

# Factoring **Medicare** into retirement income planning



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# Take action to learn more about Medicare and how it works

As part of the retirement income planning process, it's important to factor in health care-related costs, including Medicare. Medicare is the federal health insurance program for people who are age 65 or older.<sup>1</sup>



## Impact on Social Security benefits

You may not know it, but Medicare costs directly impact your Social Security benefits. If you receive Social Security retirement benefits, your Medicare Part B premiums will be automatically deducted from your Social Security check—there's no other payment option.<sup>2</sup> What's more, Part B premiums are higher for those with higher reported income (as are Part D premiums). As a result, your monthly Medicare Part B premiums can put an unexpected dent in your Social Security check. It's also worth noting that if you elect Part D Prescription Drug Coverage and choose to have the premiums deducted from your Social Security benefits, this will further reduce your Social Security check.

## Medicare Advantage Plans

As an alternative to Original Medicare, Medicare coverage can be accessed through a Medicare Advantage Plan, sometimes called "Part C." These plans are offered by Medicare-approved private companies. A Medicare Advantage Plan is another way to get your Part A and Part B coverage and it may also include Part D coverage. Your Part B premiums will still be deducted from your Social Security retirement benefits (assuming you receive such benefits), and you may pay an additional premium for the Medicare Advantage Plan. Extra coverage may include vision, hearing and dental.

<sup>1</sup> Medicare may also be available to younger people with certain disabilities and people with End-Stage Renal Disease (permanent kidney failure requiring dialysis or a transplant).

<sup>2</sup> Automatic deduction also applies to those receiving benefits from Railroad Board Retirement or Office of Personnel Management. If you do not receive benefits from the previously noted entities, you will receive a bill.

# Two options for receiving coverage

## 1. Original Medicare:



**2. Medicare Advantage: Part C** is another way to get your Part A and Part B coverage. May provide additional coverage. Most Medicare Advantage plans also include prescription drug coverage.



## Enrolling in Medicare – Part A and Part B

- If you are already receiving benefits from Social Security (or the Railroad Retirement Board), then you will automatically get Part A and Part B starting the first day of the month you turn 65.\*
- If you are close to 65 and not yet receiving Social Security benefits, you will need to enroll in Medicare. You can enroll in Medicare Part A and/or Part B during the 7-month period that begins 3 months before the month you turn 65, includes the month you turn 65, and ends 3 months after the month you turn 65. This period is known as your Initial Enrollment Period.
- You should know, if you don't sign up for Medicare during the Initial Enrollment Period, your enrollment may be delayed and you may have to pay a late enrollment penalty for a certain period for Part A (if you're not eligible for premium-free coverage) and for as long as you have Part B coverage.
- If you are 65 and still working, you will want to talk to your employer and Medicare about your options. You may be eligible for a Special Enrollment Period.

## Enrolling in Part D, a Medicare Advantage Plan or Medigap

- You can enroll in Medicare drug coverage (Part D) or a Medicare Advantage Plan during your Initial Enrollment Period, as defined above.
- According to Medicare, the best time to buy a Medigap policy is during your Medigap Open Enrollment Period. This 6-month period begins the first month you have Medicare Part B, *and* you're 65 or older. After this enrollment period, you may not be able to buy Medigap. If you are able to buy it, it may cost more due to past or present health problems.

For more information and complete details about enrolling in Medicare, be sure to visit [Medicare.gov](https://www.Medicare.gov) or call 1-800-MEDICARE to help make Medicare decisions that make sense for you.

\* If your birthday is on the first day of the month, Part A and part B starts the first day of the prior month.  
Source for enrollment information above: Medicare and You Handbook 2023.

# See what Medicare can do for you

As you may already be aware, Medicare is complex. The table below is designed to provide you with a high level overview of the program for general information purposes only. For complete details about the program, please visit Medicare.gov. You can also find information at ssa.gov/medicare.

