

# Joe Ciaramitaro Fall 2017

## *Coaching Your Financial Future*

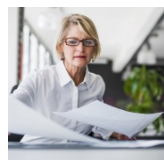
### Working in Retirement: What You Need to Know

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**BY APPOINTMENT ONLY**



Planning on working during retirement? If so, you're not alone. Recent studies have consistently shown that a majority of retirees plan to work at least some period of time during their retirement years. Here are some points to consider.

#### Why work during retirement?

Obviously, if you work during retirement, you'll be earning money and relying less on your retirement savings, leaving more to grow for the future. You may also have access to affordable health care, as more and more employers offer this important benefit to part-time employees. But there are also non-economic reasons for working during retirement. Many retirees work for personal fulfillment, to stay mentally and physically active, to enjoy the social benefits of working, and to try their hand at something new.

#### What about my Social Security benefit?

Working may enable you to postpone claiming Social Security until a later date. In general, the later you begin receiving benefit payments, the greater your benefit will be. Whether delaying the start of Social Security benefits is the right decision for you depends on your personal circumstances.

One factor to consider is whether you want to continue working after you start receiving Social Security retirement benefits, because your earnings may affect the amount of your benefit payment.

If you've reached full retirement age (66 to 67, depending on when you were born), you don't need to worry about this — you can earn as much as you want without affecting your Social Security benefit. But if you haven't yet reached full retirement age, \$1 in benefits will be withheld for every \$2 you earn over the annual earnings limit (\$16,920 in 2017). A higher earnings limit applies in the year you reach full retirement age. If you earn more than this higher limit (\$44,880 in 2017), \$1 in benefits will be withheld for every \$3 you earn over that amount, until the month you reach full retirement age — then you'll get your full benefit

no matter how much you earn. Yet another special rule applies in your first year of Social Security retirement — you'll get your full benefit for any month you earn less than one-twelfth of the annual earnings limit (\$1,410 in 2017) and you don't perform substantial services in self-employment.

Not all income reduces your Social Security benefit. In general, Social Security only takes into account wages you've earned as an employee, net earnings from self-employment, and other types of work-related income such as bonuses, commissions, and fees. Pensions, annuities, IRA payments, and investment income won't reduce your benefit.

Even if some of your benefits are withheld prior to your full retirement age, you'll generally receive a higher monthly benefit starting at your full retirement age, because the Social Security Administration (SSA) will recalculate your benefit and give you credit for amounts that were withheld. If you continue to work, any new earnings may also increase your monthly benefit. The SSA reviews your earnings record every year to see if you had additional earnings that would increase your benefit.

One last important point to consider. In general, your Social Security benefit won't be subject to federal income tax if that's the only income you receive during the year. But if you work during retirement (or you receive any other taxable income or tax-exempt interest), a portion of your benefit may become taxable. IRS Publication 915 has a worksheet that can help you determine whether any part of your Social Security benefit is subject to income tax.

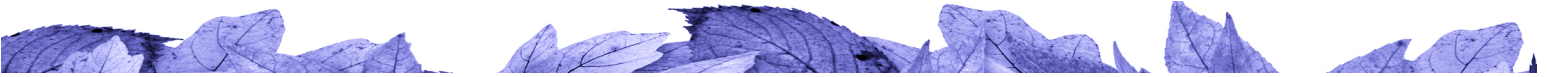
#### How will working affect my pension?

Some employers have adopted "phased retirement" programs that allow you to ease into retirement by working fewer hours, while also allowing you to receive all or part of your pension benefit. However, other employers require that you fully retire before you can receive your pension. And some plans even require that your pension benefit be suspended if you retire and then return to work for the same employer, even part-time. Check with your plan administrator.

#### October 2017

- Medicare and Your Employer Health Plan
- Test Your Investing IQ
- Is the Social Security Administration still mailing Social Security Statements?
- What are some tips for reviewing my Medicare coverage during Medicare Open Enrollment?





## Medicare and Your Employer Health Plan



**The U.S. Bureau of Labor Statistics projects that the labor force will grow to about 164 million workers by 2024. Approximately 13 million of these workers (roughly 8%) will be age 65 and older.**

**Source: U.S. Bureau of Labor Statistics, Older workers: Labor force trends and career options, May 2017**

If you plan to continue working after you reach age 65, you may be wondering how Medicare coordinates with your employer's group health plan. When you're eligible for both types of coverage, you'll need to consider the benefits and costs, and navigate an array of rules.

### How does Medicare work with your group health plan?

You can generally wait to enroll in Medicare if you have group health insurance through your employer or your spouse's employer. Most employers can't require employees or covered spouses to enroll in Medicare to retain eligibility for their group health benefits. However, some small employers can, so contact your plan's benefits administrator to find out if you're required to sign up for Medicare when you reach age 65.

