

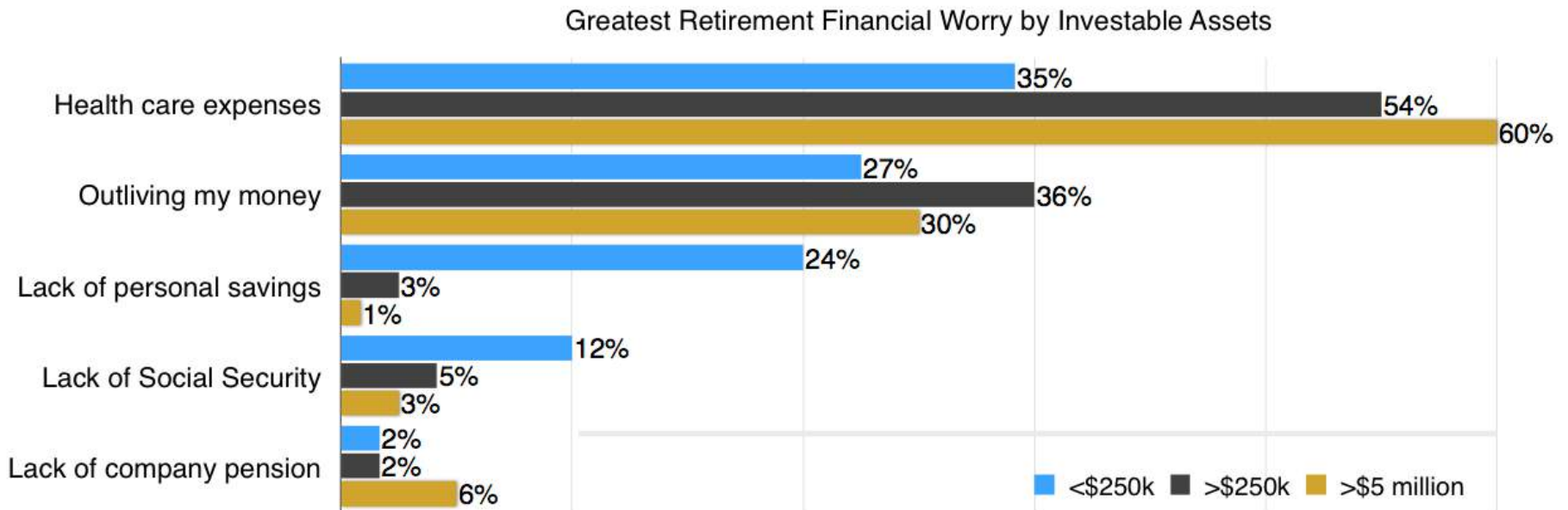
**The Convergence of Health Care  
& Financial Planning  
5 Key Areas for Financial Advisors**



**Peter Stahl**  
CFP®

## Consumer Trends

Wealthier pre-retirees and retirees are even more likely to rank health care expenses as their top financial worry in retirement



Source: *Health & Retirement: Planning for the Great Unknown.*, A 2014 Merrill Lynch Retirement Study conducted in partnership with Age Wave. Data shown reflect respondent ages 50+

# 1. Overview & Cost

## Original Medicare

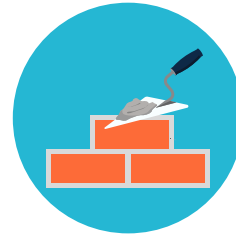


### Part A

- › Hospital
- › Skilled Care
- › Hospice

### Part B

- › Doctors
- › Outpatient



Medicare Supplement  
“Medigap”

