

Retirement, You and Medicare

The first question a client is asked when they sit down for their appointment for Medicare counseling is: “What are your retirement goals?” Many people are surprised by this question, but they shouldn’t be. Setting the correct retirement goals is the most important task you should have as you approach sixty-five. As Medicare Counselors at Shepherd’s Center Central (SCC), the majority of individuals/couples have no idea what they are going to do. You are planning your medical insurance for the rest of your life, so planning your retirement future helps you decide the best Medicare decisions to make. This paper is not designed to answer your retirement question, but to assist you as think about retirement and your future.

SCC has determined in interviews that there are areas that hopeful retirees have given little thought to in their retirement years:

1. What do I want to do in retirement?
2. How much money will I need to retire?
3. What’s a budget?
4. Should I downsize?
5. How much life insurance do I need?
6. Who pays the bills
7. Is it time to clean out the attic?

What do I want to do in retirement?

This may sound like a simple question, but the majority of people that pass through SCC’s doors don’t know what they want to do in retirement. It may take a couple of years before they settle down and can actually make a decision. Some never make a decision. Some people have a dream that they have always wanted to do and retirement will allow them to live that dream. Many people consider retirement as not working while others look at it as a time they can do those things they’ve always wanted to do, whether it is running a pastry shop, roaming the country in an RV or volunteering. An article in [Forbes magazine](#) states in a recent survey that 40% of retirees are clinically depressed. [CBS MarketWatch](#) talks about 10 things you can do in retirement and the first recommendation is to get a job! You have spent your entire life marching to a routine and that routine is now gone. The number one concern of many female spouses is their husband has no hobby or interest outside of work. They are concerned their husband’s health will deteriorate because of inactivity. SCC has found that men are more likely to have problems in retirement over women and [RetireWoW](#) agrees. [USA Today](#) has 7 mistakes to avoid during the first year of retirement and the first is not having a financial plan, but the last is not having a healthcare strategy for retirement.

Post It Notes Fred retired at sixty-seven as an engineer, and he had plans for retirement that he failed to share with his wife. The first morning of retirement his wife had left to attend a function, and when Fred entered the kitchen, he found the refrigerator door plastered (his description) with Post It notes with

little jobs. In the weeks that passed, he found he was going shopping with his wife and doing things that she wanted to do. This was a case of two people that had not planned retirement together. Fred wanted to volunteer in the community, but found much of his time taken up with completing Post It note jobs and shopping. He finally sat down with his wife and explained what he wanted out of retirement. Two years later they are still adjusting as each tries to fulfill their dreams for retirement.

Betty's husband, Bill, retired at age seventy from a high paying position in a large corporation. Betty had always stayed at home to raise the family, but her days were filled with volunteering and working for worthy causes. They had never discussed retirement. The first day of retirement, Bill came into the kitchen around 11:30 and sat down at the kitchen table. Betty was busy with work for a local charity. The table was covered with papers. After some minutes, she looked up and asked Bill what he wanted. Bill said he was waiting for lunch. Betty informed Bill the next day that she planned to work every morning for a local charities 'second hand shop. Bill and Betty had failed to discuss retirement. Betty was continuing the volunteer work that she loved, but Bill was lost. There was no administrative assistant to tell him what appointments he had for the day, who was on today's lunch schedule or what meetings he needed to attend. Bill had been very successful, but he needed a staff person for support. It was apparent that Betty did not want to be Bill's staff.

You can see that it is important to have a retirement plan so you can make the right decisions for you. A couple recently contacted SCC and told us how they made a mistake in their retirement plans. They always wanted to travel, so they decided to sell their home and they purchased a [Recreational Vehicle](#). They had two children: one in upper New York State and one near Richmond, Virginia. The problem arose when the husband wanted to stay in New York during the summer and Virginia during the winter. They would travel some as they migrated back and forth between the two locations. The wife wanted to travel extensively and visit their children once or twice a year. Neither plans were wrong, but it has caused friction in their relationship and retirement plans.

The same problems exist for single/divorced individuals. They have never planned for retirement, and there is a good chance their resources are much smaller than a married couple. Many plan to continue to work part time after retirement to make ends meet. It is important that they have a plan for retirement. A recently retired, single woman came into the SCC office to sign up for Medicare. She sat down and immediately began to talk of retirement. How much should she draw out of her retirement accounts? How much life insurance should she carry? Should she continue to live in her home?

