



# A P O L L O N

*Social Security & Medicare*





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# Social Security Basics



## When

You may start receiving your Social Security retirement benefits as early as age 62 or as late as age 70.

You can apply for benefits no more than four months in advance of your benefit start date.

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## How

You can apply for retirement benefits or spousal benefits directly online at <https://www.ssa.gov/benefits/forms/>

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## Amount

Check your Social Security statement for a current estimate of your benefits at <https://www.ssa.gov/myaccount/retire-calc.html>

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## Consider

Your monthly benefits will be permanently reduced if you start any time before your “full retirement age.” Conversely, your monthly benefits will be increased if you start after your “full retirement age.”



*my* Social Security



# Social Security: Common Misconceptions

## ✘ Social Security is going broke

- ✓ Without any changes, the Social Security trust fund is estimated to be depleted by 2035; however, Social Security is a pay-as-you-go system and, as such, will continue to collect revenue from payroll taxes
- ✓ Even if Congress were to enact no changes (which is rather unlikely), based on incoming payroll tax collections, Social Security would still be able to pay an estimated 80% of benefits

## ✘ Full Retirement Age (FRA) is 65 for everyone

- ✓ Full Retirement Age (FRA) depends on birth year and varies from age 65 to 67

## ✘ Social Security will replace most of a retiree's income needs

- ✓ The program was never intended to be the sole source of income for retirees
- ✓ The general rule of thumb is Social Security will replace around 33% of pre-retirement income for an individual with average lifetime earnings, though the replacement ratio is far lower for individuals with high lifetime earnings

## ✘ Earned income is not allowed while also collecting Social Security benefits

- ✓ Individuals can continue to work after receiving Social Security benefits. If an individual collects benefits before full retirement age (FRA) and has income which exceeds the earnings limit, then a portion of benefits will be reduced; however, any benefits which were reduced due to the earnings limit will later be credited back. [There is no earnings limit upon reaching FRA.]



# Social Security – Key Changes for 2023

## Cost-of-Living Adjustment (COLA) Increase<sup>1</sup>

- 2023 COLA is +8.7% [increased from +2.8% in 2022]
- 2023 COLA is the largest increase since 1981

## Social Security Wage Cap<sup>1</sup>

- For earnings in 2023, this base is \$160,200 [increased from \$147,000 in 2022]

## Social Security Earnings Limit<sup>1</sup>

- Prior to Full Retirement Age (FRA), recipients can earn up to \$21,240 before benefits are reduced [increased from \$19,560 in 2022]
- In the year of FRA, recipients can earn up to \$56,520 before benefits are reduced [increased from \$51,960 in 2022]
- After FRA, recipients are not subject to any earnings limit.

## Social Security Credit Increase<sup>1</sup>

- For 2023, it takes \$1,640 of earnings to equal one credit
- An individual must earn at least \$6,560 for the year to receive the maximum four credits

<sup>1</sup> Source: AARP – “Biggest Social Security Changes for 2023” (December 2022)



# Choosing When to Begin Benefits

## Four Key Factors for Evaluating when to Collect Retirement Benefits



Life expectancy (single or joint)



Spousal benefits



Income needs



Changes in employment

### Consider taking benefits earlier if...

### Consider taking benefits later if...

You are no longer working and find it difficult to cover annual expenses.

You are still working and make enough to impact the taxability of your benefits.

You are in poor health and do not expect the surviving member of the household to make it to average life expectancy.

You are in good health and expect to exceed average life expectancy.

You are the lower-earning spouse and your higher-earning spouse can wait to file for a higher benefit.

You are the higher-earning spouse and want to be sure your surviving spouse receives the highest possible benefit.

# Social Security Considerations



## Full Retirement Age (FRA) vs. Early Retirement vs. Late Retirement

### Full Retirement <sup>2</sup>

Year of Birth*	Full Retirement Age (FRA)
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

### Early Retirement <sup>1</sup>

- Retiree can elect to receive benefits as early as age 62  
(For a retiree taking benefits five years early, the reduction = 30%)
- For the first 36 months, the FRA benefit is reduced by 5/9<sup>th</sup> of one percent for each month before full retirement age (FRA).
- Beyond 36 months, the FRA benefit is further reduced by 5/12<sup>th</sup> of one percent for each early month.