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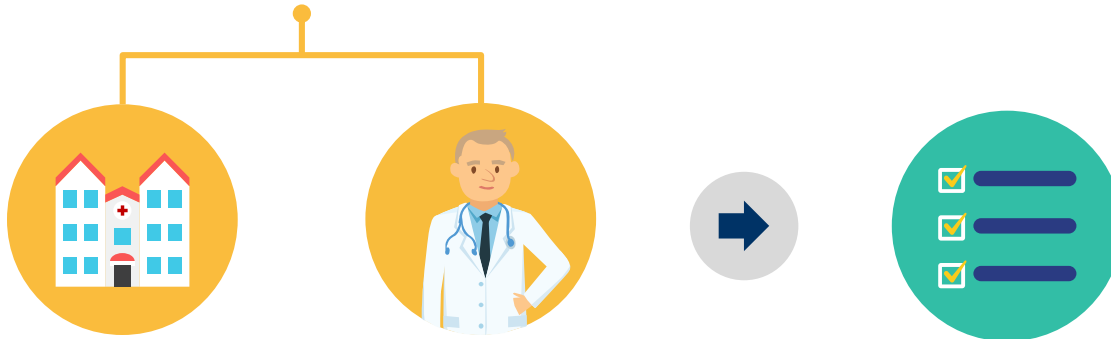
### Part D

- › Prescription Drug
-

# Medicare Advantage Plans

- › Consider reducing costs by moving to coverage “in the network”
- › Can include prescription drug coverage.

## Original Medicare



### Part A

- › Hospital
- › Skilled Care
- › Hospice

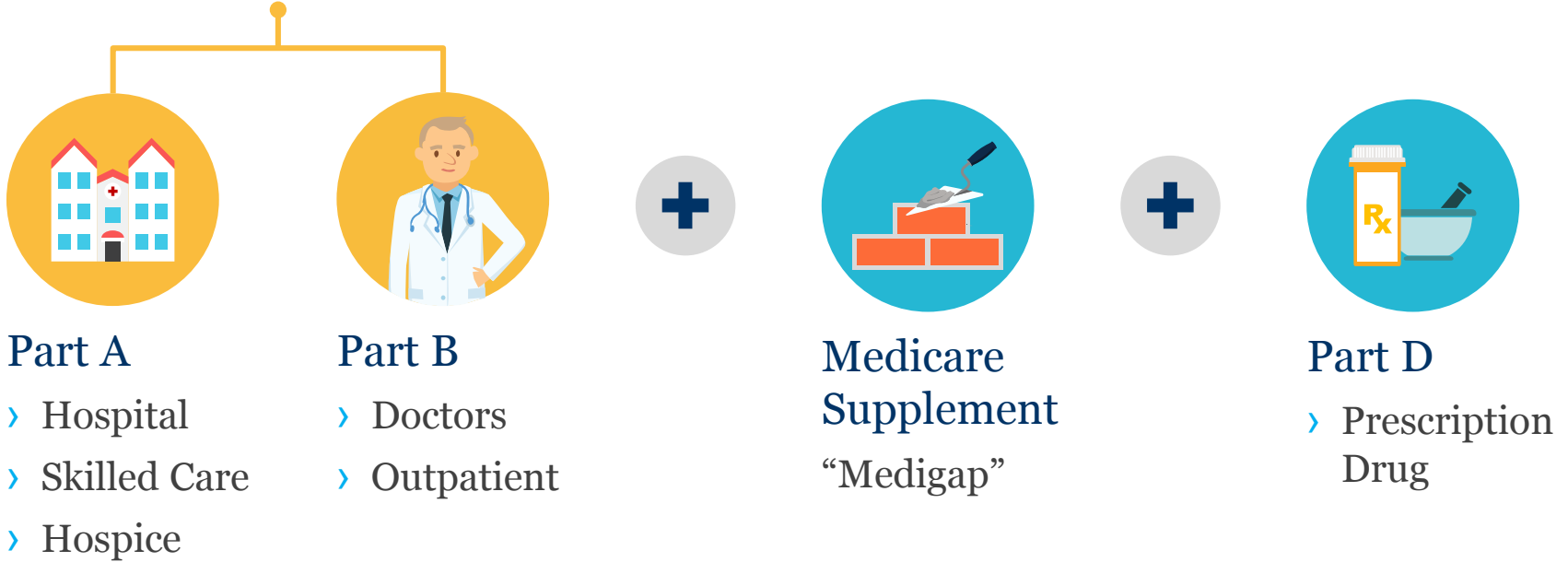
### Part B

- › Doctors
- › Outpatient

### Part C

Medicare  
Advantage Plan

# Original Medicare



Coverage	Annual estimated cost
Part A	\$0
Part B	\$1,608
Part D	\$409
Medigap	\$2,370
Out of Pocket	\$2,385 (vision, dental, D co-pays)
<b>Total</b>	<b>\$6,772</b>

