

Health Care in Retirement: Should I Be Worried? How Much Should I Save?

One of the most complex parts of your retirement paycheck is the cost of your health care. As you plan for your retirement, make your health a priority by getting acquainted with your healthcare options now. Medicare, the federal program that provides health insurance for people over age 65 is a health care lifeline to the more than 20 million women who rely on it. As you consider what your future costs will be, keep in mind that **not all Medicare services are free and not all medical services are covered by Medicare**. So, as you plan, be sure you include the cost of health care—public and private insurance as well as out-of-pocket expenses.

Estimating how much you will need in addition to Medicare can be difficult, because a lot of what you need to know to create a plan depends on guesswork. For example, how long will you live? How healthy will you be? Will you have any “pre-existing conditions?” What will be the cost of Medicare Part B or a Medicare Advantage Plan when you reach age 65?

To help you get started, here is some information on how to supplement Medicare costs and where you can go for more information.

The ABCs of Medicare

Medicare is an option if you are age 65 and you or your spouse paid Medicare taxes for at least ten years. Some older people who do not have the ten years may purchase Part A hospital coverage by paying a monthly premium.

There are two types of Medicare: original Medicare (Parts A and B) and Medicare Advantage Plans (Part C).

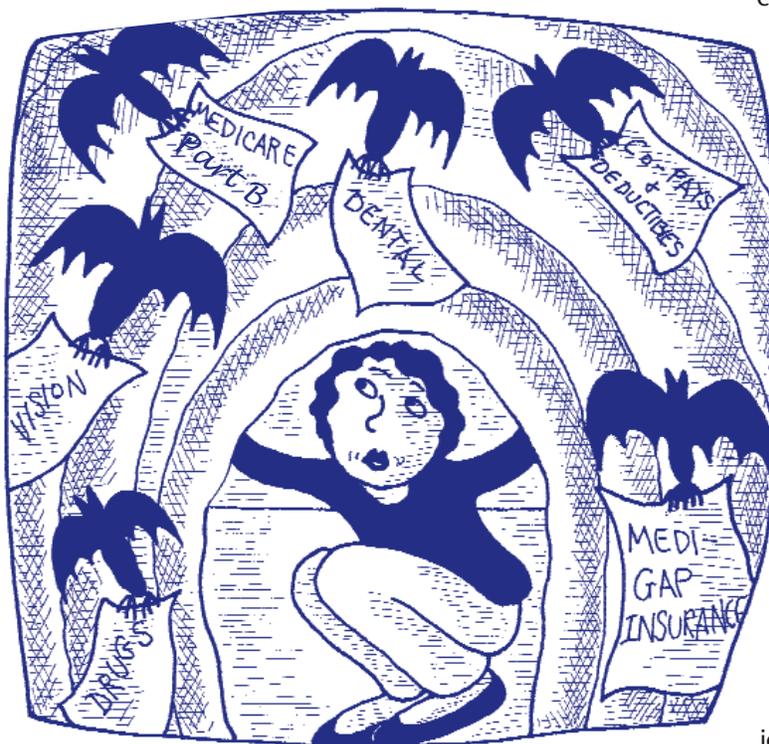
Medicare Part A helps pay for hospital care. It also covers some care and rehabilitation in a nursing facility or in your home immediately after a hospital stay. **Part A** includes inpatient psychiatric care and some home health assistance. But be warned: **it does not cover long-term care.**

Part A offers up to 60 days of inpatient hospital care and your only cost is a deductible. After 60 days, there are additional costs that increase with the length of stay. If you need a skilled nursing facility there is no cost for the first 20 days, if you have been in the hospital for a designated period of time.

Part B helps pay for doctors' services and some outpatient care such as rehabilitation. To participate in Part B, you must pay a monthly premium that is subtracted from your Social Security benefit. For most

I got the bill for my surgery. Now I know what those doctors were wearing masks for.

~James H. Boren



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From WISER's President



Dear Friends,

While the upcoming elections are promising health care reform, the best way to protect yourself is to stay involved. Be aware of and plan for some of the potential costs down the road.

In this issue, we write about some of the costs you are likely to incur in your future retirement. Take the time to learn as much as you can and begin to put the pieces in place.

Many experts advise working as long as you possibly can and delay taking Social Security benefits if you can hold off. The longer you wait to take benefits the better chance you will have to increase your monthly amount and the shorter the time to rely on your nest egg.

