

Planning for Retirement

Presented By:



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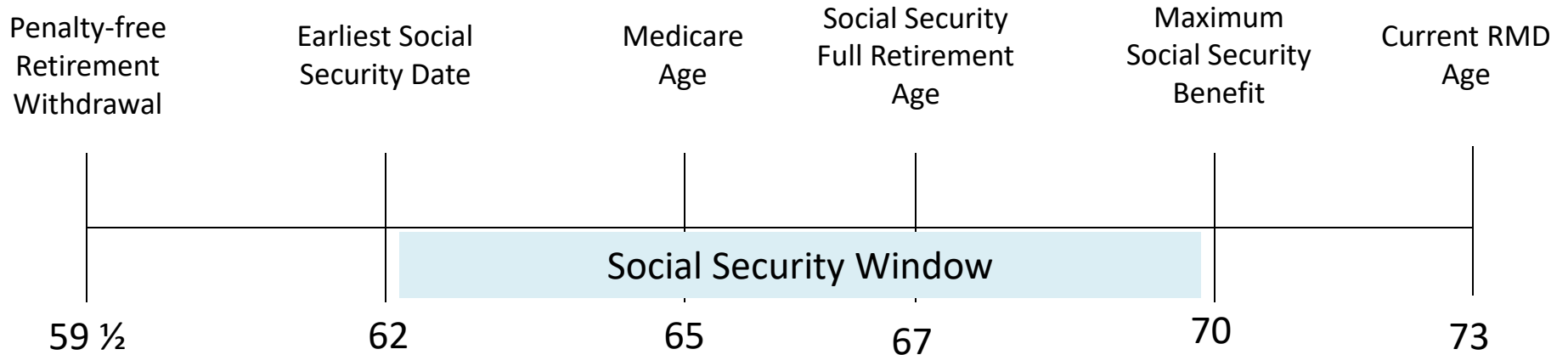
4 Main Concerns

- ▲ **Health Insurance**
- ▲ **401k & Other Retirement Assets**
- ▲ **Income Planning**
- ▲ **Social Security**

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General Timeline



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Health Insurance

- ▲ Medicare
- ▲ Private Insurance
- ▲ COBRA

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Health Insurance

▲ Medicare

- ▲ The Basics ([Link](#))
- ▲ Parts of Medicare ([Link](#))
 - Part A: Hospital
 - Part B: Medical
 - Part D: Drugs
- ▲ Costs ([Link](#))
 - Premium
 - Deductible
 - Coinsurance

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Medicare Costs

Costs for Part A (Hospital Insurance)

Part A costs:	What you pay in 2023:
Premium	<p>\$0 for most people (because they paid Medicare taxes long enough while working - generally at least 10 years). This is sometimes called "premium-free Part A." Do I qualify? ⓘ</p> <p>If you don't qualify for a premium-free Part A, you might be able to buy it. In 2023, the premium is either \$278 or \$506 each month, depending on how long you or your spouse worked and paid Medicare taxes.</p> <ul style="list-style-type: none">You also have to sign up for Part B to buy Part A.If you don't buy Part A when you're first eligible for Medicare (usually when you turn 65), you might pay a penalty. How much is the Part A penalty? ⓘ
Deductible	<p>\$1,600 for each time you're admitted to the hospital per <u>benefit period</u>, before <u>Original Medicare</u> starts to pay. There's no limit to the number of benefit periods you can have.</p>
Inpatient stays (copayments)	<p>Days 1-60: \$0 after you pay your Part A deductible Days 61-90: \$400 each day Days 91-150: \$800 each day while using your 60 lifetime reserve days After day 150: You pay all costs</p>

<https://www.medicare.gov/basics/get-started-with-medicare/medicare-basics/what-does-medicare-cost>

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Medicare Costs



Costs for Part B (Medical Insurance)

Part B costs:	What you pay 2023:
Premium	<p>\$164.90 each month (or higher depending on your income). The amount can change each year. You'll pay the premium each month, even if you don't get any Part B-covered services.</p> <p>Who pays a higher premium because of income? ⓘ</p> <p>How do I pay my Part B premiums? ⓘ</p> <p>You might pay a penalty if you don't sign up for Part B when you're first eligible for Medicare (usually when you turn 65). Check when I should sign up for Part B.</p> <p>How much is the Part B late enrollment penalty?</p> <ul style="list-style-type: none">• You'll pay an extra 10% for each year you could have signed up for Part B, but didn't.• This penalty is added to your monthly Part B premium. (You may also pay a higher premium depending on your income.)• It's not a one-time late fee – you'll pay the penalty for as long as you have Part B.• Generally, you won't have to pay a penalty if you qualify for a <u>Special Enrollment Period</u>. To qualify, you (or your spouse) must still be working and you must have health coverage based on that job. <p>Example of the Part B penalty. ⓘ</p>
Deductible	<p>You'll pay \$226, before Original Medicare starts to pay. You pay this deductible once each year.</p>
Costs for services (coinsurance)	<p>You'll usually pay 20% of the cost for each Medicare-covered service or item after you've paid your deductible.</p>

<https://www.medicare.gov/basics/get-started-with-medicare/medicare-basics/what-does-medicare-cost>

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Medicare Costs



Drug coverage (Part D):