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# Inflation



**5.1%**  
next ten years

*Healthview Services 2016  
Retirement Health Care  
Cost Data Report*

## 2. Impact on Income



### Medicare Part A

#### “Free” Medicare Part A



#### Taxes:

**1.45%**  
employee

**1.45%**  
employer



#### Key Income Thresholds:

**\$250,000**  
married

**\$200,000**  
single



#### Additional Taxation:

**x.9%**  
wage tax

**3.8%**  
net investment income tax

## 2017 Costs:



Medicare  
Part B

annual  
premium

**\$183**  
annual  
deductible

**20%**  
co insurance  
(no limit)

2015 Single Modified AGI	2015 Joint Modified AGI	2017 Annual Part B Premium*
\$85,000 or less	\$170,000 or less	\$ 1,308 - \$1,608
\$85,001-\$107,000	\$170,001-\$214,000	\$ 2,250
\$107,001-\$160,00	\$214,001-\$320,000	\$ 3,214
\$160,001-\$214,000	\$320,001-\$428,000	\$ 4,179
Above \$214,000	Above \$428,000	\$ 5,143





## Medicare Part B

Income levels (joint) determining Medicare  
Parts B & D Premiums

### 2017 Joint Modified AGI

Less than \$170,000

\$170,001 - \$214,000

\$214,001 - \$320,000

\$320,001 - \$428,000

Above \$428,000

### 2018 Joint Modified AGI

Less than \$170,000

\$170,001 - \$214,000

\$214,001 - \$267,000

\$267,001 - \$320,000

Above \$320,000

# SSA-44

Form **SSA-44** (12-2016)

Page 2 of 8

## STEP 1: Type of Life-Changing Event

Check **ONE** life-changing event and fill in the date that the event occurred (mm/dd/yyyy). If you had more than one life-changing event, please call Social Security at 1-800-772-1213 (TTY 1-800-325-0778).

- |   |  |
|---|--|
| <input type="checkbox"/> Marriage             | <input type="checkbox"/> Work Reduction                    |
| <input type="checkbox"/> Divorce/Annulment    | <input type="checkbox"/> Loss of Income-Producing Property |
| <input type="checkbox"/> Death of Your Spouse | <input type="checkbox"/> Loss of Pension Income            |
| <input type="checkbox"/> Work Stoppage        | <input type="checkbox"/> Employer Settlement Payment       |

**Date of life-changing event:** \_\_\_\_\_  
mm/dd/yyyy

# Prescription Drug coverage 2017



Medicare  
Part D

Monthly  
premiums based  
on type of plan.

\$400  
annual  
deductible

Coinsurance

2015 Single Modified AGI	2015 Joint Modified AGI	2017 Annual Part D Premium*
\$85,000 or less	\$170,000 or less	Plan premium
\$85,001-\$107,000	\$170,001-\$214,000	+ \$159
\$107,001-\$160,00	\$214,001-\$320,000	+ \$410
\$160,001-\$214,000	\$320,001-\$428,000	+ \$662
Above \$214,000	Above \$428,000	+ \$914

# Fast forward: age 65 to age 72



## IRA RMD

Inflation:  
**5.1%**

### Joint

Modified AGI

Less than \$170,000

**\$170,001 - \$214,000**

\$214,001 - \$267,000

\$267,001 - \$320,000

Above \$320,000

### Cost Age 65

Part A

Part B

Part D

Medigap

Out of Pocket

**\$6,772**

### Cost Age 72

Part A

Part B

Part D

Medigap

Out of Pocket

**\$11,274**

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# RMDs

- › Qualified Charitable Distributions
  - › Qualified Longevity Annuity Contract (QLAC)
  - › Continue Working
-

### 3. Investment Ideas



## Build sources of Tax Free Income

(not counted toward  
Medicare IRMAA)

- ✓ Health Savings Accounts
- ✓ Roth
- ✓ Annuity (partial exclusion)
- ✓ 401(h)
- ✓ Certain Life Insurance
- ✓ Reverse Mortgage