### Late Retirement <sup>1</sup>

(i.e., Benefits after FRA, up to age 70)

Year of Birth	Credit per Year
Before 1937	Varies
1937-38	6.50%
1939-40	7.00%
1941-42	7.50%
1943 and later	8.00%

\* Persons born on January 1 of any year should refer to the previous year

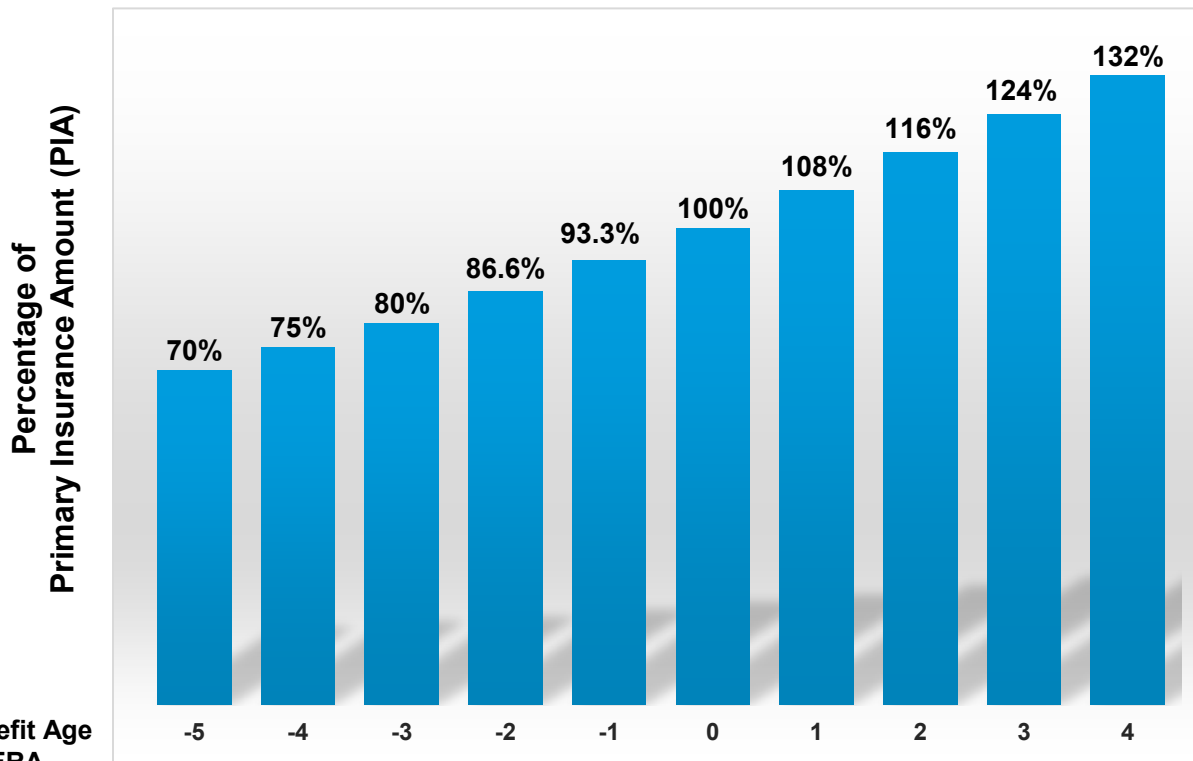
<sup>1</sup> Source: SSA.gov – “Early or Late Retirement?” – [https://www.ssa.gov/oact/quickcalc/early\\_late.html](https://www.ssa.gov/oact/quickcalc/early_late.html)

<sup>2</sup> Source: SSA.gov – “Normal Retirement Age” – <https://www.ssa.gov/oact/progdata/nra.html>

# Early Versus Delayed Benefits



## Full Retirement Age (FRA) vs. Early Retirement vs. Late Retirement



Benefit Age vs. FRA



### Notes:

- 1) PIA = Primary Insurance Amount, which reflects the benefit available at Full Retirement Age (FRA).
- 2) Benefits are permanently reduced for benefits commencing before Full Retirement Age.
  - For the first 36 months prior to FRA, the benefit is reduced by  $5/9^{\text{th}}$  of one percent for each month before full retirement age (FRA).
  - Beyond 36 months, the benefit is further reduced by  $5/12^{\text{th}}$  of one percent for each early month.
- 3) Delayed retirement credits apply for benefits deferred past Full Retirement Age, up to age 70.
  - For individuals born in 1960 or later, FRA is age 67 with a maximum possible deferral period of three years (maximum +24% improvement).



