

## Upcoming Events

**Oct. 15:** Open Enrollment for 2018 Medicare benefits through Dec. 7

**Oct. 20:** Meet & Greet Open House

**Oct. 27:** DFP Golf Clinic

**Nov. 6:** “Will Plan 4 Food” annual food drive begins

**Nov. 23-24:** Thanksgiving Holiday. Our offices and the NYSE will be closed.

**Dec. 22:** Annual Holiday Pie Pick-Up Party

**Dec. 25:** Christmas Holiday. Our offices and the NYSE will be closed.

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## Dignum Financial Partners

*Partnering with You*

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# Medicare Basics You Need to Know

The concept of Medicare can be murky for soon-to-be retirees. If you learn basic enrollment guidelines and some of the nuances of various Medicare plans, you'll be empowered with the knowledge you need to make better decisions—and avoid costly penalties. Here, we explore key points and address common questions about this federal health insurance program.

### When to enroll

Generally, you are eligible to enroll in Medicare at age 65. The open-enrollment period is the seven-month span surrounding your 65th birthday—specifically, the three months before you turn 65, the month you turn 65, and the three months after you turn 65. If you already collect social security benefits, you will be enrolled automatically in Medicare Part A when you turn 65. In addition, you will receive a letter outlining your options to enroll in other Medicare plans.

Many people don't realize that if you fail to enroll when the law requires, you may incur penalties, which may result in a lifetime of more expensive premiums. A 10 percent penalty may be assessed for each 12-month period you fail to enroll for Medicare Part B; a 1-percent-per-month penalty may be assessed if you fail to enroll for Medicare Part D. Finally, a failure to enroll could create coverage delays and potential gaps in medical coverage.

There are exceptions. You may delay enrollment, and **avoid penalties**, if:

- You are still employed and covered under your employer's health plan.
- Your spouse is employed, and you are covered under your spouse's health plan.

If, on the other hand, you are covered by either of the following, you typically would **incur penalties** by delaying enrollment:

- COBRA coverage from a previous employer (COBRA plans may allow ex-employees to continue health coverage under a group plan for a specific period.)
- Retiree health insurance (Some coverage may allay the cost of a penalty on Part D, but not Part B.)

If you are an employee—or the spouse of an employee—covered under a group health plan and you're approaching 65, find out whether your group insurance provider is the primary payer for medical costs.

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## Test your knowledge of HSAs

Health Savings Accounts (HSAs) allow you to set aside part of your paycheck on a pretax basis, so you can use that money to pay for certain medical expenses at a later date. But HSAs aren't available for everyone.

Under a provision called the Last-Month Rule, if you are covered under a high-deductible health plan (HDHP) anytime up to the *first* day of the last month of the tax year (typically, Dec. 1), you are eligible to make a contribution to an HSA. But if you don't become covered under an HDHP until some time *after* that first day of the last month, you'd be ineligible to contribute to an HSA for 2017.

Further, the Last-Month Rule has a testing period that runs from Dec. 1 of the current year through Dec. 31 of the next year. If you don't remain eligible to contribute to an HSA for that entire period—say you end your HDHP coverage at some point during the year—any excess contributions made to the HSA would incur taxes, as well as a 10% penalty.

For more details, see [IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans](#).

Source: Commonwealth

# Medicare Basics —*continued from page 1*

Employers with fewer than 20 employees may consider Medicare the primary payer for medical expenses and group coverage as a secondary payer. In these cases, you may be responsible for a larger percentage of out-of-pocket medical costs.

## Understanding Medicare options

There are three parts to Original Medicare: Part A covers in-patient hospital expenses; Part B covers doctors and out-patient testing; and Part D covers prescription costs. There generally is no out-of-pocket premium cost for Part A (you paid for this through your payroll taxes).

In lieu of selecting Original Medicare, you could select Part C, also known as a Medicare Advantage Plan, which is offered through private insurers. Medicare Advantage Plans cover Part A, Part B, and—in some cases—Part D. Like a private, managed care plan, the costs, copays, and out-of-pocket expenses differ among insurers, and doctor-referral requirements also vary. Carefully make your choice based on your budget and circumstances.

## Understanding Medicare Supplement Insurance (Medigap) policies

If you select Original Medicare coverage, you may want to consider purchasing Medicare Supplement Insurance—also known as a Medigap plan—through a private insurer. A Medigap plan may offer coverage that Original Medicare does not, such as coverage when traveling internationally or dental and eye care coverage. Generally, there are 10 standardized plans; the most popular are Plan F and G. Shop carefully and evaluate these plans based upon cost and personal needs. If you select a Part C Medicare Advantage Plan instead of Original Medicare, you would not be eligible to purchase a Medigap plan.

## Means-tested Medicare premium costs

The premium cost for Medicare (other than Part A) is means tested. When you first enroll, your modified adjusted gross income (MAGI) from two years prior to enrollment determines your premium cost. For example, a 2018 enrollment references your 2016 MAGI. There is a standard premium cost and, where applicable, an income-related monthly adjustment amount (IRMAA). Your cost is evaluated annually, so your annual cost may vary depending upon your MAGI for the referenced year. For more guidance on the standard Part B premium amount and the IRMAA at various MAGI levels, visit <http://www.medicare.gov/your-medicare-costs/part-b-costs/part-b-costs.html>.