# Health Savings Accounts (HSA)

## Year end 2016

- ✔ **20** million accounts
- ✔ **\$37** billion in assets (25% increase)
- ✔ Available with qualified high deductible health plan

## 2017 Contribution limits

- ✔ **\$6,750** per family or
- ✔ **\$3,400** per individual
- ✔ Age 55+ **\$1,000** catch up provision



# Health Savings Accounts

**Begin funding  
HSA at age 50**

- ✓ \$6,750 per year
- ✓ \$1,000 catch up (per person at age 55)
- ✓ Invest funds (8% return\*)



**Age 65**

- ✓ **HSA: \$229,000!!**



*Hypothetical scenario. Return is for illustrative purposes only.*



# Roth

Contribution

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Conversion

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401(k): \$18,000 2017; catch up  
provision age 50 and over: \$6,000



# Use tax deferral to reduce “Modified AGI”

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2015** U.S. Individual Income Tax Return OMB No. 1545-0074 IRB Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2015, or other tax year beginning \_\_\_\_\_, 2015, ending \_\_\_\_\_, 2015. See separate instructions.

Your first name and initial \_\_\_\_\_ Last name \_\_\_\_\_ Your social security number \_\_\_\_\_

If a joint return, spouse's first name and initial \_\_\_\_\_ Last name \_\_\_\_\_ Spouse's social security number \_\_\_\_\_

Home address (number and street), if you have a P.O. box, see instructions. \_\_\_\_\_ Apt. no. \_\_\_\_\_

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Foreign country name \_\_\_\_\_ Foreign province/state/county \_\_\_\_\_ Foreign postal code \_\_\_\_\_

**Filing Status**

1  Single

2  Married filing jointly (even if only one had income)

3  Married filing separately. Enter spouse's SSN above.

4  Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

**Presidential Election Campaign**

Check here if you, or your spouse if filing jointly, want \$3 to go to the fund. Checking a box below will not change your tax or refund.  You  Spouse

▲ Make sure the SSN(s) above and on line 6c are correct.

20 Self-employed SEP, SIMPLE, and qualified plans 28

29 Self-employed health insurance deduction 29

30 Penalty on early withdrawal of savings 30

37 Subtract line 36 from line 22. This is your **adjusted gross income**

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 113208 Form **1040** (2015)

**8a Taxable interest. Attach Schedule B if required**

**b Tax-exempt interest. Do not include on line 8a**

**9a Ordinary dividends. Attach Schedule B if required**

**b Qualified dividends**

**13 Capital gain or (loss). Attach Schedule D if required. If not required, check here**

**37 Subtract line 36 from line 22. This is your adjusted gross income**



## Medicare Part B

Savings for a married couple over a 20 year retirement by lowering one bracket:

**\$82,000**



## Medicare Part D

### Joint Modified AGI

Less than \$170,000  
above \$170,000 - \$214,000

# Timing



## Pre 65

- › Social Security Disability
- › Lou Gehrig's Disease
- › End Stage Renal



## Working Beyond 65

- › 20 or more employees
- › Defer Social Security Enrollment
- › “Creditable” coverage from company plan
- › Be aware of special enrollment periods to avoid life long penalties.

## 4. Custodial Care

- Non-medical **care** that helps an individual with his or her activities of daily living
- Physical / cognitive impairment that limit ones ability to safely interact with his environment
- 2016 annual cost for a private room in a nursing home: \$99,645
- 2016 cost for full time home health aid: \$80,300 (10 hours per day)

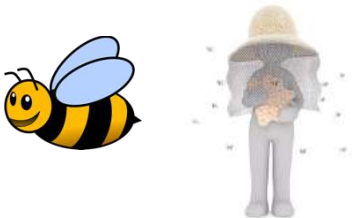
[www.whatcarecosts.com](http://www.whatcarecosts.com) *Lincoln Financial*

