

# How to Plan for Retirement: Considerations for Health Care and Finances

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## Disclaimer

This article is designed to provide accurate and authoritative information regarding the subject matter covered. It is made available with the understanding that the author is not engaged in rendering professional legal, accounting, or other such services. If legal advice or such services are required, contact a competent professional with the necessary expertise.

You might wonder why someone who is not a financial planning expert is writing this article. After all, there are copious resources out there designed to either help or fleece those who are planning for retirement.

My goal with this article is to give you my perspective and what I've found works for me and my wife. Along the way, I'll provide links to trusted sources and will let you know when to seek out and pay for an expert. It is vital that you have the right components of your plan in place so you can enjoy your retirement. You've worked hard to get to this point in your life, and you deserve to have a worry-free retirement.

## Retirement Planning: Different for Everyone

This article focuses on three areas of retirement: Social Security, Medicare, and financial planning. No one template exists for retirement planning, because it involves numerous decisions specific to your situation and goals for retirement. Therefore, what I share reflects my experience, but I believe you will find this information reliable and helpful. In addition, your

human resources (HR) department should be able to provide guidance in some aspects of retirement planning.

**TIP:** I suggest you start the planning process at least one year prior to your anticipated retirement date. As I approached retirement age, I discussed Medicare with my two older financially savvy brothers and three equally wise friends. Their advice provided me with a foundation to make prudent decisions about health care coverage in retirement. I will share their wisdom with you here.

## Medicare

As people age, we face potentially catastrophic health care costs. For example, a few years ago I had eye surgery, which cost \$43,000; I had an MRI of my lower back at \$2,300; a family member had to go to the ER, a cost of \$9,200; I had a cataract removed, which cost \$5,300, and a close friend had heart surgery, that bill was a whopping \$200,000. In these instances, my wife and I had no copays or out-of-pocket costs. If you follow my advice in this article, you too, may have a similar experience.

Medicare is a godsend. Medicare covers almost every conceivable medical expense. What Medicare *doesn't* cover is the question, as Medicare is comprehensive in its coverage of health-care costs. For that reason, I urge you to spend time educating yourself on Medicare, given its importance to your financial well-being during your retirement years.

Here are a few sources you will find useful. Start by visiting Medicare's informative website, <https://www.medicare.gov/>. Once you are enrolled in Medicare and have a Medicare number, order a copy of the booklet *Medicare and You 2021* by calling 1-800-MEDICARE (1-800-633-4227).

If you are not enrolled in Medicare, you can still download a copy of the booklet at <https://tinyurl.com/37kkpaf3>. In addition, this book has helped me in maximizing my Medicare and Social Security benefits: *Social Security, Medicare and Government Pensions, 2021*, Nolo Press, <https://tinyurl.com/6k3z2xpf>

However, Medicare doesn't cover all medical costs and you could have costly copays. Therefore, I suggest you do the following when you are eligible for Medicare coverage at age 65. First, pay for Medicare Part B (\$148.50 monthly in 2021), which will cover most outpatient expenses. You receive Medicare Part A, which covers hospital expenses, at no cost when you enroll in Medicare. Part B covers many medical expenses not covered by Medicare. See <https://tinyurl.com/3c7zrewn> for more information.

Second, get a Medicare supplement (aka Medigap). There are a variety of plans available with coverage and costs mandated at the state level, therefore rates and coverages will vary in each state. <https://www.retireguide.com/medicare/coverage/state/>.

A variety of coverages are available from several insurance companies. The Medicare supplement will pay for many of the costs not covered by Medicare A and B.

**TIP:** Find an independent insurance agent who specializes in health insurance to help you with the selection of a Medicare supplement policy. No cost is involved and the agent can point you in the right direction.

Also inquire about Part D, which covers prescriptions. It varies in cost and copays. Retail chains such as CVS, Walgreens, Costco, and Wal-Mart offer plans, as do AARP and private insurance companies.

**TIP:** Both Medicare and prescription drug plans have open enrollment periods, which are the only time you can enroll or switch carriers. Medicare's open enrollment period is October 15 to December 7.

### **McHugh's Medicare Experience**

My wife and I pay for Medicare Part B, D, and Medigap coverage. The annual premiums for these additional coverages have paid us back many times in covering health care expenses not covered by Medicare. Medicare pays for second opinions. We are free to use any physician who accepts Medicare and there's no frustrating "in network" business. To date we have paid zero copays or out-of-pocket costs.

### **Medicare Advantage vs Original Medicare**

If possible, avoid a Medicare Advantage plan. Medicare Advantage is much less expensive than a Medicare supplement and paying for Medicare Part B. However, most Medicare Advantage plans operate as profit-making HMOs run by private insurance companies. This Investopedia article goes into more detail: <https://tinyurl.com/h8kcu7we>.

### **Long-Term Care**

Long-term care is a complex subject beyond my experience and expertise. I suggest you discuss long-term care insurance with your independent insurance agent.

### **Social Security**

Apply for Social Security at least two months before you anticipate collecting it. If possible, wait to apply until your full retirement age, which is the age you can claim benefits and not be subject to any reduction of benefits. If you wait to collect until age 70, your monthly benefit will grow at 7 percent annually, which is one heck of a good deal.