Part D costs:	What you pay:
Premium	<p>Monthly premiums vary based on which plan you join. The amount can change each year. You may also have to pay an extra amount each month based on your income.</p> <p>Who pays an extra amount because of income? ⓘ</p> <p>You might pay a penalty if you:</p> <ul style="list-style-type: none">• Don't join a Medicare drug plan when you first get Medicare, and• Go 63 days or more without <u>creditable drug coverage</u> (coverage that's similar in value to Part D). <p>How much is the Part D penalty?</p> <ul style="list-style-type: none">• You'll pay an extra 1% for each month (that's 12% a year) you could have signed up for Part D, but didn't.• The penalty is added to your monthly premium.• It's not a one-time late fee – you'll pay the penalty each month for as long as you have Part D coverage (even if you change plans).• If you have <u>creditable drug coverage</u> or if you qualify for <u>Extra Help</u>, you won't have to pay a penalty. <p>Example of the Part D penalty. ⓘ</p>
When you get prescription drugs	<p>Most plans charge a deductible, an amount you pay before the plan starts to pay, for prescriptions you fill. The deductible amount varies based on which plan you join.</p> <p>Your actual costs vary depending on the medicines you take, if they are on your plan's list of covered drugs, and which pharmacy you use.</p>

<https://www.medicare.gov/basics/get-started-with-medicare/medicare-basics/what-does-medicare-cost>

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Medicare

▲ Qualifying for Medicare

- ▲ 65 years old
- ▲ Case specific but can qualify earlier if disabled
- ▲ Paid Medicare taxes while working (usually 10 years)
 - 40 quarters
 - Do not need to be consecutive

<https://www.hhs.gov/answers/medicare-and-medicaid/who-is-eligible-for-medicare/index.html>
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Health Insurance

▲ Private Insurance (Prior to 65)

▲ Why:

- Perhaps retiring prior to 65
- Purchasing additional coverage

▲ Budget: Roughly \$1,000 per person, per month

▲ COBRA ([Link](#))

- ▲ Continuation of current coverage from your employer
- ▲ Typically 18 months of coverage

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COBRA

▲ How to Qualify

- ▲ Previously covered by employer
- ▲ Job loss, resignation, divorce, death of employee, etc.
- ▲ Work for a group of 20+ employees
- ▲ Not available if employer terminates entire group benefit plan or goes out of business

▲ Cost

- ▲ Enrollees typically responsible for full cost of premiums plus 2% admin fee
- ▲ While working, your employer covered a portion of your premium which means COBRA will likely be more expensive than the original coverage

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401k & Retirement Accounts

- ▲ Options with your 401k
- ▲ Withdrawals & Taxes
- ▲ RMD

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401k (& other retirement accounts)

▲ Options with your 401k

▲ Stay in your current plan

- Lose some benefits (Loans, contribution & match)
- Less flexibility on distributions until rolled into IRA (plan dependent)

▲ Roll into IRA

- IRA: Individual Retirement Account
- Responsible for your investment allocation
- 401k assets will likely transfer in cash & need to be reinvested

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Retirement Accounts

▲ Withdrawals & Taxes:

- ▲ Traditional (Pre-Tax) vs. Roth
- ▲ Current Tax Brackets ([Link](#))
 - Marginal (The next dollar)
- ▲ Income likely changing in retirement
- ▲ Social Security + any pension income (if applicable) + retirement account / savings withdrawals = retirement income

▲ RMD

- ▲ Minimum distribution required from retirement accounts starting at age 73

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Income Planning

- ▲ **Accumulation vs. Spending**
- ▲ **Building Your Plan**

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Income Planning

▲ Accumulation vs. Spending

- ▲ Big switch in mentality
- ▲ Assess overall portfolio risk
- ▲ Typically best to avoid very large withdrawals at once when smaller, systematic withdrawals are an option
 - Reduce timing risk
- ▲ Determining your *healthy* withdrawal rate
 - Healthy looks different for everyone. “Rule of thumb” advice is 3-4% but many factors to consider
 - Factors that may impact this withdrawal rate

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Income Planning

▲ Building Your Income Plan:

- ▲ Build a budget for your retirement
- ▲ Understand your social security timeline + any other guaranteed income streams
- ▲ Understand tax implications on account withdrawals
- ▲ Create a distribution plan from your retirement accounts
- ▲ Review your situation over time to ensure your goals are being met & your plan is sustainable (will see you through retirement)

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Social Security

- ▲ **Key Ages**
- ▲ **Taxes**
- ▲ **What Can You Do Now?**

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Social Security

▲ Key Ages

- ▲ 62 – Earliest to receive benefit ([Link](#))
 - 5/9 of a percent reduction each month before normal retirement age up to 36 months. After 36 months, benefit reduced 5/12 of a percent
- ▲ 67 – Full retirement age
- ▲ 70 – Maximum benefit
 - 8% increase each year over 67 until 70

- Other reductions can occur if you turn on your benefit while still working ([Link](#))

ssa.gov

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Social Security

▲ Taxes

▲ Taxed as income ([Link](#))

You will pay tax on only 85 percent of your Social Security benefits, based on Internal Revenue Service (IRS) rules. If you:

- **file a federal tax return as an "individual"** and your *combined income** is
 - between \$25,000 and \$34,000, you may have to pay income tax on up to 50 percent of your benefits.
 - more than \$34,000, up to 85 percent of your benefits may be taxable.
- **file a joint return**, and you and your spouse have a *combined income** that is
 - between \$32,000 and \$44,000, you may have to pay income tax on up to 50 percent of your benefits.
 - more than \$44,000, up to 85 percent of your benefits may be taxable.
- **are married and file a separate tax return**, you probably will pay taxes on your benefits.

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Social Security

▲ What to do now

- ▲ Log into website and get an estimate of benefits ([Link](#))
- ▲ Begin planning
 - Structuring income based on benefit

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