# Housing

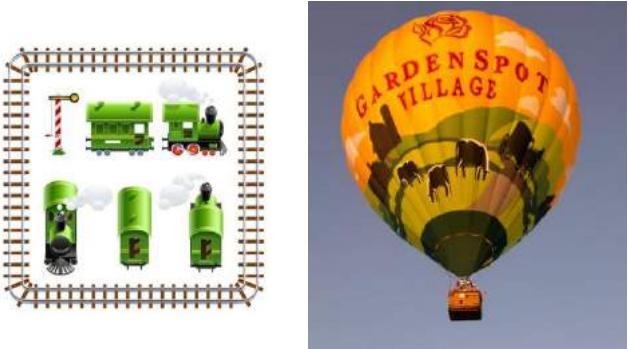
- ❖ Aging in Place
- ❖ Independent Living
- ❖ Assisted Living
- ❖ Nursing Home
- ❖ Continuous Care Retirement Community (CCRC)

# Be a Resource in Your Community: Places

Gainesville, FL



New Holland, PA



Seattle, WA



## Be a Resource in Your Community: Planning

- Senior Move Managers: [www.nasmm.org](http://www.nasmm.org)
- Philadelphia suburbs: [www.mysimplepaths.com](http://www.mysimplepaths.com)
- Medicare.gov: “Nursing Home Compare & “Home Health Compare
- Compliance Survey
- Nursing home evaluation check list:  
[www.aplaceformom.com/senior-care-resources](http://www.aplaceformom.com/senior-care-resources)
