Financial Wellness 360™
Advisor Connection

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See back cover for more information

Social Security and Medicare
Worksite Seminar
Section 1: Social Security

How do you envision your retirement?

Retirement is a phase of life that can last 20, 30 or even more years. As you prepare, you need to ask yourself some pretty important questions.

And if you’re a couple, you need to work on your answers together. Your partner may have a significantly different idea of retirement than you do. Talk about your differences and be proactive in defining how you want your future to look together.

**What** do you want to do in retirement?

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**How** do you want to live?

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**Where** do you want to live?

---

**Who and what** is important to you?

---

At what age do you want to retire? _______
### Define your sources of retirement income

Before considering your Social Security options, figure out all your potential sources of retirement income.

List your sources and estimate the current value. Later, estimate your expected annual income from each source.

<table>
<thead>
<tr>
<th>Income source</th>
<th>Current value</th>
<th>Expected annual income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension(s)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal investments, assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment earnings in retirement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IRAs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
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<tr>
<td>Other</td>
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<td>Other</td>
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<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total: Annual retirement income estimate</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Social Security basics

Fill in the blanks.
Do you know the basics?

Fill in the blanks below as you learn about the concepts in today’s session:

1. The number of quarterly credits needed for eligibility: _____________________________
   __________________________________________________________________________

2. Full benefits are based on: _____________________________
   __________________________________________________________________________

3. My Full Retirement Age is: _____________________________
   __________________________________________________________________________

4. My spouse’s Full Retirement Age is (if applicable): _____________________________
   __________________________________________________________________________

Answers

4. Based on year of birth

3. Based on year of birth

2. Primary Insurance Amount

1. 40

Answers
Know the terms

FRA  Full Retirement Age
The age you’re eligible to receive full Social Security benefits. Your FRA depends on your year of birth:

PIA  Primary Insurance Amount
The PIA determines how much Social Security you’ll receive at your FRA.

AIME  Average Indexed Monthly Earnings
AIME is a factor in determining your Social Security benefit.

DRC  Delayed Retirement Credits
If you delay collecting Social Security beyond your FRA, benefits increase annually each year you delay claiming until age 70. The amount of the increase is 7 to 8 percent, depending on your FRA.

COLA  Cost-of-Living Adjustment
Social Security can increase or decrease based on the COLA measure of inflation. The average COLA adjustment was slightly over 2 percent in the last 20 years.
Claiming early

Monthly benefit amount

Graph assumes a $1,300 benefit at FRA.
Social Security Publication No. 05-10147, ssa.gov, 2018. This is a hypothetical example for illustrative purposes only.
Claiming late

Earns Deferred Retirement Credits

Monthly benefit amount

$1,300  $1,369  $1,473  $1,577  $1,681

66 and 67  68  69  70
4 months

Age you choose to start receiving benefits

Graph assumes a $1,300 benefit at FRA.
Social Security Publication No. 05-10147, ssa.gov, 2018. This is a hypothetical example for illustrative purposes only.
Break even analysis

Example

When does claiming early “break even” with claiming later?

<table>
<thead>
<tr>
<th>Claiming early vs. later</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Claim early at age 62</td>
<td>$953 monthly or $11,436 annually</td>
</tr>
<tr>
<td>2. Claim later at age 66</td>
<td>$1,300 monthly or $15,600 annually</td>
</tr>
</tbody>
</table>

Age 77 is the break even point

<table>
<thead>
<tr>
<th>Early claim:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative benefit earned by age 77</td>
<td>$171,540</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Later claim:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative benefit earned by age 77</td>
<td>$171,600</td>
</tr>
</tbody>
</table>

This is a hypothetical example for illustrative purposes only. Example created based on data from Social Security Publication No. 05-10147, ssa.gov, 2018

Notes
Benefit impacts

• Are benefits taxed?

• Working in retirement

• Spousal benefits

• Divorce and remarriage

• Widowed

• What if you change your mind?
  A one-time option within the first 12 months.

Notes

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

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__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________
Are Social Security benefits taxed?

A portion of your benefits may be taxed if you continue to earn a substantial salary.

<table>
<thead>
<tr>
<th>Combined income</th>
<th>Tax filing status</th>
<th>Percent of benefits taxed</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000 - $34,000</td>
<td>Individual</td>
<td>50%</td>
</tr>
<tr>
<td>More than $34,000</td>
<td>Individual</td>
<td>85%</td>
</tr>
<tr>
<td>$32,000 - $44,000</td>
<td>Married filing jointly</td>
<td>50%</td>
</tr>
<tr>
<td>More than $44,000</td>
<td>Married filing jointly</td>
<td>85%</td>
</tr>
</tbody>
</table>

[ssagov/planners/taxes](ssagov/planners/taxes)

How do you calculate your combined income?