Component	Overview/coverage	Premium costs for 2023
<b>PART A</b> (Hospital insurance)	<b>Helps cover inpatient care</b> in hospitals, skilled nursing facility care, hospice care and home health care	<ul style="list-style-type: none"> <li>Generally premium free at age 65 if you are eligible for Social Security. If you do not qualify based on Social Security or Medicare only credits, you can purchase Part A coverage.</li> <li>Deductibles and copays apply.<sup>3</sup></li> </ul>
<b>PART B</b> (Medical insurance)	<b>Helps cover services from doctors</b> and other health care providers, outpatient care, home health care, durable medical equipment and some preventative services	<ul style="list-style-type: none"> <li>Standard monthly Part B for new recipients is \$164.90<sup>4</sup> for 2023. Note: monthly premium could be as high as \$560.50 for 2023 for those with higher reported income who are subject to Income Related Monthly Adjustment Amount (IRMAA). See next page for details.</li> <li>Part B deductible is \$226 per year for 2023.<sup>5</sup></li> </ul>
<b>PART C</b> (Medicare Advantage Plans)	<b>A type of Medicare health plan</b> offered by Medicare-approved private insurance companies that contract with Medicare.  Includes all benefits and services covered under Part A and Part B. Usually includes Medicare prescription drug coverage (Part D) as part of the plan. May include extra benefits and services for an extra cost.	<p>In addition to your Part B premium, you usually pay a monthly premium for the Medicare Advantage Plan. However, not all plans have monthly premiums.</p> <ul style="list-style-type: none"> <li>Estimated average monthly plan premium for 2023 from the Centers for Medicare &amp; Medicaid Services (CMS): \$18.00<sup>6</sup></li> </ul> <p>Actual premium amount will vary by plan selected. Deductibles and copays apply. Note: with Medicare Advantage, any applicable IRMAA for Part B and Part D still applies.</p>
<b>PART D</b> (Medicare Prescription Drug Coverage-Optional)	<b>Helps cover the cost of prescription drugs.</b>  Run by Medicare-approved private insurance companies.  May also be purchased separately if not included in Part C or if you are in original Medicare	<ul style="list-style-type: none"> <li>Estimated average basic Medicare prescription drug plan (PDP) monthly premium for 2023 from CMS: \$31.50.<sup>4,6</sup></li> <li>Average monthly premiums for the 16 national PDPs are estimated to range from \$6 to \$111 in 2023.<sup>7</sup></li> <li>Actual premiums paid by enrollees vary considerably. For 2023, PDP monthly premiums range from a low of \$1.60 for a PDP in the Oregon/Washington region to a high of \$201.10 for a PDP in South Carolina<sup>8</sup></li> </ul> <p>Actual premium amount will vary by plan selected. Note: those with higher reported income are subject to IRMAA.</p>

Sources: Medicare.gov, "2023 Medicare Costs," November, 2022 and Medicare and You Handbook 2023.

<sup>3</sup> If you have Part B, it generally covers 80% of the Medicare-approved amount for doctor's services you get while you're in the hospital. For the hospital bill itself, under Part A, you pay: 1) a \$1,600 deductible and no coinsurance for days 1-60 of each benefit period; 2) \$400 per day for days 61-90 of each benefit period; 3) \$800 per "lifetime reserve day" after day 90 of each benefit period (up to 60 days over your lifetime); 4) all costs for each day after you use all the lifetime reserve days.

<sup>4</sup> In most cases, if you don't sign up for Part B or Part D when you're first eligible, you will have to pay a late enrollment penalty. The late enrollment penalty is added to your monthly premium and generally applies for as long as you have coverage.

<sup>5</sup> After your deductible is met, you typically pay 20% of the Medicare-approved amount for most doctor services, outpatient therapy and durable medical equipment. Note: A doctor can charge up to 15% above Medicare's allowed charge.

<sup>6</sup> Source: Centers for Medicare & Medicaid Services (CMS), "Biden-Harris Administration Announces Lower Premiums for Medicare Advantage and Prescription Drugs Plans in 2023," 9/29/22.

<sup>7</sup> Source: www.kff.org, "Medicare Part D: A First Look at Medicare Drug Plans in 2023."

<sup>8</sup> www.kff.org, "An Overview of the Medicare Part D Prescription Drug Benefit", 10/19/22. Costs shown are unweighted by plan enrollment.

