Should you enroll in Medicare if you’re still working?

Many people today keep working beyond age 65 – the age when most people become eligible for Medicare. If you’re still working and your employer offers health coverage, do you need to enroll in Medicare? Should you do so?

The answers can be complicated – and there may be different answers for the different “parts” of Medicare. Here’s a closer look:

**Medicare Part A.** Part A of Medicare covers hospital visits and nursing home stays, as well as certain types of care provided by home health agencies. It’s usually smart to go ahead and enroll in Part A even if you’re still working, since it’s free for most people and it may supplement your employer’s insurance.

However, you need to be careful, because sometimes enrolling in Part A can affect your employer-provided insurance. You’ll want to ask your employer (or your spouse’s employer, if that’s where you get your coverage) whether your current insurance will change if you enroll in Part A.

This is especially true if you have a high-deductible health plan with a health savings account, since enrolling in Medicare can make it difficult or impossible to make further contributions to such an account.

**Medicare Part B.** Medicare Part B covers doctor visits, lab tests, and other outpatient and preventive care. It has a monthly premium that changes each year; the monthly premium is $104.90 for most people in 2014.

If you work for a company that has fewer than 20 employees, it’s generally wise to go ahead and sign up for Part B. If you don’t, then your employer’s insurance plan may be able to refuse to cover you for any services that Medicare would have covered. That means that you may

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Medicare is complicated for people who continue working after age 65. The answers are different for different people, and even for the different ‘parts’ of Medicare.

have to pay for those services out of your own pocket.

If you work for company with 20 or more employees, though, you can generally wait to sign up for Part B, because your employer’s insurance plan must continue to cover you as before.

As a general rule, if you don’t sign up for Part B when you’re first eligible, and you decide to sign up later, you’ll pay a penalty – an extra 10% premium for each year that you delayed signing up after you became eligible. However, if you delayed signing up because you were working and covered by your employer’s insurance, there’s an exception. As long as you sign up within eight months after you retire, there’s no penalty.

If the size of your company is anything close to 20, be sure to ask how many employees it has for Medicare purposes. The government has its own methods for counting “employees” that can be very different from just looking at how many people are sitting in an office.

Medicare Part D. Part D covers prescription drugs. Even if you choose not to enroll in Part B, you can still enroll in Part D. However, if your employer offers a prescription drug plan, there are several issues to consider before you switch.

One is whether your employer’s current plan or a Medicare Part D plan is better for you. Different plans cover different drugs, and pay different portions of the cost for various types of drugs. You’ll want to make a list of the drugs you currently take (or might be likely to take in the near future), and see which plan makes the most sense for your needs.

Another issue is whether you’ll have to pay a penalty if you don’t sign up for Part D now, but do so at some point in the future. Your employer’s plan should send you a letter telling you whether or not your current coverage is “creditable” – meaning that it’s considered equal to or better than what Medicare is offering. If your current coverage is “creditable,” then you can keep it and not have to worry about a penalty. But if your current coverage is not creditable and you don’t sign up for Part D right away, then you’ll have to pay a penalty if you sign up later, similar to the penalty for delaying in signing up for Part B.

If you’re thinking of signing up for Part D, a final consideration is whether you can drop your current drug coverage without losing your other employer-provided insurance. Be sure to ask your employer about this.

Social Security. If you’re currently receiving Social Security benefits, you don’t need to do anything to enroll in Medicare. You’ll be automatically enrolled in Parts A and B effective the month you turn 65.

If you’re not receiving Social Security benefits and you want to sign up for Medicare, you can call the Social Security Administration at 800-772-1213 or enroll online at www.socialsecurity.gov/medicareonly.

If you’re receiving Social Security benefits and you don’t want to sign up for Part B, fill in the box on the back of your Medicare card declining Part B coverage and mail it back to the address listed. You’ll be mailed a new card.

As you can see, Medicare decisions can be very complicated. If you have any questions, we’d be happy to help you.

Seniors can use Social Security as an interest-free loan

Did you know that if you start receiving Social Security early, but change your mind within 12 months and pay all the money back, you can still wait until your full retirement age and collect much larger monthly benefits?

In effect, after you reach age 62, you can use Social Security as a short-term interest-free loan.

Although this option doesn’t make sense for most people, there are situations where it’s a good idea. For instance, a senior who is laid off from a job after age 62, but expects to find a new job soon, could use Social Security benefits to “tide them over” and then repay the benefits from the new job’s salary. This might be smarter than tapping long-term investments or retirement accounts, both of which could result in higher taxes.

Before 2011, it was possible to collect benefits and then declare a “do-over” at any time before full retirement age. The law has since changed so that beneficiaries are limited to a 12-month payback period in order to qualify for full benefits later. Also, beneficiaries are allowed only one “do-over.”