## A word about health savings accounts and Medicare

If you currently contribute to a health savings account (HSA), be advised that once enrolled in Medicare, you are no longer eligible to contribute to an HSA. Depending upon when you enroll in Medicare, your enrollment may be retroactive up to six months. To avoid a contribution penalty, stop contributions to an HSA at least six months prior to your enrollment in Medicare, and be specific about when you want Medicare coverage to begin.

When you understand these basics about Medicare, you can avoid costly errors in your enrollment and coverage choices. We are happy to assist you in planning for these important decisions.

Source: Commonwealth

*This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.*

## Top Medicare Mistakes

### Assuming you don't qualify if you haven't worked long enough

Earning 40 credits by paying payroll taxes at work — about 10 years' work — ensures that you won't have to pay premiums for Part A services (mainly hospital insurance) when you join Medicare. But you don't need any work credits to qualify for Part B (doctors' services, outpatient care, medical equipment) and Part D (prescription drugs), provided that you're 65 or older, and a U.S. citizen or a legal resident who's lived in the United States for at least five years. You may also qualify for Part A benefits on your spouse's work record, or you can pay premiums for them. If you wait to sign up until you've earned 40 credits, you may end up paying permanent late penalties.

### Believing you don't need Medicare Part B if you have retiree or COBRA health coverage

Part B is optional, so you are not obliged to enroll. But you should carefully check with your retiree plan to see how it fits in with Medicare. In many such plans, Medicare automatically becomes primary coverage and the plan pays only for a few services that Medicare doesn't cover. In that case, if you fail to sign up for Part B when you're required to, you'll essentially have no coverage. COBRA allows you to continue on your present employer's health care plan after your job ends, usually for about 18 months. But as soon as you're no longer actively working for this employer, COBRA coverage doesn't allow you to delay Part B enrollment without risking late penalties. In this situation, you need to sign up for Part B before the end of your initial enrollment period at age 65, or (if your job ended after that period) no later than eight months after you stopped work.

### Thinking you must reach full retirement age before signing up

Full retirement age for most people is now 66, which will gradually increase to 67 for those who were born after 1959. But if you want to avoid late penalties, you need to sign up for Medicare at age 65, unless you have health coverage from your own job or from your spouse's current place of employment. You don't need to wait until you retire and are collecting Social Security benefits to enroll in Medicare.

### Not signing up for Part D because you don't take any prescription drugs

Why pay Part D premiums if you need no medicines? Because you don't have a crystal ball and can't be sure that you won't get some unforeseen illness or suffer an injury that takes expensive drugs to treat. (Some cancer drugs cost thousands of dollars a month.) Part D, like all insurance, provides coverage when you need it, but doesn't allow you to wait to sign up until the need becomes urgent. And when you do finally enroll, you'd risk late penalties permanently added to your Part D premiums — unless you have "creditable" drug coverage from elsewhere (such as retiree benefits) that Medicare considers at least as good as Part D. One solution (if you don't have such drug coverage from elsewhere): Pick the plan with the lowest premium, so you get coverage at the least cost.

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### Online Account Access

Need a copy of a statement? Looking for a trade confirmation? Filing an extension and lost your 1099 tax form?

All of these things and more are available online. Access your online account through our website: [www.dignumfinancialpartners.com](http://www.dignumfinancialpartners.com), and click on the "account access" button.



If you have never accessed your account online and would like to get started, please feel free to contact us. We will be able to get you all set up in less than 5 minutes!

Don't forget to follow us on Facebook and Twitter as well!



## Medicare Mistakes—Continued

### Picking a Part D drug plan on the basis of its premium or its name or because your best friend chose it

The best way to pick a plan is according to the specific drugs you take, because Part D plans do not cover all drugs and they charge widely differing copays, even for the same drug. You can compare coverage and costs for your own drugs among different plans by using the plan finder program on [medicare.gov](http://medicare.gov) or by calling Medicare at 800-633-4227.

Source: AARP

## DFP Happenings

We are excited to introduce Ryan Dignum to the DFP Team! He is a CFP® professional who will be joining us on Tuesday, October 10th. We will be hosting an Open House on Friday, October 20th for you to come and meet Ryan. We hope to see you there!

Our very own, E. Kim Dignum has been named one of SafeHaven's 25th Annual Legacy of Women Award Honorees. The Legacy of Women Award recognizes ten influential women for their leadership, impact, and commitment to our Tarrant County community. An awards luncheon will be held on Friday, October 6th featuring keynote speaker and award winning journalist, Tamron Hall.



We are hosting a Golf Clinic on October 27th at Mira Vista Country Club. Details have already been e-mailed. Please be sure to respond to us by October 16th to join in the fun!

Start saving those non-perishable food items! We will kick off our annual "Will Plan 4 Food" food drive in early November. As always, we will collect through the holidays.

Our annual Holiday Pie Pick Up Party will be held on Friday, December 22nd. Look for details after Thanksgiving to reserve your pie!



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