# A closer look at Medicare Part B and Part D premiums

As noted earlier, Part B premiums are higher for those with higher reported income. Here’s how it works: Your premiums are based on your adjusted gross income, which is determined on your IRS tax return that you filed two years ago. If your adjusted gross income is above a certain amount, your premiums are higher due to the Income Related Monthly Adjustment Amount (IRMAA). It’s also important to know that you can request a review of your IRMAA for certain life-changing events, such as the death of your spouse, marriage, work stoppage or work reduction. The table below shows an example of a person eligible in 2023, with their adjusted gross income from 2021 used to calculate the premium cost.

PART B premiums by income				
	File individual tax return	File joint tax return	File married and separate tax return	You pay each month (in 2023)
If your yearly income in 2021 was:	\$97,000 or less	\$194,000 or less	\$97,000 or less	\$164.90
	above \$97,000 up to \$123,000	above \$194,000 up to \$246,000	Not applicable	\$230.80
	above \$123,000 up to \$153,000	above \$246,000 up to \$306,000	Not applicable	\$329.70
	above \$153,000 up to \$183,000	above \$306,000 up to \$366,000	Not applicable	\$428.60
	above \$183,000 and less than \$500,000	above \$366,000 and less than \$750,000	above \$97,000 and less than \$403,000	\$527.50
	\$500,000 or above	\$750,000 and above	\$403,000 and above	\$560.50

Source: Medicare.gov, “2023 Medicare Costs,” November 2022.

The Part D monthly premium varies by plan. Those with higher reported income are subject to a Part D IRMAA, in addition to the monthly premium charged by the plan provider. (This extra amount is paid directly to Medicare, not the plan provider.) The Part D monthly premium can be deducted from your Social Security benefits or you will get a bill. The table below shows an example of a person eligible in 2023, with their adjusted gross income from 2021 used to calculate the premium cost.

Estimated PART D premiums by income				
	File individual tax return	File joint tax return	File married and separate tax return	You pay each month (in 2023)
If your yearly income in 2021 was:	\$97,000 or less	\$194,000 or less	\$97,000 or less	Your plan premium
	above \$97,000 up to \$123,000	above \$194,000 up to \$246,000	Not applicable	Your plan premium + \$12.20
	above \$123,000 up to \$153,000	above \$246,000 up to \$306,000	Not applicable	Your plan premium + \$31.50
	above \$153,000 up to \$183,000	above \$306,000 up to \$366,000	Not applicable	Your plan premium + \$50.70
	above \$183,000 and less than \$500,000	above \$366,000 and less than \$750,000	above \$97,000 and less than \$403,000	Your plan premium + \$70.00
	\$500,000 or above	\$750,000 and above	\$403,000 and above	Your plan premium + \$76.40

Source: Medicare.gov, “2023 Medicare Costs,” November 2022.

# Addressing the gaps with Medicare Supplement Insurance (Medigap)

If you choose to go with Original Medicare (that is, you don't choose a Medicare Advantage Plan), you have the option to purchase a Medigap policy to help pay for some of the health care costs that Medicare doesn't cover, such as copayments, coinsurance, and deductibles. With Original Medicare, there's no yearly limit on what you may have to pay out of pocket. A Medigap policy is an additional expense you'll want to keep in mind as you consider your retirement income needs.

It's also important to note that Medigap policies generally don't cover long-term care (such as a nursing home), vision or dental care, hearing aids, eye-glasses or private-duty nursing. As a result, those are additional expenses you may need to prepare for as you develop your retirement income plan.

Medigap policies, which are offered by private companies, may also cover certain benefits that Medicare doesn't, such as coverage for emergency healthcare services when traveling outside the U.S. All policies offer the same basic benefits, but some offer additional benefits. The costs and coverage associated with Medigap policies vary by plan. According to the National Council on Aging, Medigap premiums may range from as little as \$30 to \$40 per month all the way up to \$400 or more per month.

Medigap policies are standardized and identified in most states by letters A through D, F through G, and K through N. (Note: in Massachusetts, Minnesota and Wisconsin, Medigap policies are standardized in a different way.)

The chart below provides basic information about how the coverage differs between these policies. "Yes" means the plan covers 100% of the benefit. "No" means the plan doesn't cover the benefit. If a percentage is indicated, the plan covers that percentage of the benefit. N/A means not applicable.