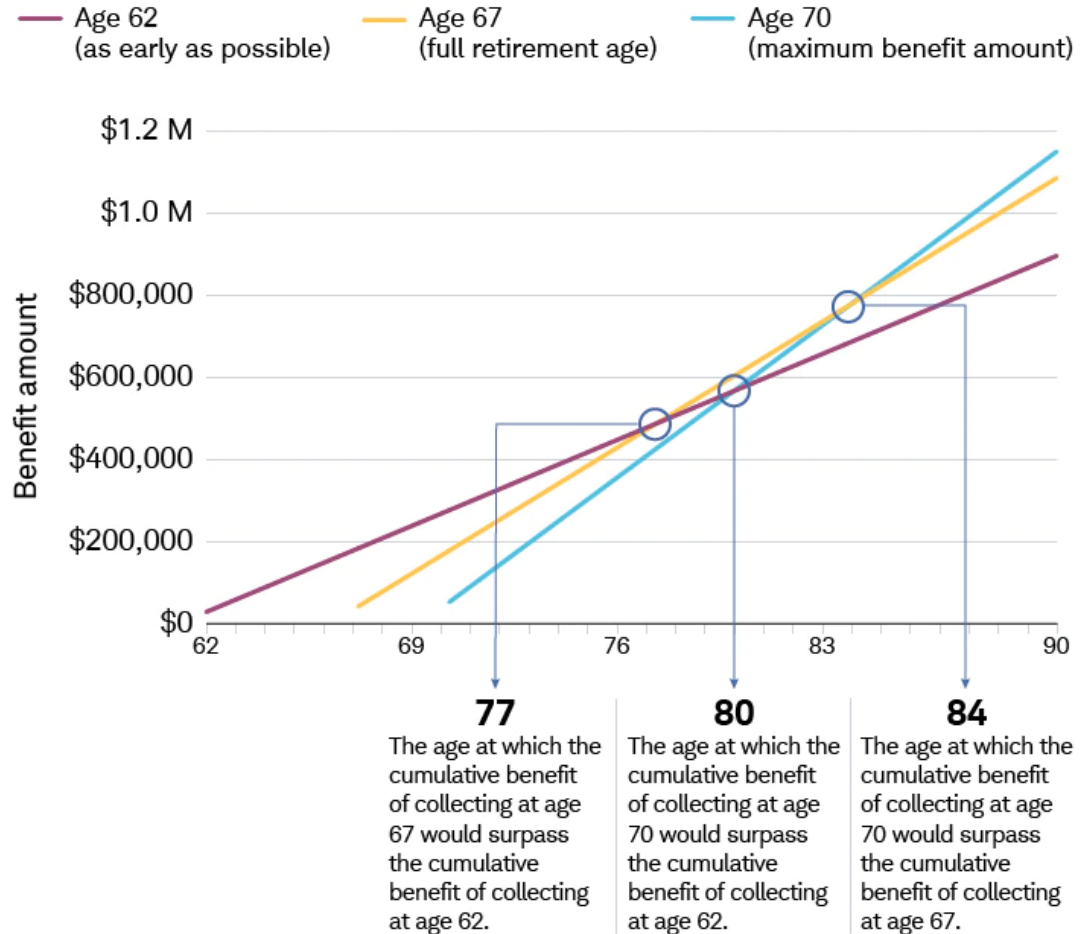


# Evaluating a “Breakeven Age”

## Early Retirement vs. Full Retirement Age (FRA) vs. Late Retirement

### Hypothetical Scenario:

Social Security Monthly Benefits
Age 62: \$ 2,572 / mo
Age 67: \$ 3,674 / mo
Age 70: \$ 4,556 / mo



Sources: Charles Schwab: “Social Security FAQs” (January 2022), SSA.gov.

