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Future Focus

*Monthly Insight Into Your
Insurance, Health & Finances*

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How Will Social Security Impact Your Retirement?

Having a solid base of understanding on Social Security strategy is vital for retirement success. If done correctly, you can better maximize your overall retirement income plan. Understanding Social Security is one step to help you avoid any costly mistakes as you plan for retirement.

Once you're no longer working, your working income streams stop but your need for income does not. Identifying other guaranteed sources of income that you can use to replace your old salary is a challenge that many retirees face. Many retirees have some type of assets they can rely upon, like money in a savings or retirement account, or other investments like stocks, but this is often not enough to provide a steady income stream. In other words, a shortfall often remains between the amounts you have and the amount you will need during retirement. This "income gap," as it's referred to, needs to be bridged somehow to have a long and happy retirement, and Social Security can be a useful tool in filling a portion of that gap.

4th of July Fun Facts

1. Only 2 people actually signed the Declaration on July 4th: John Hancock and Charles Thompson. Everyone else signed on August 2nd.
2. Calvin Coolidge was the only president to be born on July 4th
3. Three presidents have died on July 4th – John Adams, Thomas Jefferson, and James Monroe
4. July 4 wasn't deemed a federal holiday until 1870, nearly 100 years after the nation was founded
5. Americans consume around 155 million hot dogs on the 4th of July
6. \$341.4 million is spent on beer and \$167.5 million on watermelon



HOW WILL SOCIAL SECURITY IMPACT YOUR RETIREMENT?

The Social Security program was created in 1935 when President Franklin Delano Roosevelt signed it into effect. The program was conceived to help an aging American generation struggling after the Great Depression, and was financed by workers and employers. During your working years, a small portion of your paycheck goes to funding retirement for older retirees, and yours will be funded from younger workers when the time comes.

You may begin collecting your Social Security benefit as early as age 62 and as late as 70. Accepting your benefit right away at 62 will permanently reduce your benefit, whereas waiting until your later 60s or even until 70 can increase your benefit for the rest of your life.

Inflation and cost of living (COLA) adjustments also have an effect on your monthly benefit once you've decided to start accepting it. Your monthly benefit amount increases to keep pace with COLA, so the impact of inflation and other economic factors aren't as detrimental as time goes by. This adjustment is based on the consumer price index from the third quarter of the previous year through the third quarter of the current year. By law, this is the official measure by which the Social Security Administration calculates COLAs.

It's important to realize that maximizing your lifetime Social Security benefit and maximizing your monthly benefit amount are two different things. Maximizing

your monthly benefit amount would mean waiting as long as possible, or in other words, waiting until you're 70 years old to file for Social Security, because this would give you the highest monthly amount. This means you would get more money per month but you would also be waiting longer to receive your benefit, which means you might have less time to actually use that money.

On the other hand, maximizing your lifetime benefit means finding the sweet spot: striking a balance between the most money you can get per month with the most years you will have to spend it. The Social Security Administration calculates your average indexed monthly earnings during the 35 years in which you earned the most, and then applies a formula to that amount to determine your basic benefit, also known as your "primary insurance amount."

With all of the different scenarios and nuances that go along with Social Security, it's easy to see where it may become confusing, especially if you're planning for not only yourself but your spouse as well. Other things to take into consideration include life expectancies, family medical history and potential health care needs in your later years of life. Social Security benefits can be an important element to your retirement plan, and deciding on a strategy to maximize your benefit requires careful consideration. We believe weighing the pros and cons of each scenario is best achieved with a financial services professional.

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IF I'M COVERED BY **MEDICARE**, SHOULD I HAVE ADDITIONAL HEALTH INSURANCE?

You may need to purchase health insurance to supplement your Original Medicare coverage, because Medicare generally won't cover all of your medical expenses. Usually, you'll have to satisfy a deductible before Medicare pays anything, and you'll also pay a co-payment when you visit a physician or are admitted to the hospital.

Fortunately, you can buy supplemental insurance from private companies that will help you plug the gaps in your Medicare coverage. These Medigap plans are regulated and standardized by the federal government. There are 10 different kinds of plans, although your state may not offer all of them (and three states, Massachusetts, Minnesota, and Wisconsin, have their own standardized plans). If premium cost is a concern, you can purchase lower-cost Medigap plans that only partially cover Medicare deductibles, co-payments and coinsurance costs. Conversely, if you want extensive coverage and don't mind paying more for it, you can purchase a Medigap plan that covers most of the deductibles, co-payments, and extra charges associated with Medicare. You can compare plans at Health Care Financing Administration's website (medicare.gov).

Whatever plan you choose, you have the right to cancel it within a certain amount of time (usually 30 days, sometimes longer) if you don't like the policy after you buy it. In addition, the policy must be guaranteed renewable and cannot duplicate existing coverage, including Medicare.

Another way to supplement Medicare is to keep in effect any employer-sponsored health-care insurance you have. Depending on the type of coverage you have, and whether you're retired, one plan will pay your health-care costs first, and the other plan will cover some or all of the remaining costs. To make sure claims are properly paid, let your health provider know when you have health insurance in addition to Medicare.

Note that if you have a Medicare Advantage (Part C) plan, you don't need a Medigap plan, and it's illegal for anyone to sell you one unless you're in the process of switching back to original Medicare.



Tech Tips

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