These were all good questions that more retirees should ask themselves. Our reply was simple: What do you plan to do when you retire? All of her questions were valid, but first she needed to decide what she wanted to do the rest of her life. She called back a month later and said that she had a dream and now wanted to pursue it. She had sold her home, leased a condo and visited a financial planner who advised her on her insurance and investments. "Once I had my plan in place, the rest was easy," she said. Many women find themselves living at the [poverty level](#) when they retire compared to men. Another poll by the [Washington Post](#) states that women lag behind men when it comes to retirement savings. Although women feel very confident about retirement and making financial decisions, [a report from Prudential](#) tells a different story.

Tips and Tools For Making Plans

There are many tools to help you plan for your retirement. The Department of Labor has a web site: [Taking the Mystery out of Retirement Planning](#). AARP is a good resource that has articles on [when to take social security](#), planning your [healthcare costs](#) for the future and [tips and tools](#) for planning your retirement. All of these tools and planning comes back to the same question: What do you want to do in your retirement. It has been our experience that the years 65 to 75 are the most active for most seniors. We have one client who likes to go on dance cruises while another spends her summers in Belgium in a small house on the beach. One couple spends their summers in Kansas City, but head to Brownsville, TX in the winter.

Sometimes it is hard to plan because we have put up obstacles in the past that hinder us in the future. We'll discuss some of these obstacles later on. Don't let these obstacles get in the way of your dreams. Allow yourself to dream and you may find that some of these obstacles fade away, or they can be handled. Never think you are too old, or I can't do that anymore. Cindy Siemers of [Sage - ing in the Heartland](#) says the most self-defeating word for an older person is "I can't". They believe that they are too old to square dance, too old to join a yoga class or too old to join a [Meetup group](#). Another thing to consider is the [divorce rate](#) among retirees. One expert called it an exploding phenomenon. There are various reason why people are getting divorced in later life, but no matter the reason, it can derail retirement. An [AARP study](#) revealed that 66% of the divorces were initiated by women.

SCC offers programs that can help individuals plan their future. The first is [Explore Your Future](#). This very successful program has helped mid-life adults explore their interests and passions, identify and mobilize their dreams, and engage in personally meaningful community service. The [Forward 50 Club](#) is exclusively for people age 50+ and offers a wide range of exciting benefits and inspiring opportunities. [Adventures in Learning](#) is a program geared toward mid-life and older adults who want to continue learning, become engaged in the community and make new friends.

The point is very simple. Don't wait until the last minute to plan the rest of your life.

How much money will I need to retire?

There is a misconception that retirement is going to be a continuation of your present lifestyle: not true. The majority of boomers that are retiring today don't know how much money they will need in retirement ([AARP](#)). If you don't know how much money you'll need in retirement, how can you continue your present lifestyle? There are hundreds of retirement calculators online from [CNN Money](#), to [Kiplingers](#), [AARP](#) and the list goes on and on and on. Only you can decide what your retirement is going to look like and does it fit your plan?

[A poll taken in Indiana](#) found that people preparing for retirement felt that their life would be the same or better after retirement. How does that fit with reality? [MoneyNews](#) reports that retirement today is a risk because of the loss of pension plans, the recession and the rising cost of health care. The [Wall Street Journal](#) article about the five signs that you're ready for retirement includes do you have a budget? [You need to make a budget!](#) A retirement budget is a must. About.com explains how to set up a [retirement budget](#). The biggest problem that people have who don't make a budget is they spend too

much money. [Bankrate](#) talks about the five expenses that derail retirement such as hobbies or renovating a house (We'll talk about this later). There is plenty of retirement worksheets online from various financial institutions. An article from the [New York Times](#) revealed that the majority of people nearing retirement age had less than \$30,000!

[David Ramsey](#) has a very popular program on how to budget your money. In fact, some churches in their marriage counseling for newlyweds include Mr. Ramsey's program on budgeting. Some take [classes](#) while others buy his book and follow his plan.

How many people actually budget? [A Gallop poll](#) in 2013 found that two-thirds of Americans do not budget! So, we can assume that the same number of people do not budget for retirement. A rule of thumb for retirement is that you will need 80% of your present salary to continue your lifestyle in retirement. One of the common mistakes that people make is how much money to take out of their retirement accounts. Many analysts state that a withdrawal rate of around 4% a year is a safe bet. There are many [calculators](#) out there that will help you figure out what that amount. Each person is different. Setting up a budget gives you a realistic number on how much you will need. Many people say they don't need a budget because they know how much they spend each month. What we assume to be true concerning our spending habits may get us in trouble down the road.