### **Pension**

If you want your spouse (or significant other) to continue to receive your pension if you pass away before they do, then select "right of survivorship." This will reduce the monthly benefit, but the surviving spouse will receive the benefit for as long as that person lives.

### **Lump Sum vs. Monthly Annuity for Your Pension**

Should you take a lump sum or fixed monthly benefit when it comes to your pension? This is a complex financial decision that has a long-term financial implication. I suggest that you discuss it with your HR department or your financial advisor.

### **Pay for Professional Advice**

Many retirement topics are complex and beyond my expertise. Therefore, I pay for legal and tax advice. Sure, I could save money doing my own taxes using Turbo Tax or writing my will on Legal Zoom, but there are other things I would rather do with my time, like consulting (for a little extra money) or just relaxing. I find legal and tax work to be eye-crossing and tedious. Equally important, mistakes made by doing it yourself can be costly to fix.

## Financial Advisors and Planners

I have never used a financial planner (or an advisor). However, if you feel you need the services of a financial planner, here are my suggestions. First, use a Certified Financial Planner (CFP). Second, work only with a planner who is fee-based and charges for their services on an hourly basis. Avoid any financial planner selling products such as annuities.

For example, a friend of mine told me her "financial advisor" recommended that she purchase an annuity. I asked her a few questions and I learned that my friend's "financial advisor" was really an insurance salesperson, who was pitching a high-commission annuity, something experts say to avoid. As I suspected, the high commissions and fees were buried in the fine print of the contract. The lesson learned is to get financial advice from a fee-only financial planner and to avoid someone wanting to sell you a product and earn a commission.

I am not saying to avoid annuities. Rather, I am saying get educated on the pitfalls of some annuities and salespeople not acting as a fiduciary on your behalf. Be skeptical if they try to sell you something specific, because chances are that purchasing it may be more for their benefit than for yours. For excellent information on annuities <https://www.annuity.org/annuities/fees-and-commissions/>

**TIP:** Ask the financial planner if they will act in a fiduciary capacity as they advise you. Fiduciary means that the planner will act only on behalf of the client and avoid any advice not in the client's interest. You want independent, objective, and expert advice when it comes to money matters, and having a planner acting in a fiduciary capacity will help you get that non-biased advice. See this informative article on Investopedia: <https://tinyurl.com/2dfydm5v>.

## Estate Plan

If you don't have an estate plan and you are approaching retirement, I urge you to sit down with a qualified attorney to develop one. In addition to your will, it's important to have in place power of attorney for health care and financial decisions, as well as to have a medical directive drawn up. To save some money, avoid the expensive of high-overhead downtown law firms. Chances are that within your ZIP code there are a number of small firms that specialize in estate planning. When you do an internet search, also search under "Elder Law."

I vetted three law firms before I selected one for my own purposes. I looked for: At least 10 years experience, transparency in fees, specialization in estate planning, and a high "comfort factor" during a one-hour no-charge interview.

**TIP:** Your state will have information on medical directives and living wills (there are some differences) and other forms for estate planning if you go the "do-it-yourself" route.

**TIP:** An important point to remember is that each state has its own estate law so consult an attorney in your new domicile if you move to another state when you retire.

**TIP:** Make sure that everyone who needs to know, knows where the original estate planning documents are; that is, the executor of your will, the person you have named to power of attorney, etc. Make sure that they will be able to access these papers when the time comes. Not being able to find these documents with the original signatures – NOT a copy – can lead to delays and confusion, especially if one of your adult children thinks that they have power of attorney, but really someone else does. It will also make life easier for your executor, rather than forcing them to rack up billable hours with an attorney. If you have online investment accounts,

make sure that the websites and passwords are kept in a secure place and the appropriate people know how to access the information.

Two excellent books on estate planning are:

- Clifford, Daniel, *Estate Planning Basics*, 10<sup>th</sup> Edition, 2020, Nolo
- Jacobs, Deborah, *Estate Planning Smarts*, 4<sup>th</sup> Edition, <http://www.estateplanningsmarts.com/>

### **Financial Decision-Making for Retirement**

When you were a full-time employee with a W-4 tax status, most of your benefits were provided as a tax-free package by your employer. When you retire, you are responsible for piecing together your own benefit package. You no longer have a benefits manager in the HR department selecting health insurance, life insurance, long-disability, a 401(k), unemployment insurance, and a defined benefit plan -- a pension -- which is rare these days. Figuring your personal benefits package will take a combination of research, seeking competent advice, and reflection.

### **Financial Literacy All Important**

It is incumbent to increase your financial literacy so you make the wisest financial decisions prior to and during retirement. You will have many important decisions to make. Take your time and get educated. Only you can make the best decisions concerning your personal finances. All sorts of advisors and businesses will try to sell you a service or a product. Ignore the noise and get to work.

### **A Thanks**

Thanks to my friend Liz Novak for her review and edits of this article.  
[www.linkedin.com/in/lnovak](http://www.linkedin.com/in/lnovak)

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