Countdown to retirement

Reviewing key deadlines with a group of friends at age 64

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I celebrated a major milestone with a group of friends recently. We met in 1968 when we were freshmen in high school. Today, with most of us on the cusp of retirement, we took a trip to Charleston to commemorate 50 years of friendship.

For years, my girlfriends have listened to me prattle on about Social Security rules and strategies. Now that we are all 64, the information took on new urgency. They begged me to review their individual situations and options as they sat around the table with pens and pads in hand.

Our trip was a perfect time for a preretirement review. As my friend and colleague Katy Votava, Medicare expert and president of Goodcare.com, always says: "Sixty-four is a good age to read the meter."

It amazes me how our small group of nine women represents a microcosm of aging baby boomers. Two are widows. The other seven are married — although not necessarily for the first time. They have hosted weddings and buried parents. Most are grandmothers.

OUR GROUP OF NINE WOMEN REPRESENTS A MICROCOSM OF AGING BABY BOOMERS.

First question: *When should they enroll in Medicare?*

It depends. If at least one spouse is still working beyond age 65 and has access to employer-provided group health insurance, both can delay enrolling in Medicare penalty-free until that insurance coverage ends. Ditto for single individuals with access to group health insurance.

Delaying Medicare enrollment beyond age 65 is particularly attractive to workers who contribute to a health savings account. Once they enroll in Medicare, they can no longer make tax-deductible contributions to an HSA, but they can continue to take tax-free withdrawals to pay for qualified medical expenses.

However, when it comes to delayed Medicare enrollment, there is an exception for small-business owners with fewer than 20 employees.

Their company health insurance does not count as "creditable" insurance for Medicare purposes. If they fail to enroll during the initial seven-month enrollment period that begins three months before their 65th birthday, they face lifelong delayed-enrollment penalties of 10% for every year they were eligible to enroll in Medicare Part B but did not. There is also a separate delayed-enrollment penalty of 12% per year for Medicare Part D prescription drug plans.

Plus, if they miss their initial enrollment period, they must wait until the next general enrollment period, which runs from January through

care coverage that begins in July. In the meantime, they could be on the hook for 80% of their medical bills, even if they have other insurance. Ouch!

Second question: *When should they claim Social Security?*

As we were all born in 1954, we missed the cutoff that would let us claim only spousal benefits at 66 and allow our own retirement benefits to grow until age 70. But several of us are married to men who are a few years older and can take advantage of this filing strategy once we claim Social Security.

One friend couldn't wait to call her husband and relay their optimum strategy: She would claim Social Security when she turns 65 next year, and he could then claim spousal benefits the following month when he turns 66. She works part-time, so the Social Security earnings test would not affect her.

Both of the widows plan to claim survivor benefits when they turn 66 in 2020, even if they are still working, because survivor benefits are worth the maximum amount when claimed at full retirement age. The earnings restrictions disappear at the same time. In the meantime, their own Social Security retirement benefits will grow by 8% per year until age 70. At that point, they can switch to their larger retirement benefits, and their survivor benefit would disappear.

Armed with knowledge about Social Security and Medicare rules and strategies, they all feel more confident as they inch closer to retirement. I hope your clients do, too.

(Questions about Social Security? Find the answers in my new e-book, available at InvestmentNews.com/MBFebook.)

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