My Abode: Keep it or Sell?

This is a question that many people don't think about, although it should be part of your [retirement plan](#) and included in your budget. "My house is paid for!" you say, but can you afford the upkeep? There are many hidden costs to owning a home. Do you have the financial resources to pay for a new roof in six years, or a new paint job? Can you still maintain the yard? At retirement age, many people think that they continue to live in the same place, and if something happens they can move.

There are many thoughts on owning a home. It can be a [source of income](#), but it can also be a hindrance. [Don't assume that downsizing is going help you financially](#). It all depends upon your retirement plans. There are many [issues to consider](#) whether you should own or rent:

1. Tax issues (you might want to confer with your financial advisor)
2. Maintenance
3. Lifestyle (what you want to do after you retire. Do you want to lock the door and not worry about mowing the lawn,
4. Income later
5. Fragile housing market

SCC has clients who have been retired for some time and wish they could sell their house and move to a condo or an apartment: stuff hinders that move. Stuff is the accumulation of a lifetime that we can't seem to part with at any cost such as a child's favorite toy, a trophy, school papers and scads of pictures that no one looks at anymore. Many people are saddened when they discover that the cherished items they plan to pass on to their children are not cherished by the children. The stuff of our lives becomes clutter that prevents moving. The children live out of town; the parents are too old to reorganize their

lives, so they are left trying to manage a place they can no longer afford. People are living longer, not necessary better.

You can see that it is important to have a retirement plan so you can make the right decisions for you. A couple recently contacted SCC and told us how they made a mistake in their retirement plans. They always wanted to travel, so they decided to sell their home and purchase a [Recreational Vehicle](#). They had two children: one in New York and one in Virginia. So far their plans for retirement jelled, except the husband wanted to stay in New York during the summer and Virginia during the winter. They could travel some as they went back and forth between the two children's homes. The wife wanted to travel extensively and visit their children once or twice a year. Neither plans were wrong, but it has caused a big friction in their relationship in their retirement years.

Another thing to consider is: do others depend upon you for financial help? A recent study by [Merrill-Lynch](#) found that six out of ten people over the age of 50 were providing help to other family members, but few people have prepared for this role. After the recession, the family home has become a safe haven for other family members. As many as four generations may live under one roof. This new phenomenon puts a new kink in retirement planning. You may not be able to sell your home because of your [children moving back](#) in with you in retirement. Retirement is becoming a [family affair](#) with many families.

How Much Life Insurance Do I Need?

Life insurance is a must in case something happens to one spouse while raising a family. But once your children are grown and you near retirement, [do you need that life insurance](#)? If you or your spouse is still working in retirement, how much income would you lose if one of you died? Would that mean the loss of your house? It all depends on your [lifestyle](#) and the plan that you have set up in retirement. Is the life insurance going to pay off the house and bills when one spouse passes? One of our clients had his grandchildren on his life insurance policy so it would pay off the rest of their college debt when he died. You should talk to your insurance agent before you retire.

Who Pays the Bills?

It is not unusual for one spouse to take care of all the bills, but this can present a problem when a spouse becomes ill or dies. If one spouse doesn't believe the other spouse is capable of taking over the task, they need to have a plan in place. Many men and women have entered SCC with financial problems because they don't understand finances. You'd be surprised how many widows and widowers say that their spouse paid all the bills and they don't know how to do it. These individuals are headed for problems unless they step up to the task or find someone else to help them such as a son, daughter. The lady remodeling her home in the previous segment had never paid any bills in her life. She was given an "allowance" for food, clothing, etc. and had no idea how to manage money her bills.



A man came in to SCC to get a new prescription drug plan, but he relayed the story that he was in financial trouble. They were about to shut off his electricity for lack of payment. The

wall had already been shut off. The wife had paid the bills online and most of the bills were sent electronically.

The man didn't use a computer, so he was at a complete loss. He said that he'd always assumed that he'd go first, so there was no need for him to learn about the bills. We referred him to another agency that could help him.

Both spouses have to understand where the money goes. One woman told us that before her husband die of cancer, he went over the bills with her and told her what to expect for discretionary spending each month. The bills were paid automatically from their bank account. All checks were automatically deposited. He taught her how to get into the account and look at their transactions. By the time she visited SCC, she was very confident in managing the money.

Others are less fortunate. Because they were left out of financial management, it was only after their spouse died did they realize that the life insurance was canceled, or they were behind paying some bills. Placing a loved one or spouse in this predicament is unnecessary, and in some cases, very cruel.

