OXFORD FINANCIAL GROUP, LTD.™

WEALTH COUNCIL INSIGHTS EDUCATION SERIES

WHY PLANNING FOR AGING MATTERS TO WEALTHIER RETIREES

DEBBIE MARTZ, CFP®
Senior Wealth Planner

As individuals belonging to the Baby Boomer generation reach age 60 and beyond, serious consideration should be given to various wealth planning matters. Contrary to the common belief that expenses decrease during retirement, many wealthier retirees' expenses increase, in part due to medical costs and long-term care. Thorough consideration and planning on the front end will help ensure that individuals have the resources to maintain their lifestyle throughout their retirement.

MEDICARE

Medicare is federal health insurance for people age 65 or older who have either worked in a company or organization covered by Social Security/Medicare or who qualify through the employment history of a current, former or deceased spouse. Medicare is accepted by most doctors, hospitals and other providers of health care services.

If an individual is employed at age 65 and covered by an employer-sponsored health plan, it must be determined if the employer requires filing for Medicare, thereby making Medicare the primary insurer and the company plan the secondary insurer. There exists a 7-month period surrounding an individual's 65th birthday to apply for Medicare penalty-free.

If an individual is employed at age 65 but the employer does NOT require that Medicare be utilized as the primary insurer, Medicare filing may be deferred until retirement without incurring penalties. Upon cessation of coverage, there exists an 8-month period in which to apply for Medicare penalty-free.

For those who have a known retirement date, it is advisable to apply for Medicare a few months before retirement to prevent a gap in coverage, as well as coordinating coverage to avoid the unnecessary cost of paying for both plans concurrently.

There are several different "programs" of Medicare with varying coverages at different premium amounts:

I. **Part A** covers inpatient hospital care, skilled nursing facilities, hospice, lab tests, surgery and some home health care costs and is free if you pay Medicare taxes.

II. **Part B** helps cover non-hospital medical services, such as outpatient care, doctors' office visits, imaging, preventive care, medical equipment and mental health services. Part B has a yearly deductible and monthly premium.

III. **Medigap** insurance provides supplemental coverage for services and supplies not covered by Parts A and B and is offered through private insurance companies.

IV. **Medicare Part D** involves prescription drug coverage through a Medicare drug plan, also run by private insurance companies. Costs, as well as the drugs covered, will vary by plan.

SOCIAL SECURITY

Social Security is a federal benefit for retired, unemployed and disabled people, as well as dependent mothers and children. The program is funded through Social Security tax collected in the payroll tax levied on both employers and employees.

Unlike Medicare, there are several possible ages to file for Social Security, depending upon when the individual would like to begin receiving benefits. The common options are as follows:

I. **File early** (generally age 62-65) and receive a reduced monthly amount for life (also reducing surviving spouse's benefits), or
II. **File at Full Retirement Age (FRA)**, generally between ages 66 and 67 (determined by year of birth) and receive full retirement benefits based on earnings history, or
III. **Defer filing** until as late as age 70, increasing the benefit amount by 8% annually, based on each year after FRA that benefits are delayed.

There are several nuances, including special rules for spouses with a history of income disparity as well as those with divorced or deceased spouses, that can impact the timing of filing and type of benefits. As such, careful consideration should be given to Social Security matters.

CASH FLOW FOR RETIREMENT YEARS

Planning for retirement is an extensive and complex component to a comprehensive financial and estate plan. After nearly a lifetime of earning well above the average population, some wealthy retirees have amassed a significant net worth and now have the time to finally enjoy it, unburdened by work schedules and childcare. However, contrary to the common belief that expenses decrease during retirement, many wealthier retirees find that their expenses increase as they pursue interests. In addition, expenses are attributable to the increased costs associated with medical needs and long-term care. Thorough consideration and planning on the front end will help ensure that assets will not be consumed by living expenses during the possible 30-40 years of retirement.

INSURANCE, ENSURE AND ASSURE

Insurance

There are a variety of insurance types that should be considered, and if obtained, monitored regularly:

I. Life
II. Health
III. Disability
IV. Long-term Care
V. Property & Casualty

> *"Contrary to the common belief that expenses decrease during retirement, many wealthier retirees find that their expenses increase as they pursue interests."*

Ensure

Regularly reviewing and keeping estate planning matters current will help ensure that many end-of-life decisions are considered during life and carried out upon incapacity and/or death:

I. Wills
II. Trusts
III. Incapacity Documents (Durable Power of Attorney for Health Care, Living Will, DNR Order, etc.)
IV. General Durable Power of Attorney
V. Memorandum of Tangible Personal Property
VI. Letter of Final Instructions
VII. Digital Inventory Form
VIII. Funeral and burial arrangement preference

Assure

A regularly monitored and updated suite of insurance coverages and estate planning matters provide assurance that lifetime wishes are carried out, removing doubts and decisions during an already difficult time.

> *"Entering your 60's heralds a period of transition, requiring a holistic approach to financial planning."*

CONCLUSION

Entering your 60's heralds a period of transition, requiring a holistic approach to financial planning. Balancing retirement aspirations with practical strategies such as strategic utilization of Medicare and Social Security, optimizing retirement cash flow planning, ensuring comprehensive insurance coverage and a coordinated approach to estate planning, can contribute significantly to a secure and fulfilling retirement.

Consulting with your team of advisors and remaining proactive in managing your finances are key to navigating this phase of life confidently. By taking these proactive measures, you can pave the way for a financially stable and enjoyable retirement.

For additional information regarding these four cornerstones of retirement years, please refer to the following Wealth Council Insights (WCI) Series Articles:

WCI Education Series on Retirement

Part 1 – Social Security: Timing is Everything

Part 2 – The Myth Regarding Lower Living Expenses at Retirement

Part 3 – Available Vehicles for Retirement Savings

Part 4 – Timing: The Ins and Outs of Retirement Planning

WCI Education Series on Asset Protection and Insurance

Part 1 – The Fundamentals of Insurance

Part 2 – Common Types of Insurance

Part 3 – Asset Protection Strategies

Part 4 – Insurance Categories, Considerations and Strategies

WCI Education Series on Foundational Estate Planning Documents

Part 1 – The Will

Part 2 – Revocable Trusts

Part 3 – Incapacity Documents

WEALTH COUNCIL INSIGHTS EDUCATION SERIES

ABOUT THE SERIES

In the Wealth Council Insights Education Series, we endeavor to deconstruct some of the complexities that exist around many commonly utilized estate and financial planning concepts in order to provide you and your family with the basic knowledge needed to better understand and create a blueprint for your overall wealth enhancement needs.