’t qualify for Medicaid, he or she may still qualify for Medicare’s Extra Help program. This program helps cover the costs associated with a Medicare prescription drug plan, including premiums, deductibles and copayments.

Some states offer their own pharmaceutical assistance programs that help with premiums and other drug costs. To see if your state is among them, go to medicare.gov.
Medigap is Medicare Supplement Insurance. Medigap can help pay a share of the health costs not covered by the original Medicare program. If you enroll during the first six-month period following your 65th birthday – the Medigap Open Enrollment Period – you have the right to buy any Medigap policy sold in your state, regardless of health status.

In general, to be covered by Medicare Supplement Insurance, you must have Medicare Parts A and B. But if you’ve joined a Medicare Advantage plan (that is, if you have Medicare Part C), you cannot purchase a Medigap policy.

Medigap plans vary by benefits offered and premiums required.

Before we wrap up this presentation, does anyone have questions about the topics we’ve discussed? Be sure to check out the Social Security and Medicare/Medicaid websites! They have complete and up-to-date resources, including a benefits planner, calculators, forms and helpful publications, podcasts and webinars.

No matter what your retirement plans include, it’s important to work with an organization that understands the unique needs of individuals before and during their retirement years.

Modern Woodmen can help you as you make important decisions. We’ve been working with members since 1883, and you can depend on our financial strength.

If you do need assistance, I’d [your local Modern Woodmen representative would] be happy to sit down with you to discuss your unique situation and goals. Feel free to see me [call or email him or her] after this presentation to set up a time that’s convenient for you.

Thanks again for joining us for this presentation on Social Security and Medicare. We look forward to seeing you at our next [Summit chapter/chapter] event! [Offer the time and place.]