Healthcare

If you are sixty-five you will go on Medicare. If you are under sixty-five you have the option to purchase [private insurance](#) or through one of the [state/national insurance exchanges](#). There are three things you have to look at when you buy any insurance: how much money do you have in your pocket; your present health; and your lifestyle. Many people do not understand the terminology of insurance plans like out-of-pocket and deductibles and become confused. Many individuals have never really looked at their insurance policies until they are needed because the policy was provided by a company. We are assuming for this paper that most of you are going on Medicare.

There are two basic types of supplemental insurance that come under Part C: Medigap and Medicare Advantage Plans. Both of these supplemental plans have to follow the guidelines of Medicare.

- Medigap- (Also called supplemental insurance or tie-in plan). There are various Medigap plans and each is slightly different to meet different needs. It is important that you choose the specific plan that covers your specific needs. Most insurance companies steer clients toward a Plan F. This plan covers most medical expenses that a person will incur. Medigaps are tightly controlled by the government and the rule is: The Medigap pays if Medicare pays. Medigap plans are required to pay within a specified time. The plans are very transparent. You present your insurance card, along with your Medicare card, when you go to the doctor. The doctor bills Medicare and Medicare sends the balance of the bill to the insurance company to pay its part.
- Medicare Advantage: You generally get your entire Medicare-covered health care through Medicare Advantage Plans (MAP), including prescription drugs. There are different types of Medicare Advantage Plans including:

1. Medicare Health Maintenance Organization (HMO's)
2. Preferred Provider Organizations (PPO)

3. Private Fee-for-Service Plans

4. Medicare Special Needs Plans.

MAPs are private insurance companies like Humana and Coventry that offer medical care to millions of Medicare participants. You opt-out of Original Medicare to join these plans, but you can return to Original Medicare during the yearly enrollment period. These plans cannot offer less than original Medicare and can offer more services than regular Medicare such as vision and dental care. Some provide memberships to health clubs. Most of these plans do not pay for the full deductible for Part A like a Medigap plan.

You may sign up for a MAP during your initial enrollment period or during the annual enrollment from October 15 to December 7. You also may disenroll from your MAP every year from January 1 through February 14.

Which plan is right for you? This is a difficult decision for many people. There are many things for you to consider:

- **Lifestyle**-When individuals think about retirement and going on Medicare, one of the questions that I ask is about their lifestyle. Most couples get a puzzled look on their faces; it is apparent that they believe that nothing will change in their lives. Why is looking at your future lifestyle important in choosing the correct supplemental plan? It can mean a lot if you don't plan correctly. Remember, you are planning your healthcare for the rest of your life. SCC has had individuals that didn't plan on changing their lifestyle come into the office and tell us that their grandson moved to Denver, Colorado and they rented a small apartment so they can spend more time with their children and grandchildren. One friend stated that he and his wife had not really talked about what they were going to do after he retired. He thought it was going to be a time for him to piddle around and take up various hobbies, although he had none on his list. His wife thought it would be a great time to get things done around the house and they could shop together. Like many couples we see, they have had to sit down and plan their retirement lifestyle after the fact. [SeniorSite](#) has an article that describes a situation that many couples find themselves in once they retire Are you going to buy an RV and travel? Spend the winters in Apache Junction, AZ? We had one woman who goes to Memphis, TN for four months each winter to live with her daughter. Another couple goes to Brownsville, TX every winter for six months. Many of these people had no idea what they were going to do until after they retired. Some came to the Shepherd's Center before they retired and realized that their lifestyle and Medicare supplemental plan they planned to purchase were not compatible.

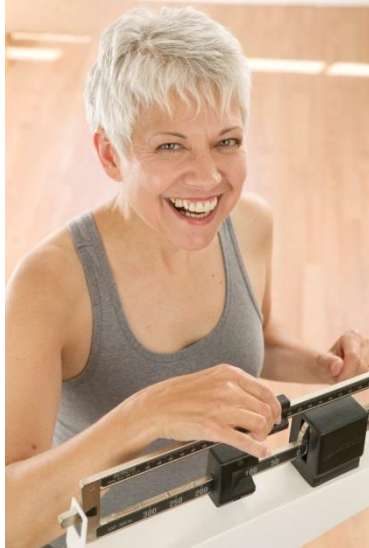


[Money Magazine](#) has an article that states that planning your lifestyle for retirement is just as important as financial planning. [Explore Your Future](#) is a program presented by the Shepherd's Center that helps an individual plan and make goals for the future. It helps them decide what they want to do once they retire. Another program is offered online by [T Rowe Price](#). [AARP](#) has an article about the roadmap to retirement that talks about planning your lifestyle.