If you have Medicare and group health coverage, both insurers may cover your medical costs, based on "coordination of benefit" rules. The primary insurer pays your claim first, up to the limits of the policy. The secondary insurer pays your claim only if there are costs the primary insurer didn't cover, but may not pay all the uncovered costs.

Who is the primary insurer? If your employer has 20 or more employees, your employer group health plan is primary and your Medicare coverage is secondary. If your employer has fewer than 20 employees, your Medicare coverage is primary and your employer group health plan is secondary.

Your employer can tell you more about how your group health coverage works with Medicare.

### Should you wait to enroll in Medicare?

Medicare Part A helps pay for inpatient hospital care as well as skilled nursing facility, hospice, and home health care. Because Medicare hospital insurance is free for most people, you may want to enroll in Part A even if you have employer coverage. It could be helpful to have both types of insurance to fill any coverage gaps. However, if you have to pay for Part A, you'll need to factor the cost of premiums into your decision.

Medicare Part B medical insurance, which helps pay for physician services and outpatient expenses, requires premium payments, so it would be wise to compare the costs and benefits of Medicare to your employer's plan. If you're satisfied with your employer coverage, you may be able to wait to enroll in Part B.

Late-enrollment penalties typically apply if you do not enroll in Medicare Part A and Part B when you are first eligible. However, if you are covered by a group health plan based on current employment, these penalties generally do not apply as long as you follow certain rules. You can sign up for Medicare Part A and/or Part B at any time as long as you are covered by a group health plan through your own employment or your spouse's employment. When you stop working or your coverage ends, you have eight months to sign up without penalty. This eight-month period starts the month after your employment ends or the month after your employer group health coverage ends (whichever occurs first). Visit [medicare.gov](http://medicare.gov) for more information.

### What if you have an HSA?

If you have a high-deductible health plan through work, keep in mind that you cannot contribute to a health savings account (HSA) after you enroll in Medicare (A or B). The good news is that the HSA is yours, even if you can no longer contribute to it, and you can use the tax-advantaged funds to pay Medicare premiums and other qualified medical expenses. So it might be helpful to build your HSA balance before enrolling in Medicare.

Whether you should opt out of premium-free Part A in order to contribute to an HSA depends on what you consider to be more valuable: secondary hospital insurance coverage or tax-advantaged contributions to pay future expenses. HSA funds can be withdrawn free of federal income tax and penalties provided the money is spent on qualified health-care expenses. HSA contributions and earnings may or may not be subject to state taxes.

### How are Medicare claims handled?

Once you enroll in Medicare, tell your health-care providers that you have coverage in addition to Medicare to help ensure that claims are submitted properly. You can also contact the Medicare Benefits Coordination & Recovery Center (BCRC) at (855) 798-2627 if you have questions about how your claims will be handled.

Medicare rules are complex, and these are only guidelines. Different rules and considerations apply if you have retiree health coverage through your former employer (or your spouse's employer) or other types of health coverage. For more detailed information, visit [medicare.gov](http://medicare.gov).

## Test Your Investing IQ

How much do you know about market basics? Put your investing IQ to the test with this quiz on stocks, bonds, and mutual funds.

### Questions

#### 1. What does it mean to buy stock in a company?

- a. The investor loans money to the company
- b. The investor becomes a part owner of the company
- c. The investor is liable for the company's debts

#### 2. Which of the following statements about stock indexes is correct?

- a. A stock index is an indicator of stock price movements
- b. There are many different types of stock indexes
- c. They can be used as benchmarks to compare the performance of an individual investment to a group of its peers
- d. All of the above

#### 3. What is a bond?

- a. An equity security
- b. A nonnegotiable note
- c. A debt investment in which an investor loans money to an entity

#### 4. What kind of bond pays no periodic interest?

- a. Zero-coupon
- b. Floating-rate
- c. Tax-exempt

#### 5. What is a mutual fund?

- a. A portfolio of securities assembled by an investment company
- b. An investment technique of buying a fixed dollar amount of a particular investment regularly
- c. A legal document that provides details about an investment

#### 6. What is the difference between mutual fund share classes?

- a. The investment advisers responsible for managing each class
- b. The investments each class makes
- c. The fees and expenses charged by each fund class

### Answers

**1. b. The investor becomes a part owner of the company.** Stocks are often referred to as equities because they represent an ownership position. As part owners, shareholders assume both the potential financial risks and benefits of this position, but without the responsibility of running the company.