- [http://assets.aarp.org/www.aarp.org\\_/promotions/text/life/NursingHomeChecklist.pdf](http://assets.aarp.org/www.aarp.org_/promotions/text/life/NursingHomeChecklist.pdf)



- Generally, Medicare will not cover:
  - Eye glasses
  - Hearing aids/exams
  - Dental
  - Cosmetic surgery

**And**

### *Custodial Care*

Medicare and most health insurance plans, including Medicare Supplement Insurance (Medigap) policies, don't pay for this type of care, sometimes called "custodial care."

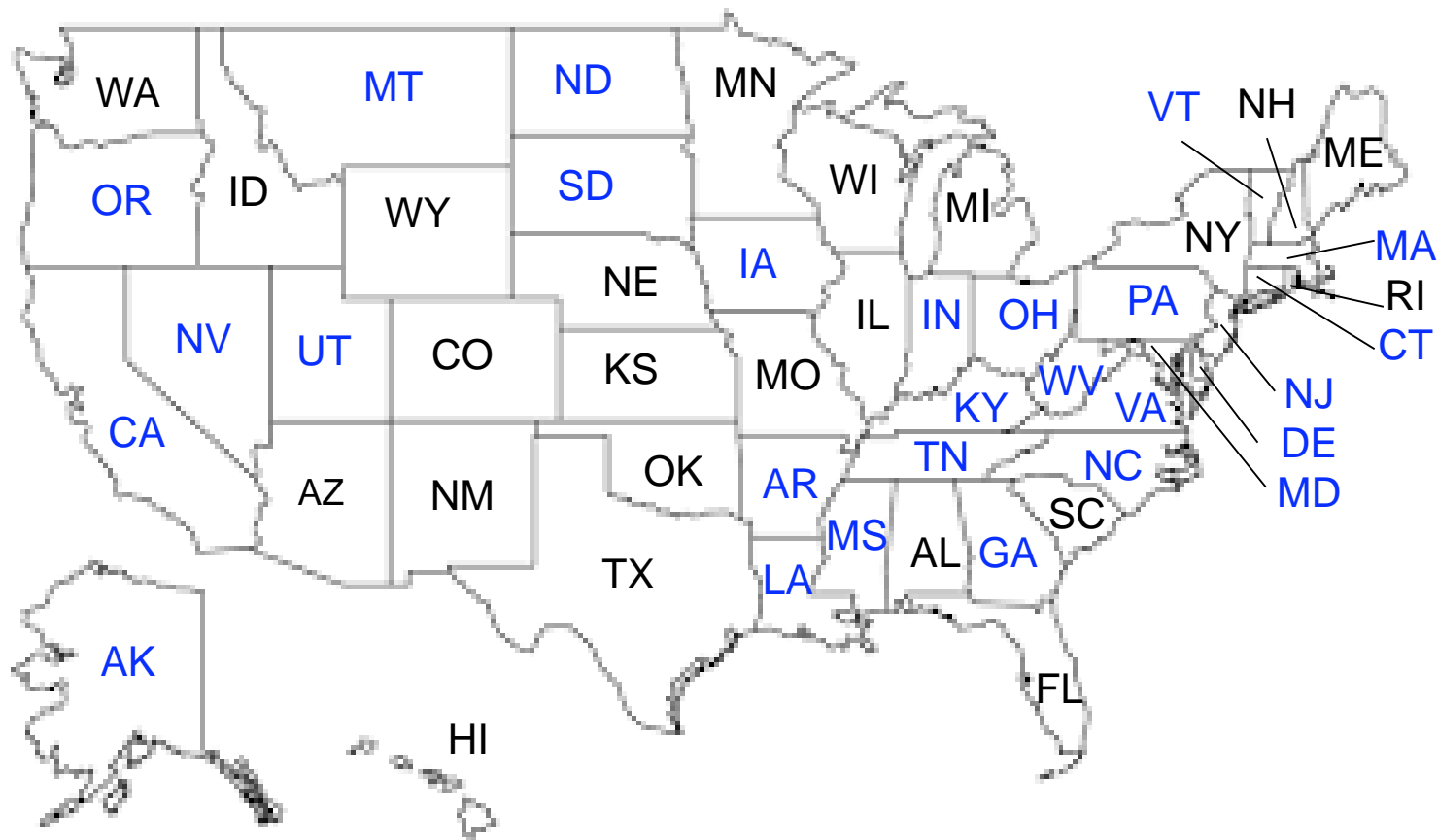
*The Official U.S. Government Medicare Handbook: Medicare & You; 2017*