Benefit	Medicare Supplement Insurance (Medigap) Plans									
	A	B	C	D	F*	G*	K	L	M	N
Medicare Part A coinsurance and hospital costs (up to an additional 365 days after Medicare benefits are used)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Medicare Part B coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes**
Blood (first 3 pints)	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A hospice care coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Skilled nursing facility care coinsurance	No	No	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A deductible	No	Yes	Yes	Yes	Yes	Yes	50%	75%	50%	Yes
Part B deductible	No	No	Yes	No	Yes	No	No	No	No	No
Part B excess charges	No	No	No	No	Yes	Yes	No	No	No	No
Foreign travel emergency (up to plan limits)	No	No	80%	80%	80%	80%	No	No	80%	80%
Out-of-pocket limit in 2023***	N/A	N/A	N/A	N/A	N/A	N/A	\$6,940	\$3,470	N/A	N/A

Source: Medicare and You Handbook 2023.

**Note:** Plans C and F are not available to people new to Medicare starting on January 1, 2020. See last page for more information.

\* Plans F and G also offer a high-deductible plan in some states. If you choose this option, this means you must pay for Medicare-covered costs (coinsurance, copayments, and deductibles) up to the deductible amount of \$2,700 in 2023 before your policy pays anything. (Plans C and F aren't available to people who were newly eligible for Medicare on or after January 1, 2020.)

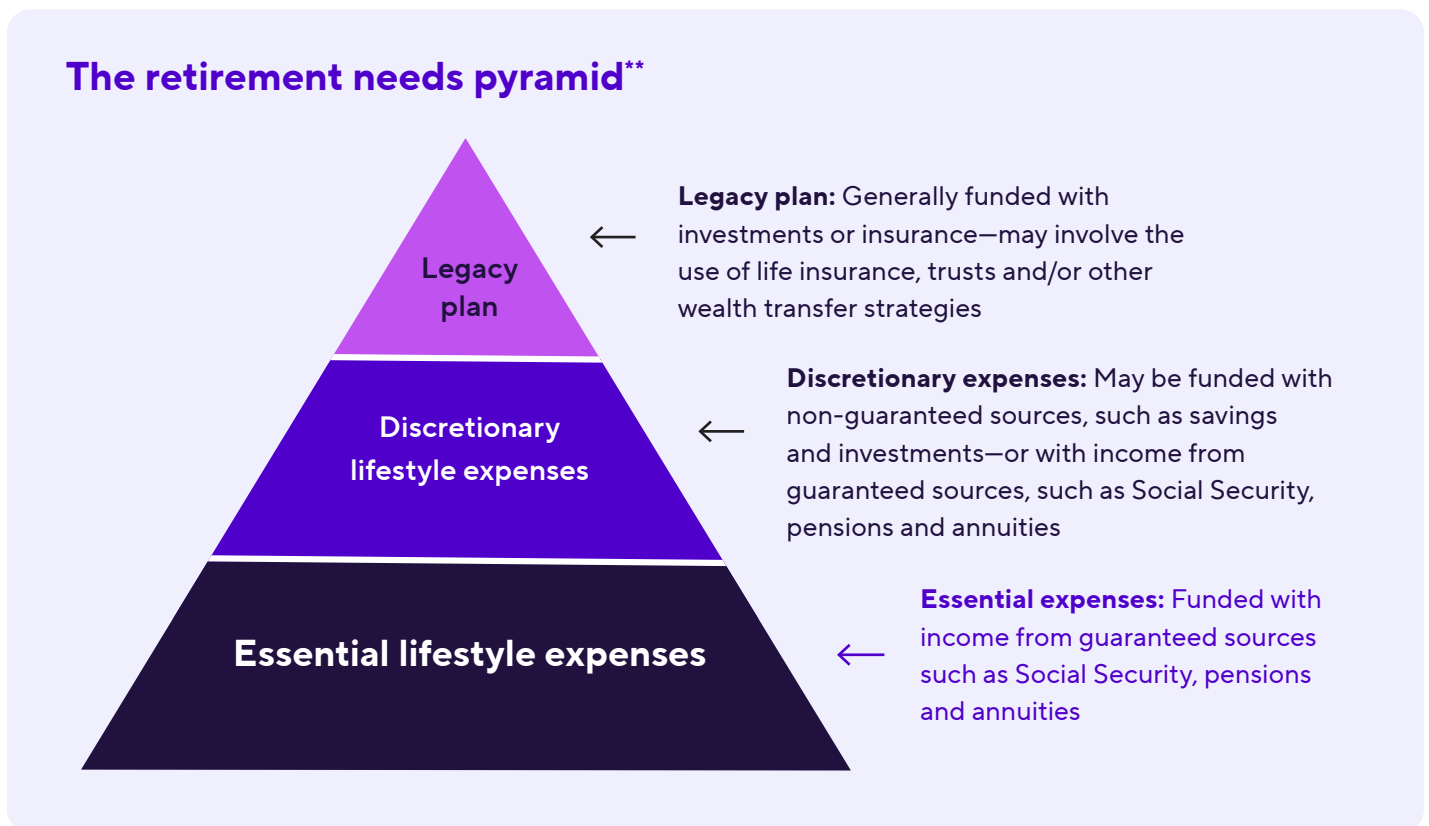
\*\* Plan N pays 100% of the Part B coinsurance, except for a copayment of up to \$20 for some office visits and up to a \$50 copayment for emergency room visits that don't result in an inpatient admission.

