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LYNN'S TOP FIVE Medicare Planning at Retirement - It's Not for Sissies!

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Lynn Ballou is a CERTIFIED FINANCIAL PLANNER (tm) professional and co-owner of Ballou Plum Wealth Advisors, LLC, a Registered Investment Advisory (RIA) firm in Lafayette. Lynn is also a Registered Principal and Branch Manager with LPL Financial (LPL). The opinions voiced in this material are for general information only and not intended to provide specific advice or recommendation for any individual. Financial Planning offered through Ballou Plum Wealth Advisors, A Registered Investment Advisor and a separate entity. Securities offered through LPL Financial, member FINRA/SIPC. how your coverage works with Medicare and if you need to sign up.

2) There are expensive and lifelong Medicare penalties if you don't sign up in time: Paying attention to these enrollment periods is so critical because if you miss deadlines, permanent penalties will apply to your premiums for as long as you have Medicare coverage. For example, if you are on a COBRA or in a retiree health plan when you turn 65, you are not considered covered by medical insurance based on current employment. You must, therefore, sign up for Medicare when you are first eligible at the age of 65 (see time window above) or face penalties. For example, your Part B monthly premium can have an add-on penalty of 10 percent for each full year that you should have been enrolled and were not.

3) What if you started receiving Social Security income before age 65: If this is the case, you will be automatically signed up for Part A and Part B starting on the first day of the month you turn 65. You then need to add on a Part C Advantage Plan or a Medigap plan (if you want it) and/or Part D coverage on your own.

4) Think about a Medigap Plan: According to the Medicare website (see reference below), Medigap insurance is sold by private companies and can help pay some of the health care costs that Parts A and B don't cover such as copayments and deductibles. You pay a private insurance company for this coverage in addition to your Part B premiums, and each policy can only cover one person (husband and wife must each have their own policy). The Medicare website points out that Medigap insurance is different from Part C Medicare Advantage plans because

Like a good mystery novel, planning for Medicare at retirement is a process full of many twists of plot, some odd characters and often a shocker ending. Unraveling the integration of Medicare into your new retirement lifestyle and budget can send you to the hair salon for a color treatment faster than most any other aspect of retirement planning. I sat down with my business partner, Marilyn Plum, CFP(r) who is our in-house "go to" person for Medicare planning, and asked her for five often misunderstood or forgotten planning issues on this topic. First, some definitions, as provided by the U.S. Social Security Administration website:

Medicare Part A - Hospital Insurance: Part A is paid for by a portion of Social Security tax. It helps pay for inpatient hospital care, limited skilled nursing care, hospice and other services.

Medicare Part B - Medical Insurance: Part B is paid for by the monthly premiums of people enrolled and by general funds from the U.S. Treasury. It helps pay for doctors' fees, outpatient hospital visits and other medical services and supplies that are not covered by Part A.

Medicare Part C - Medicare Advantage: Plans allow you to choose to receive all your health care services through a provider organization. These plans may help lower your costs of receiving medical services, or you may get extra benefits for an additional monthly fee. You must have both Parts A and B to enroll in Part C.

Medicare Part D - Prescription Drug Coverage: Is voluntary and the costs are paid for by the monthly premiums of enrollees and Medicare.

So, moving on, here's what Marilyn recommended I share with you:

1) Sign up before you turn 65 years of age: If you are approaching age 65, be on high alert and start making your Medicare coverage decisions early. You need to sign up for Medicare within a seven month window that is calculated as starting three months before the month that you turn 65, the month you turn 65, and ending three months after the month you turn 65. If you or your spouse are still working at age 65, contact your benefits department to learn about

Medigap policies only supplement your original Medicare benefits. Also note: Medigap plans sold after January 2006 cannot cover prescriptions.

5) Join a Part D Plan: Even if you don't need it now, you should seriously consider electing to join a Part D plan, even with the lowest amount of coverage, so you are at least enrolled in a plan. Again, it's about leaving your options open and avoiding penalties later on. Penalties apply if you do not sign up for a Part D plan when you are first eligible, or if you go for 63 days or more in a row without this coverage. The late enrollment penalty is expensive - 1 percent of the "national base beneficiary premium" (\$31.17 in 2013) per uncovered month!

To say the least, this is just a tiny piece of the whole Medicare picture. In addition to your own valued family health insurance agent and specialist, there are other great independent resources for further guidance. We, and our clients, have found the following particularly helpful:

- Health Insurance Counseling and Advocacy Program (HICAP) for Contra Costs County (and other counties): www.cchicap.org - HICAP offers free local group presentation and individual counseling on Medicare and supplement plans. They are independent and do not represent any insurance company.

- Medicare: www.medicare.gov

- The Henry J. Kaiser Family Foundation: <http://www.kff.org>

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