# Medicaid

- A federal-state program providing assistance to those who are unable to pay for their medical needs.
  - Last resort for those with little income and few assets
  - Significant restrictions on assets, income
  - Five year review on applications
- Not the solution for affluent, mass affluent market.

# 27 States with Filial Laws

(Blue = Filial Law State)



1/23/13 <http://sites.psu.edu/professorkatherinecpearson/>

# Assets

## Challenges to consider:

- Liquidity
- Taxes
- Timing of your distributions
- Legacy Assets
- Disruption of income

# Who?

Emotional, physical, and financial impact of an unexpected need for care, on those whom you care about.



The typical family caregiver is a 48-year old female caring for her widowed mother who does not live with her. She is married, has children and is often employed.

*[https:// www.caregiver.org/ women-and-caregiving-facts-and-figures](https://www.caregiver.org/women-and-caregiving-facts-and-figures)*

# Effective Conversations

- Acknowledge
- Who
- Impact
  
- Life insurance
- Disability insurance

## Sources of Income for Custodial Care

- Long Term Care Insurance
- Life Insurance / LTC Combo product
- Life Insurance with long term care rider
- Annuity with long term care rider

# Simplifying the Decision

Coverage / Premium
Underwriting
Flexibility



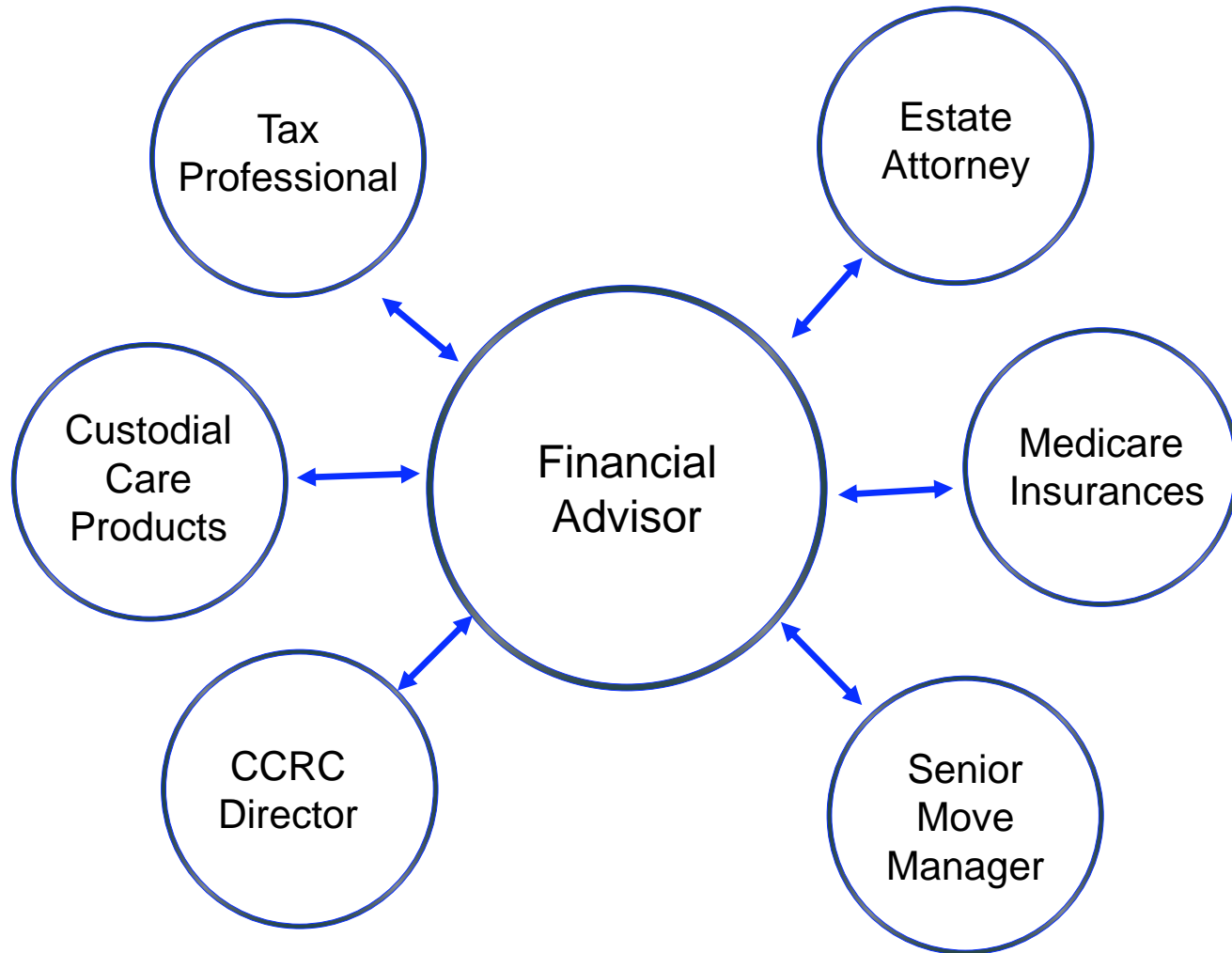
## Life Insurance / LTC Combo Product

- Male age 60: Five \$10,000 annual premium payments
- Age 75: \$318,000 LTC Benefit = \$49,000 annual (minimum 6 years)
- Note: Surrender value: \$40,000  
Death benefit: \$65,000

## Variable Annuity with long term care rider

- Male age 60: One \$50,000 premium payment
- Age 75: \$256,000 LTC Benefit = \$42,000 annual (minimum 6 years)
- Note: Surrender value / death benefit: \$148,000