\*\*\* For Plans K and L, after you meet your out-of-pocket yearly limit and your yearly Part B deductible (\$226 in 2023), the Medigap plan pays 100% of covered services for the rest of the calendar year.

# Paying for Medicare costs

The premiums associated with Medicare can add up quickly and last a lifetime. For example, a 65-year-old couple with annual income of less than \$194,000 could spend upwards of \$6,116 per person or \$12,232 per couple on Medicare costs each year. This hypothetical example assumes an Original Medicare approach consisting of Part A, Part B, Part D and Medigap Plan G.\* Of course, your actual costs will differ based on the Medicare option you choose, your choice of plans and your income level.

Our retirement needs pyramid may help you plan for your retirement expenses. Medicare costs may be considered “essential lifestyle expenses.” Given that, you may want to consider using predictable income from a guaranteed income source, such as Social Security, a pension or an annuity, to help meet these expenses. Having protected lifetime income from an annuity available to help with Medicare costs can help add to your sense of security and well-being in retirement.



Help make smart Medicare choices for tomorrow.  
 See **Medicare Action Planner Action Steps** on the back cover.

\* Hypothetical example for illustrative purposes only. It assumes a Part B monthly premium of \$164.90; Part B annual deductible of \$226; Part D monthly premium of \$201.10; and Medicare Plan G monthly premium of \$124.83.

\*\* Source: Corebridge Financial

Annuities are long-term insurance products designed for retirement. In the growth stage, they can help you build assets on a tax-deferred basis under current tax law. In the income stage, they can provide you with guaranteed income through standard or optional features. Variable annuities are subject to investment risk, including possible loss of principal. The contract, when surrendered, may be worth more or less than the total amount invested. Early withdrawals may be subject to withdrawal charges. Partial withdrawals may reduce benefits available under the contract, as well as the amount available upon a full surrender. Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to age 59½, an additional 10% federal tax may apply. Income protection features may be standard or optional. Additional fees, withdrawal parameters and other limitations apply. Investment requirements also apply with variable annuities. Keep in mind, for retirement plans and accounts (such as IRAs and 401(k)s), an annuity provides no additional tax-deferred benefit beyond that provided by the retirement plan or account itself. Be sure to ask your financial professional for complete details about the annuity you may be considering, including limitations, risks, fees and costs. **Guarantees are backed by the claims-paying ability of the issuing insurance company.**

## ACTION PLANNER **Action steps**

- Talk to your financial professional** to discuss which Medicare approach and options may best meet your specific needs.
- Discuss if an annuity strategy may make sense** to help meet your Medicare costs in retirement.
- Visit Medicare.gov or call 1-800-MEDICARE** for more information and complete details about Medicare.

**Action today can lead to great things tomorrow. Action is everything.**

Insurance advertisement.

### **Additional information about Medigap plans**

As of January 1, 2020, Medigap plans sold to new people with Medicare aren't allowed to cover the Part B deductible. Because of this, Plans C and F are not available to people new to Medicare starting on January 1, 2020. If you already have either of these 2 plans (or the high deductible version of Plan F) or are covered by one of these plans before January 1, 2020, you'll be able to keep your plan. If you were eligible for Medicare before January 1, 2020, but not yet enrolled, you may be able to buy one of these plans. (Source: Medicare.gov.)

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