It's easier to make changes in your 40's, 50's and 60's when there is still time to make the decisions that you will have to live with for decades.



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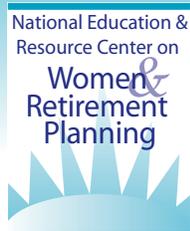
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New Program for Alzheimers Caregivers

The Copper Ridge Insitute (affiliated with Johns Hopkins) recently developed *Caring For a Loved One with Alzheimer's Disease*. The first training resource of its kind for caregivers, this program provides a step-by-step method for caring for those with Alzheimer's. The program recreates many of the daily situations that caregivers may encounter and provides coaching for each of these activities based on best practices. Offering breakthrough methods, it has been designed to help those who are faced with the daunting and emotionally charged task of caring for those with dementia. The FREE program is available as a DVD and webcast at www.alzcast.org

Five Tips to Protect Yourself from Health Care Fraud

- 1 If someone **calls** and tries to threaten or pressure you into something—simply hang up the phone.
- 2 If someone **comes to your door** and says they are from Medicare or some other health care company —shut the door...*it's shrewd to be rude!*
- 3 Do your homework and talk to your health care provider before buying or investing in **internet** "cure-all" or "miracle" products or services.
- 4 Treat your **Medicare** and **Social Security numbers** like credit cards. If someone offers to buy your Medicare or Social Security number, **don't sell it...it's not worth it.**
- 5 Remember that "Medicare" doesn't sell anything.

Source: National Consumer Protection Technical Resource Center

Seniors Concerned More About Health Care Fraud than Terrorism

Thirty-seven percent of seniors between ages of 62 and 75 ranked health care fraud as a greater concern to them than terrorism! Health care fraud not only wastes precious dollars but can also endanger the health of seniors.

The National Consumer Protection Technical Resource Center publishes a consumer education pamphlet for seniors "12 Tips to Protect Yourself from Health Care Fraud". The Resource Center is funded in part by the federal Administration on Aging. Find the Center's website at <http://www.smpre source.org> and scroll down to "12 Tips" to download a free copy of the brochure. The brochure is also available in 5 languages in addition to English.

My 401(k) is Shrinking!

The current weak economy and collapsing powerhouses on Wall Street is causing anxiety among pre-retirees and even current retirees.* Many workers have found recently that the value of their savings has been greatly reduced by the poor performance of the stock market. Falling house values have also reduced a source of cash that many retirees were counting on in retirement. The answer for many people is to delay the date of retirement or to return to work if possible.

Delay Retirement

If you choose to delay your Social Security benefits, the benefits will increase by 8% for each year that you delay beyond normal retirement age, up to age 70. For many workers, Social Security benefits are the only part of their retirement income resources that increases annually with the cost-of-living. Maximizing your Social Security benefit is a particularly important strategy for building your future retirement income. Workers who fall short of

their retirement income goal should give this option serious consideration. See the chart below.

Working beyond the normal retirement age has the important benefit of allowing more time to recoup savings lost in the current financial turmoil. If you are able to continue working and contributing to a 401(k), you will add more muscle to your financial plan.

Of course, while you are working, you have the added benefit of not drawing down savings for living expenses. Drawing down savings when the stock market is low is a double hit. You reduce your account balance by the amount you spend, and also what you would have recovered when the market goes back up. In other words, you deplete your savings faster than if you waited until the market recovers. Finally, when you work longer, you do not have as many years of retirement to fund. With fewer years, you may be able to withdraw a slightly larger amount each year. ☒

The answer for many people is to delay the date of retirement or to return to work if possible.



**FINRA has excellent resources on protecting your assets after a firm declares bankruptcy or liquidates. Visit www.finra.org for more information and read their latest investor alert "If a Brokerage Firm Closes Its Doors."*

The Benefits of Delaying Retirement

You may start receiving Social Security benefits as early as age 62. But for full benefits, you have to wait until full retirement age. Work beyond that age, and there is a benefit increase.