Your adjusted gross income
+ nontaxable interest
+ ½ of your Social Security benefits

= Your “combined income”
Working in retirement

Benefits are reduced for substantial wage earners

<table>
<thead>
<tr>
<th>Age of claim</th>
<th>Benefit reduction</th>
<th>Annual income limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before FRA</td>
<td>$1 for every $2 in earnings above the limit</td>
<td>$17,040</td>
</tr>
<tr>
<td>At FRA</td>
<td>$1 for every $3 in earnings above the limit</td>
<td>$45,360</td>
</tr>
<tr>
<td>After FRA</td>
<td>No reduction for earned income</td>
<td>No limit</td>
</tr>
</tbody>
</table>

ssa.gov/planners/retire/whileworking, 2018
Register on www.ssa.gov

Find your estimated benefit

Visit www.ssa.gov for benefit and program information
Create an account to view your earnings and estimated retirement benefits at Full Retirement Age

Or call the Social Security Administration at 1-800-772-1213
Social Security benefits statement

Example

Your Estimated Benefits

<table>
<thead>
<tr>
<th>*Retirement</th>
<th>You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until…</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>your full retirement age (67 years), your payment would be about $1,851 a month.</td>
</tr>
<tr>
<td>*Disability</td>
<td>You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about $1,314 a month.</td>
</tr>
<tr>
<td>*Family</td>
<td>If you get retirement or disability benefits, your spouse and children also may qualify for benefits.</td>
</tr>
<tr>
<td>*Survivors</td>
<td>You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits:</td>
</tr>
<tr>
<td></td>
<td>Your child.................................................................................................................................................. $ 1,370 a month</td>
</tr>
<tr>
<td></td>
<td>Your spouse who is caring for your child................................................................................................. $ 1,370 a month</td>
</tr>
<tr>
<td></td>
<td>Your spouse, if benefits start at full retirement age................................................................................ $ 1,826 a month</td>
</tr>
<tr>
<td></td>
<td>Total family benefits cannot be more than ................................................................................................. $ 3,330 a month</td>
</tr>
<tr>
<td>Medicare</td>
<td>You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.</td>
</tr>
</tbody>
</table>

Make sure to check your Social Security benefits statement each year to be sure it accurately reflects your name and earnings record.
Section 2: Medicare

Medicare

Medicare is a federal health insurance program for people age 65 and older and certain younger people with disabilities.
Medicare plans

**Part A** covers inpatient hospital stays, care in a skilled nursing facility, hospice care and some home health care.

**Part B** is medical insurance and covers certain doctors’ services, outpatient care, medical supplies, and preventive services.

**Part C** (often called Medicare Advantage) is an “all in one” plan. It follows rules set by Medicare and is run by Medicare-approved private insurance companies. It includes all benefits and services covered under parts A and B, it usually includes Medicare prescription drug coverage (Part D) and may offer extra benefits and services for an extra cost.

**Part D** covers prescription drugs and adds coverage to Parts A and B (original Medicare). Some Medicare cost plans, some Medicare private-fee-for-service plans and Medicare medical savings account plans. These are offered by insurance companies and other private companies approved by Medicare.

**Medigap** is supplemental insurance for costs that are not covered by “original Medicare” (parts A and B). Private insurance companies offer Medigap with co-payments, deductibles and health care coverage for travel outside the U.S. NOT covered: Dental care, vision care, hearing aids, eyeglasses, long-term care and private-duty nursing.
Prepare for high costs of health care

Be in a better position to manage your health care needs in retirement by thinking ahead and preparing for high costs.

What if you retire before you’re eligible at 65?

Things to consider:

• Do you have coverage through employer(s)?
• Do you have the potential for surgeries or hospitalizations?
• What are your prescription medication needs?
• What does dental insurance cost? (not covered by Medicare)
• Cost of out-of-pocket expenses (co-pays, deductibles, hearing aids, etc.)
• Cost of Medicare premiums beginning at age 65
• Cost of Medicare supplemental insurance premiums
• Potential need for future care

Notes
## Medicare plans and estimated costs

<table>
<thead>
<tr>
<th>Medicare</th>
<th>Premiums</th>
<th>Deductible</th>
<th>Co-pays, co-insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part A Hospital</td>
<td>Free¹</td>
<td>$1,340</td>
<td>Variable</td>
</tr>
<tr>
<td>Part B Doctor</td>
<td>$134-$428.60</td>
<td>$183</td>
<td>20%</td>
</tr>
<tr>
<td>Part C² All in one</td>
<td>$29-$242.15</td>
<td>Variable</td>
<td>Variable</td>
</tr>
<tr>
<td>Part D³ Prescription meds</td>
<td>$17-$101.80</td>
<td>$0-$405</td>
<td>Variable</td>
</tr>
</tbody>
</table>

¹ If 40 segments of Medicare tax paid  
² Premium varies by plan  
³ National average = $34.00

Notes

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Preparation timeline

Review: Preparation timeline

- Check your Social Security statement online every year
- Earliest age to collect Social Security
- Begin taking required minimum withdrawals
- Earn Delayed Retirement Credits
- 50
- 59 1/2
- 62
- 65
- 66
- 67
- 70
- 70 1/2
- Receive full Social Security benefits
- Sign up for Medicare and Medicare Part D
- Catch up contributions
- No more tax penalties on withdrawals from retirement savings accounts

Top takeaways

Identify actions to take after today’s session:

1. 

2. 

3. 

Notes
Contacts
benefits@umn.edu
4-UOHR (612-624-8647 or 800-756-2363)

Resources

**ssa.gov/myaccount**
- Create an account on the Social Security Administration website to obtain your personal benefit statement.
- Estimate your retirement benefits at [www.ssa.gov/benefits/retirement/estimator.html](http://www.ssa.gov/benefits/retirement/estimator.html)
- Find answers to your questions at [faq.ssa.gov](http://faq.ssa.gov)

**consumerfinance.gov/retirement/before-you-claim**

**Medicare.gov**
- Information about Medicare and approved supplemental insurance programs.

**Web-based training via Centers for Medicare Services website**

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