**2. d. All of the above.** A stock index measures and reports value changes in representative stock groupings. A broad-based stock index represents a diverse cross-section of stocks and reflects movements in the market as a whole. The Dow Jones Industrial Average, NASDAQ Composite Index, and S&P 500 are three of the most widely used U.S. stock indexes. There are also more narrowly focused indexes that track stocks in a particular industry or market segment.

**3. c. A debt investment in which an investor loans money to an entity.** Unlike shareholders, bondholders do not have ownership rights in a company. Instead, investors who buy bonds are lending their money to the issuer (such as a municipality or a corporation) and thus become the issuer's creditors.

**4. a. Zero-coupon.** Unlike many types of bonds, zero-coupon bonds pay no periodic interest. They are purchased at a discount, meaning the purchase price is lower than the face value. When the bond matures, the difference between the purchase price and that face value is the investment's return.

**5. a. A portfolio of securities assembled by an investment company.** A mutual fund is a pooled investment that may combine dozens to hundreds of stocks, bonds, and other securities into one portfolio shared by many investors.

**6. c. The fees and expenses charged by each fund class.** A mutual fund may offer various share classes to investors, most commonly A, B, and C. This gives an investor the opportunity to select a share class best suited to his or her investment goals.

*Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*



*All investing involves risk, including the possible loss of principal, and there can be no assurance that any investment strategy will be successful. Generally, the more potential for growth offered by an investment, the more risk it carries.*

*The performance of an unmanaged index is not indicative of the performance of any specific security. Individuals cannot invest directly in such an index.*

*Because zero-coupon bonds do not pay interest until maturity, their prices tend to be more volatile than bonds that pay interest regularly. Interest income is subject to ordinary income tax each year, even though the investor does not receive any income payments.*

*The return and principal value of stocks, bonds, and mutual funds may fluctuate with market conditions. Shares, when sold, and bonds redeemed prior to maturity may be worth more or less than their original cost.*



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## Is the Social Security Administration still mailing Social Security Statements?

Your Social Security Statement provides important information about your Social Security record and future benefits. For several years, the Social Security Administration (SSA) mailed these statements every five years to people starting at age 25, but due to budgetary concerns, the SSA has stopped mailing Social Security Statements to individuals under age 60.

Workers age 60 and over who aren't receiving Social Security benefits will still receive paper statements in the mail, unless they opt to sign up for online statements instead. If you're age 60 or older, you should receive your statement every year, about three months before your birthday. The SSA will mail statements upon request to individuals under age 60.

However, the quickest way to get a copy of your Social Security Statement is to sign up for a *my* Social Security account at the SSA website, [ssa.gov](http://ssa.gov). Once you've signed

up, you'll have immediate access to your statement, which you can view, download, or print. Statement information generally includes a projection of your retirement benefits at age 62, at full retirement age (66 to 67), and at age 70; projections of disability and survivor benefits; a detailed record of your earnings; and other information about the Social Security program.

The SSA has recently begun using a two-step identification method to help protect *my* Social Security accounts from unauthorized use and potential identity fraud. If you've never registered for an online account or haven't attempted to log in to yours since this change, you will be prompted to add either your cell phone or email address as a second identification method. Every time you enter your account username and password, you will then be prompted to request a unique security code via the identification method you've chosen, and you need to enter that code to complete the log-in process.



## What are some tips for reviewing my Medicare coverage during Medicare Open Enrollment?

During the Medicare Open Enrollment Period that runs from October 15 through December 7, you can make

changes to your Medicare coverage that will be effective on January 1, 2018. If you're satisfied with your current coverage, you don't need to make changes, but it's a good idea to review your options.

During Open Enrollment, you can:

- Change from Original Medicare to a Medicare Advantage plan, or vice versa
- Switch from one Medicare Advantage plan to another Medicare Advantage plan
- Join a Medicare prescription drug plan, switch from one Medicare prescription drug plan to another, or drop prescription drug coverage

The official government handbook, *Medicare & You*, which is available electronically or through the mail, contains detailed information about Medicare that should help you determine whether your current coverage is appropriate. Review any other information you receive from your current plan, which may include an Annual

Notice of Change letter that lists changes to your plan for the upcoming year.

As you review your coverage, here are a few points to consider:

- What were your health-care costs during the past year, and what did you spend the most on?
- What services do you need and which health-care providers and pharmacies do you visit?
- How does the cost of your current coverage compare to other options? Consider premiums, deductibles, and other out-of-pocket costs such as copayments or coinsurance; are any of these costs changing?

If you have questions about Medicare, you can call 1-800-MEDICARE or visit the Medicare website at [medicare.gov](http://medicare.gov). You can use the site's Medicare Plan Finder to see what plans are available in your area and check each plan's overall quality rating.