Year of Birth	Full Retirement Age	Percentage of reduction in benefits for those retiring at 62	Percentage increase in benefits for those working beyond full retirement age
1937 or earlier	65	20.00%	6.5%
1938	65 and 2 months	20.83	6.5
1939	65 and 4 months	21.67	7.0
1940	65 and 6 months	22.50	7.0
1941	65 and 8 months	23.33	7.5
1942	65 and 10 months	24.17	7.5
1943 to 1954	66	25.00	8.0
1955	66 and 2 months	25.84	8.0
1956	66 and 4 months	26.66	8.0
1957	66 and 6 months	27.50	8.0
1958	66 and 8 months	28.33	8.0
1959	66 and 10 months	29.17	8.0
1960 and later	67	30.00	8.0



Source: Social Security Administration

What Happened to Our Pensions?

Thanks, in large part, to the 78 million boomers who will start turning 65 in 2011, the number of people over age 65 is expected to double within the next 25 years. By 2030, almost 1-out-of-5 Americans will be 65 or older. It is ironic as more people are getting ready to leave the workforce, there are fewer traditional pensions than there were 15 years ago. Traditional plans pay a specified amount based on years of work and level of income.

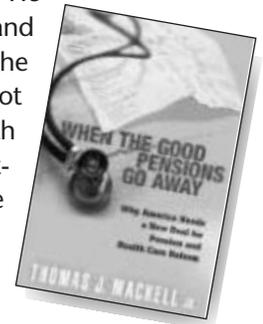


What has happened? Some answers can be found in two new books: *Pension Dumping: The Reasons, the Wreckage, the Stakes for Wall Street* by Fran Hawthorne, Bloomberg Press and *When the Good Pensions Go Away: Why American Needs a New Deal for Pension and Health Care Reform* by Thomas J. Mackell Jr., John Wiley and Sons.

Why is a pension terminated and what happens when it is? In *Pension Dumping: The Reasons, the Wreckage, the Stakes for Wall Street*, Fran Hawthorne examines what goes on before and after a company “dumps.” She tackles such topics as the role of the bankruptcy court, the parts played by

lawmakers, CEOs, Labor Unions and workers. Who wins and who loses? Ms. Hawthorne’s thought-provoking work is not for the novice, but it’s a fascinating, informative book. For more information from the publisher, go to: www.Bloomberg.com.

In his book *When the Good Pensions Go Away*, Thomas Mackell outlines how a combination of factors has led America to the edge of financial disaster. He looks at health care and pension issues and then identifies how we can begin solving the problems by offering 12 steps to reverse not only the pressures on pensions and health care benefits but also to counter the political, social, and economic forces that have led to attacks against them. Mackell asserts that “Retirement income security has been eroding for more than two decades without apparent alarm coming from the nations capitol and its political leaders. This book contains information and ideas that should start people asking the correct questions about their pensions and health plans. (For more information from the publisher go to: www.Wiley.com.)”



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retired women, the premium was \$96.40 in 2008. The premium will remain the same in 2009.

How Does the Part B Premium Affect Your Social Security Benefit Check?

Most Medicare Beneficiaries pay the Standard Monthly Premium Amount	Premium Amount (2008)
Individuals with a modified adjusted gross income of \$82,000 or less, and married couples with income of \$164,000 or less.	Standard Premium \$96.40
For those with higher income the premiums range from:	\$142.20 to \$238.40

Source: <http://www.socialsecurity.gov/pubs/10162.html#premium>.

Part C Medicare Advantage is run by private insurance companies and replaces Parts A and B. These plans cover the same things as A and B, but may offer extra benefits such as

vision, dental care, and prescription drugs. Your out-of-pocket costs change with each Advantage plan.

Part D covers prescription drugs. Just like Part C, these plans are run by insurance companies and other private companies that are approved by Medicare. Different plans offer different coverage and costs. Most of the plans charge a monthly premium and some may have a yearly deductible. Depending on the plan you pick, you may be asked to pay a copay on each prescription. Once you and your plan have paid up to \$2,400, you are responsible for all your costs until you spend \$3,850—the “donut hole.” Once annual spending reaches \$3,851, Part D pays 95% of the costs.

Closing the Gap: When Medicare Isn’t Enough

Medigap plans are private insurance plans that help pay for what Medicare Parts A and B do not cover—things such as deductibles and co-insurance. If you’re using a Medicare Advantage plan, you are not eligible for a Medigap policy. When it comes to deciding on a Medigap policy be a savvy

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shopper. There are 12 basic Medigap policies (labeled A through L). The plans in each category (all the A plans, all the B plans, etc.) are required to offer the same basic benefits. The difference in plans is the cost. So, find out the premium amount each insurance company is charging for the Medigap plan you have chosen; and then, decide on the insurer.

