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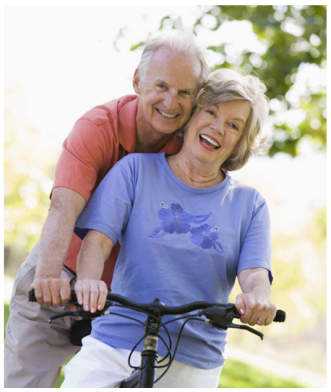
Protecting A Lifetime Of Memories

Where Your Retirement Dreams Become Reality...



JULY 2019

Understanding Medicare Pt. 2 (Medigap v. Med. Advantage)

Last month I wrote about the basics of Medicare, and what your different options are. This month, I am going to continue that topic and explain in more detail the differences between Medicare Supplements (Medigap) and Medicare Advantage plans. It is important to note that both plans are designed to provide better protection than that of original Medicare and that in order to qualify you must have Medicare Parts A & B.

Medicare Advantage is an "all in one" alternative to original Medicare offered by Medicare-approved private companies that must follow rules set by Medicare. These plans will essentially take over your Part A & B. This means you will file your Medicare advantage insurance, not original Medicare. These "bundled" plans offer a greater variety of coverage, will usually include part D, and may or may not offer extra benefits such as vision, hearing, and/or dental. The cost varies by plan, but these plans are usually offered at low or no monthly cost. Some plans charge a monthly premium in addition to what you pay for part B, while others will help pay all or part of your part B premium. An important thing to consider about these plans though is your coverage area. In most cases you'll need to use doctors who are in the plan's network (for non-emergency or non-urgent care). You also may need to get a referral to see a specialist. So, if you are a frequent traveler, be careful when choosing this type of policy.

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Understanding Required Minimum Distributions From IRA's

What are Required Minimum Distributions?

Beginning when they reach the age of 70 ½, IRA owner's must start taking withdrawals from their account each year. These withdrawals are known as RMDs (Required Minimum Distributions)

A choice can be made to delay the first of these distributions until April 1st following the year the account holder reaches 70 ½. If the choice is made to delay the first RMD, rather than taking it by December 31st of the year in which the account holder reaches 70 ½, then he or she will have to take two distributions in that year. They will be required to take one by April 1st and another one by December 31st. Distributions must then be made by December 31st of each subsequent year.

Please remember that by delaying the first distribution, the following year both distributions will be counted as taxable income.

Be Cautious: If the account holder fails to take out the RMDs it can result in an IRS penalty of 50% on the amount that should have been distributed.

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Interesting Facts:

-Most predators have eyes facing forward while most prey have eyes on the sides of their head.

-The Pyramids of Giza were more ancient to the Ancient Romans, than Rome is ancient to us.

-A Stanford study found a high correlation between walking and creative thought output. Compared to sitting, those who walked demonstrated a 60% increase in creative thought output.

-The United Kingdom and Portugal hold the longest standing alliance in the world, it started in 1386.

-The month of July was named after Julius Caesar.

*Are you unnecessarily paying income taxes on your social security call now for your **FREE** report*
"How to Stop the Taxation of Your Social Security Income"
Call now while supplies last.

"Too many people spend money they haven't earned, to buy things they don't want, to impress people they don't like."
~Will Rogers

Disturbing Facts...

In 2018, U.S. hospital emergency rooms treated an estimated 12,000 people for fireworks-related injuries. 70 percent of these injuries occurred between June 18 to July 18. Of these:

-61 percent were to males and 39 percent were to females.

-Children under 15 years old accounted for 31 percent of the estimated injuries.

-Young Adults (Age 20-24) had the highest estimated rate of emergency department-treated, fireworks-related injuries (4.0 injuries per 100,000 people)

-There were an estimated 1,300 emergency department-treated injuries associated with firecrackers. Of these, an estimated 47 percent were associated with small firecrackers, an estimated 4 percent with illegal firecrackers, and an estimated 49 percent with firecrackers for which there was no specific information.

-An estimated 900 injuries were associated with sparklers and 400 with bottle rockets.

Please have a happy & Safe Independence Day!

Understanding Medicare Pt. 2 (Medigap v. Med. Advantage)

Medicare Supplements or "Medigaps" are plans focused on covering some or all of the remaining costs left by original Medicare such as copayments, coinsurance, and deductibles. Every Medigap policy must follow federal and state laws designed to protect you, and they must be clearly identified as "Medicare Supplement Insurance." Insurance companies can sell you only a "standardized" policy identified in most states by letters. Medigap covers you for a monthly premium in addition to what you pay for your other parts, but will result in lower or no out of pocket costs. A good thing about Medigap policies, is that they usually will cover you at any Medicare accepted doctor/facility in the United States (or sometimes abroad). An important thing to remember about Medigaps is that they do not offer drug coverage, so you will need to enroll in that separately.

All in all, both Medicare Supplements and Medicare Advantage offer great protection for health care costs over original Medicare. However, each one has its own benefits, perks and drawbacks. Therefore, it is important to weigh all the differences to determine which one will work best for your own situation. Remember, you are only allowed to enroll in one or the other. In either case though, these are not all-encompassing policies. There may or may not be other coverages you will need. For a full in-depth guide on Medicare download the "Medicare & You Handbook" off the Medicare.gov website. Of course, you can also call my office and I will help in any way I can.

Understanding Required Minimum Distributions From IRA's

Changes to the RMD Rules.

In January 2001, the IRS proposed revised rules for the Required Minimum Distributions. These rules, finalized in April 2002, eliminated the need to make elections for life expectancy or calculation methods, as under the old rules. In addition, you no longer have to name a beneficiary before you begin taking your Required Minimum Distribution from the account.

Why is this important? Once an individual selected a method, it could not be changed. Many times it resulted in an IRA being completely liquidated after the owner's death, leaving a huge tax bill for the beneficiaries.

Benefits to the new RMD rules

Under the 2002 rules, you can designate a beneficiary or change a designation after you reach the age 70 ½ without affecting your RMD calculation.

Virtually, in all cases, the amount of money you must withdraw when you start taking distributions has declined as a result of the new RMD rules. Smaller distributions will mean that your tax bill will potentially be lower because taxes only apply to money when it's withdrawn from your account. As a result, a larger portion of your assets can continue to grow tax-deferred to help build wealth, which can result in more of your IRA assets going to your beneficiaries.

To find out more about the Required Minimum Distributions changes or to get an RMD calculation Please call our office today.