However, even if you aren’t able to pay back all the money within 12 months, if you pay it back at some point before your full retirement age, you can still earn some delayed retirement credits and somewhat increase your ultimate monthly payments.
Here’s yet another danger of ‘do-it-yourself’ wills

Some people try to save money by writing their own will using a pre-printed form or an online program, without consulting a qualified attorney. We often advise people that this is a mistake, and that the potential unfortunate consequences of using a homemade will can be far worse than the cost of doing it the right way in the first place.

A recent case from Florida provides yet another example of why this is true.

A woman named Ann Aldrich wrote her will on something called an “E-Z Legal Form.” She listed her assets – including a house, a car, and a bank account – and said that they should go to her sister. She also said that if her sister died first, they should go to her brother.

Her sister did die first. As it turned out, her sister bequeathed Ann more than $120,000 and some real estate. But Ann’s “E-Z” will didn’t say what should happen to this additional property that she inherited after the will was written.

When Ann died, her brother went to court and argued that he should get all of Ann’s property, including the sister’s inheritance. But Ann’s nieces complained that this wasn’t fair, and that they should inherit part of the sister’s assets too.

The case went all the way to the Florida Supreme Court – which sided with the nieces. The court said that since Ann never said what should happen to the additional property, it should be divvied up among the various family members exactly as if she hadn’t written a will at all.

Of course, the cost to the family of a protracted lawsuit was far greater than what Ann would have spent to consult an elder law attorney, who would have advised her about the importance of having a clause in her will about assets acquired at a later date.

In fact, one of the Florida Supreme Court justices described the case as “a cautionary tale of the potential dangers of utilizing pre-printed forms and drafting a will without legal assistance.”

How to make sure your funeral wishes are followed

Many people have very specific preferences for how their funeral should take place. These can include where they want the funeral to be held, who should be invited, what the person will wear, who should speak, what music should be played, and who should act as pallbearers.

If these things are important to you, it’s a good idea to take steps to make sure your wishes are carried out properly. You can write detailed instructions, and let your family know where they can find the information.

It may be tempting to include this information in your will, but you should remember that wills are often not opened until long after the funeral is over. It’s usually better to write a separate document. You might want to attach a copy of it to your health care directive.

If you don’t make your wishes known, the responsibility for making funeral and burial decisions will rest with your loved ones. If you’re married, your spouse will usually be in charge of making the decisions. If you’re not married, the responsibility will likely go to your children or other family members.

Often, a person’s loved ones are in a state of grief shortly after a death; they might find it hard to make these decisions, or they might find that having to make them increases their emotional suffering. Worse, in some cases family members might disagree about the decisions, leading to unnecessary conflict. That’s why it can be a great comfort to family members to know that they are carrying out someone’s last wishes.

Another option is to make arrangements in advance directly with a funeral home. However, you should be very careful if a funeral home offers you a “prepaid” funeral plan. While these may be okay with a reputable funeral home that you know and trust, there have been many cases where a funeral home has gone out of business and has taken many people’s “prepaid” funds with it, or has otherwise failed to live up to its commitments once the person who signed the agreement has died and can no longer complain.

We welcome your referrals.

We value all our clients. And while we’re a busy firm, we welcome all referrals. If you refer someone to us, we promise to answer their questions and provide them with first-rate, attentive service. And if you’ve already referred someone to our firm, thank you!
Reverse mortgages can pose big problems for heirs

Reverse mortgages can be a big help to seniors who need extra cash, but they can become a big headache for the person's family members after they pass away or move to a nursing facility. Family members need to be aware of their rights and obligations, because they usually have to make decisions quickly after a person dies or moves.

Reverse mortgages allow homeowners who are at least 62 years old to borrow money on their house. The loan doesn't have to be paid back until the house is sold or the last surviving owner moves out or passes away.

What happens next usually depends on whether there's significant equity in the home. If there is, then most commonly the person's executor will sell the home, pay off the loan, and distribute the remaining equity to the heirs.

If the family wants to keep the home, then they can do so by paying off the loan from other assets.

What if the home is "underwater" and the loan amount is greater than the home's value? In such a case, it's important to know that the owner's estate is not responsible for the difference. The lender can foreclose on the home, but the lender can't force the heirs to make up the difference between the loan amount and the value of the house.

Generally, the family can stay in the house while the lender forecloses, or simply turn the keys over to the lender and walk away.

Another option is that the family can keep the house by paying the lender 95% of the appraised value of the home. Although this amount will be less than the amount of the loan, the lender is required to write off the difference, and the family will get to keep the property.

In general, the heirs have 30 days to decide what they want to do with the house, and up to six months to arrange financing. (They may be able to get an extension for up to a year if they can show that they're actively seeking financing or a sale.)

Unfortunately, many family members have no idea what their rights are in the immediate aftermath of a family member's death. And many lenders these days aren't notifying heirs about their rights, and are immediately beginning foreclosure proceedings.

If you have a reverse mortgage, it's very important to discuss these issues with your family so they will be prepared if something should happen to you.