Trends show that no matter which policy you choose or which state you call home, you are likely to pay a significant amount of money each year to cover the “gaps” in medical expenses not included in the Original Medicare Plan.

Recently, the Center for Medicare and Medicaid Services provided some annual cost estimates about Medigap policies for those between the ages of 65 and 69. In any specific case, the costs are likely to vary according to age and health status. But the following dollar amounts will give you some idea of what a Medigap policy costs:



- ✿ For the least expensive Medigap policy, the annual cost ranged from \$5,500 in El Paso, Texas to \$4,450 in Eureka, South Dakota.
- ✿ The most expensive policy ranged from \$5,400 in Eureka, South Dakota and Portland, Oregon to \$6,050 in Brooklyn, New York.
- ✿ Some areas do not offer high deductible policies. For those that do, the cost ranges from the low of \$4,100 in El Paso, Texas and Atlanta, Georgia to a high of \$4,950 in Melbourne, Florida.

How Much Should I Save?

The Employee Benefit Research Institute (EBRI) estimated the amount of savings needed to cover health insurance premiums and out-of-pocket expenses in retirement. According to EBRI, the present value of Medicare’s lifetime

benefits for a husband and wife turning age 65 in 2010 is about \$376,000. Medicare, on average, covers about half of health care costs.

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The Answer Is Up to You

Some of us will need more than the average amount to cover our health care costs and some will need less. In the end, no one can tell you precisely how much you will need to save to cover your future health care needs. But you can’t go wrong by planning

and saving starting now. 📖

Additional Information

Medicare and Medigap Resources: Your State Department of Insurance can give you a list of companies that sell Medigap policies in your state. Go to the National Association of Insurance Commissioners website (naic.org) for more information. You can also contact your State Health Insurance Assistance Program (www.shipusa.org), call the National Medicare Hot-line (1-800-MEDICARE), or visit www.Medicare.gov for free Medicare and Medigap help from trusted sources. For more information, visit WISER’s website for WISER’s Fact Sheet “Sorting Out Medicare and Medigap Insurance.”

Health care expenses: *EBRI Issue Brief No. 317 May 2008* is an excellent resource for information on healthcare expenses. This issue is available online at www.ebri.org.

Health care in retirement and retirement planning: in general: WISER’S website features a variety of resources, including the e-book *What Every Woman Needs to Know About Retirement*. Visit www.wiserwomen.org and find this as well as other useful publications under the “Publications” section.

WISER is back in the blogosphere with information and news on financial planning, healthcare and retirement.
www.wiserwomen.blogspot.com

Did You Know?

Medicare funds free health insurance counseling sites in every state for seniors and their families.

Find a site near you at <http://www.medicare.gov/contacts/static/allStateContacts.asp>

What Happens If You Take Your Social Security Benefit Early and Continue to Work?

If you decide to continue working **and** receive your Social Security benefits early, here's what happens. You will continue to pay Social Security taxes (FICA) on your earnings and your Social Security benefits will be reduced by \$1 for each \$2 you earn above the **earnings limit—\$13,560 in 2008**.

For example:

- ✿ If you are age 62 in 2008 and your Social Security benefit is \$600 per month, or \$7,200 for the year
- ✿ If you earn \$20,000 during the year, you are \$6,440 over the limit, $\$20,000 - \$13,560 = \$6,440$. Half of $\$6,440 = \$3,220$.

Your Social Security benefit for the year would be $\$7,200 - \$3,220$ or \$3,980. By working and taking it early, you're **losing five and a half months of benefits!**

As long as you continue to work and earn, SSA will check your record every year to see whether your additional earnings will increase your monthly benefit. And, when you do finally reach full retirement age, SSA will recalculate your benefit amount to give you credit for any months in which you did not receive a benefit because of the earnings limit.

If you are close to retiring, check out SSA's earnings test calculator at www.ssa.gov to see how your earnings could affect your benefit payments. For more information on work and Social Security benefits go to www.ssa.gov. 

WISER's Mission

To improve the long-term financial security of all women through education and advocacy. As the only organization to focus exclusively on the unique financial challenges that women face, WISER supports women's opportunities to secure fair pensions and adequate retirement income through research, workshops, and partnerships.

Next Issue:

 **Long-Term Care Insurance**

WISERWoman

A QUARTERLY NEWSLETTER FROM THE
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