By now you are probably wondering what this has to do with picking a supplemental program for Medicare. Let me give you an example. I had a couple come into my office and they had looked at Medigaps and Medicare Advantage Plans and picked the Advantage plan based on monthly cost although they could easily afford a Medigap plan. His family had a history of heart problems, Diabetes and obesity. Two years later, they came into my office and told me they had bought a house at the Lake of the Ozarks where they spent the summers. Their children and grandchildren visited often. A year later, the husband had a massive heart attack, and he needed a doctor at the lake as well in Kansas City, but his plan only allowed him to go to an emergency room for care. If he had a Medigap plan, he could have had a relationship with a doctor while he was at the lake instead of going to the emergency room. This was a classic case of a couple planning their lifestyle after the fact. I hope you will see how lifestyle planning is an important part of what kind of supplemental plan that you chose.

- **Your Health**-We are constantly surprised at how many people have no idea about the health history of their family beyond their own parents. This is another factor along with your lifestyle that helps you chose the right supplemental plan. This is even more important for people who have not had insurance before getting on Medicare..

[The Center for Disease Control](#) has designated Thanksgiving as a day when family get together and they should share the family's health history. Why? Because it can help your doctor determine what kind of tests or signs to look for because of your family's health history. [The Genetic Alliance](#) has a booklet online that guides you through collecting your family history.



Knowing your health history allows you to make choices. The first thing you have to decide is do you want to control your health treatment in the future, or do you want to work with a plan that may limit your choices. This is why it is so important to have this history so you can see if the plan you are looking at will cover your needs. Let's say you have a history of heart problems. You haven't had any problems yet, but if you do, you want to go to a specific doctor and hospital. Does the plan you are choosing include your hospital and



doctors?

- **Disposable Income**-The next thing you have to look at is how much money do you have in your pocket? It is amazing how many clients come in to see me and have no idea about the financial side of retirement. Many have a 401k and IRA's and some have pension funds, but

still don't know how they are going to distribute their money. They are hoping things will continue as they are presently. Their mouths drop open when I tell them that the average retiree will lose 15-25% of the buying income to inflation, etc. from the time they retire to the time they die. If you don't have your finances in order, how do you know what supplemental you can afford now and in the future? Some people will not have much choice because of lack of funds, but you still have choices. You need to know from the start how much money you have for health care. [Health care](#) is expected to reach 20% of the U.S. economy by 2021 or sooner

[Purdue University](#) publishes a workbook on retirement. It is involved, but some of you might want something like this to figure your own finances. Another workbook is published by the [Department of Labor](#). [AARP](#) has a calculator that many people have used to plan their retirement. Be educated about retirement so you can be educated about how much you have to spend on health care.

End of Life Details



Taking care of en-of-life details early in your retirement can lead to less confusion and frustration later in life. Recently, a man came into the SCC office seeking information about a nursing home for his wife. The usual questions were asked such as do you have an advance directive, [power of attorney](#) and power of [financial](#) and [medical issues](#). The answer was no. he'd attempted many times to get his wife to make a will and take care of end-of-life matters, but she avoided it. Now, her husband was scrambling to find out what to do and how to do it. His assets have been left exposed, so he is afraid he won't have enough to live on in the future.

A woman visited us because her husband was in a nursing home, and she was about to spend all of her savings. He'd always taken care of the bills, and only after he had become incapacitated, did she find out that the long-term care policy and their life insurance policy had been canceled. Another woman was attempting to place her husband who had Alzheimer's in a nursing home, and her children were protesting the move. Because she didn't have a power of attorney, she was undergoing a long legal battle.

When you walk into a hospital today, the first question they ask you is do you have an advance directive. An [advance directive](#) is your wishes for end-of-life medical treatment so others can make a sound medical decision. We have all heard horror stories about a spouse or children can't agree on how to handle end-of-life decisions. The person who is ill is kept alive, sometimes in a vegetative state, until the family agrees. An advance directive allows the person to decide how they want to be treated.

It is especially prudent for you to seek the advice of an [Elder Lawyer](#) if one spouse has a debilitating disease, and you have a lot of assets. Elder lawyers are versed in Medicare, Social Security and Medicaid issues.

Conclusion

This paper is definitely not the panacea for people getting ready to retire. The main purpose, as stated earlier, is to get you thinking about your options in retirement.