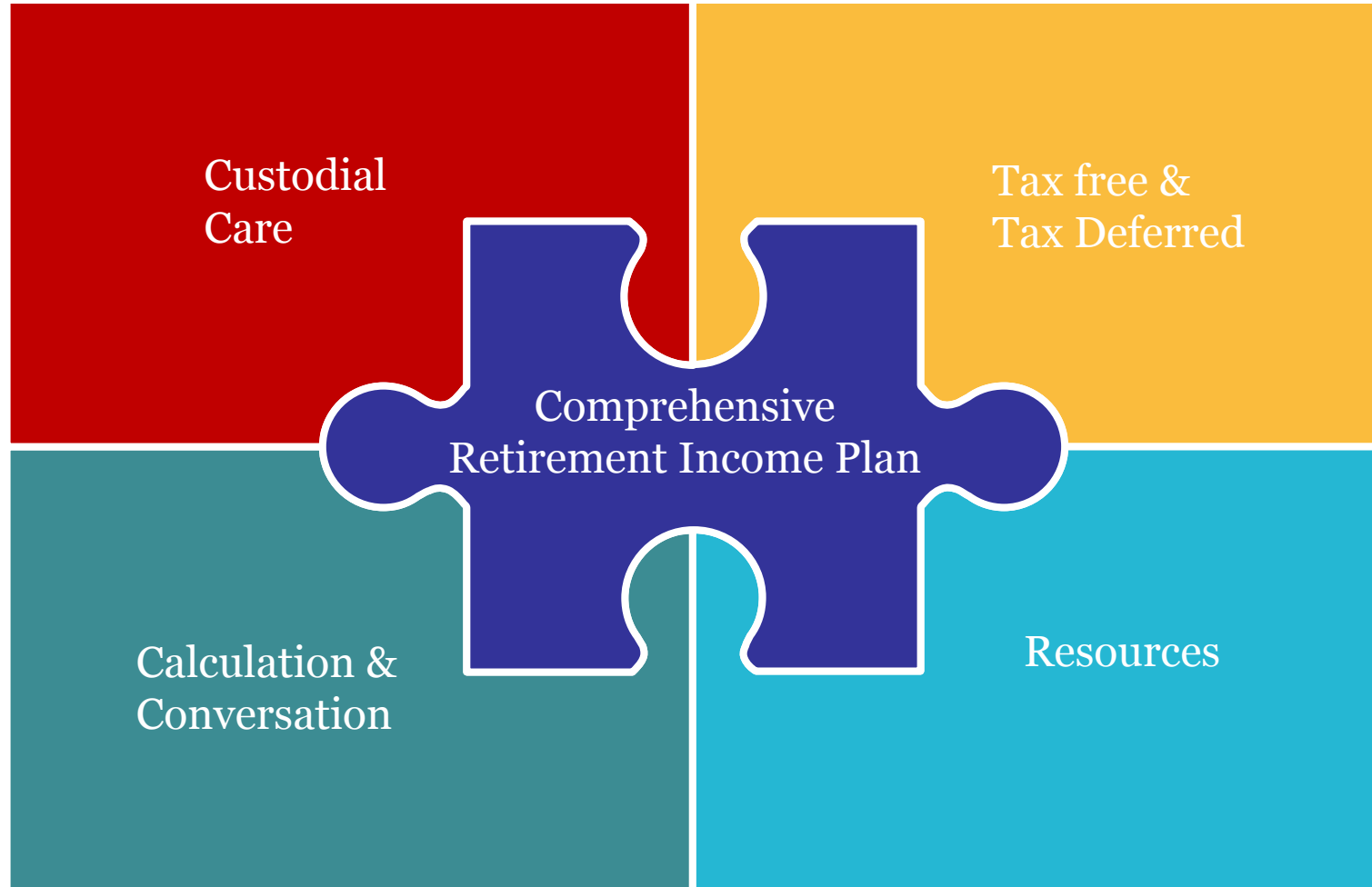
# Be a resource in your community: People



## 5. Resources

Organization	Contact	Services
Bedrock Business Results	bedrockresults.com	<ul style="list-style-type: none"> <li>• Advisor Education</li> <li>• Video Content</li> <li>• Speaking Services</li> </ul>
WealthWatch	yourwealthwatch.com	<ul style="list-style-type: none"> <li>• “Top of the First” book</li> <li>• Newsletter</li> </ul>
Malloy Advisors (Bedrock Partnership)	800-797-4099	<ul style="list-style-type: none"> <li>• Medicare Insurances &amp; education for clients</li> </ul>
Medicare	medicare.gov 800-medicare	<ul style="list-style-type: none"> <li>• Medicare information</li> <li>• Home Health Compare</li> <li>• Nursing Home Compare</li> </ul>
State Health Insurance	Shiptalk.org	Consulting / Counseling
Elder Care	Eldercare.gov	Consulting / Counseling

# Summary: Financial Advisor Plan



# BEDROCK



## BUSINESS RESULTS



Thank You

Bedrock Business Results, LLC  
[www.bedrockresults.com](http://www.bedrockresults.com)  
[pfstahl@bedrockresults.com](mailto:pfstahl@bedrockresults.com)

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