Hypothetical cumulative benefits assume the retiree was age 62 in 2023, age 67 in 2028, and age 70 in 2031 and began collecting a monthly benefit in January of each year. This example is hypothetical and provided for illustrative purposes only. Monthly benefit at any age varies widely by individual based on their earning history.

# Earnings Limit and Benefit Taxability



## Receiving Social Security Benefits While Still Working <sup>1</sup>

Income Earned <u>Before</u> Full Retirement Age (FRA)	Income Earned <u>During</u> the Year of Full Retirement Age (FRA)	Income Earned <u>After</u> Full Retirement Age (FRA)
<ul style="list-style-type: none"> <li>For retirees collecting Social Security benefits before FRA, Social Security will take back \$1 of benefits for every \$2 over the earnings limit.</li> <li>For 2023, the earnings limit before FRA is \$21,240.</li> </ul>	<ul style="list-style-type: none"> <li>During the year you reach FRA and up to the month you reach FRA, Social Security will deduct \$1 of benefits for every \$3 over the earnings limit.</li> <li>During this year, Social Security only counts earnings that you receive until the month when you hit the milestone.</li> <li>For 2023, the earnings limit in the year of FRA is \$56,520.</li> </ul>	<ul style="list-style-type: none"> <li>There is no earnings limit after an individual reaches full retirement age.</li> </ul>

*Note: Benefit reductions due to the earnings limit are only temporary, as the monthly benefit will be recalculated upon full retirement age to give credit for previously withheld benefits.*

Taxable Portion of Social Security Benefits <sup>2</sup>	<u>Taxable Income</u>	
	Single, Head of Household	Married Filing Jointly
0%	Less than \$25,000	Less than \$32,000
Up to 50%	\$25,000 - 34,000	\$32,000 - 44,000
Up to 85%	Over \$34,000	Over \$44,000

<sup>1</sup> Source: Social Security Administration (SSA) – “Receiving Benefits While Working” – <https://www.ssa.gov/benefits/retirement/planner/whileworking.html>

<sup>2</sup> Source: Social Security Administration (SSA) – “Income Taxes and Your Social Security Benefit” – <https://www.ssa.gov/benefits/retirement/planner/taxes.html>



# Social Security: Spousal and Family Benefits

 Upon starting Social Security retirement benefits, some members of your family may also be entitled to receive benefits from your Social Security earnings record, or you may qualify to receive benefits from their earning record.

## Spousal Benefits

Start between spouse's age 62 and FRA:

- Permanently reduces monthly benefit
- May be affected by the earnings test if still working

Start after spouse's FRA, receives the greater of:

- 50 percent of your monthly benefits based at your FRA (no delayed credit)
- Spouse's FRA personal monthly benefit with delayed credit

## Children Benefits

Eligible children, including biological, adopted, stepchildren, and/or dependent grandchildren may also be eligible for benefits, provided they meet the following qualifications:

- Unmarried and
- Under age 18 or
- Age 18-19 and full-time student (no higher than grade 12) or
- Greater than age 18 and disabled from a disability that started before age 22

## Ex-Spouse Benefits

You may be entitled to benefits from your ex-spouse's record if you meet the following qualifications:

- Marriage lasted more than 10 consecutive years
- You are unmarried
- You and your ex-spouse are at least age 62

**Maximum Family Benefit:** If one of your children also qualifies for benefits, generally the total amount you and your family may receive is about 150 to 180 percent of your full retirement benefit.

An Ex-Spouse benefit does **not** affect the benefit you or your family may receive.

# Medicare Basics



- **Part A (Hospital Insurance)**

- Free for people age 65 and older who paid payroll tax for 40+ quarters (about 10 years)
- Helps cover in-patient hospital care, skilled nursing facility care, hospice care and home health care



- **Part B (Medical Insurance)**

- Anyone eligible for Part A is eligible to enroll in Part B and pay a monthly premium
- Helps cover physician services, outpatient care, home health care, therapy services, ambulance services, preventive services and durable medical equipment



- **Part C (Medicare Advantage)**

- The private health insurance alternative to 'Original Medicare' (Parts A & B), which might also include Part D coverage
- If enrolling in Medicare Advantage, must still enroll in Parts A & B and pay the Part B premium; also will sign up and pay for the chosen Medicare Advantage plan



- **Part D (Prescription Drug Coverage)**

- Run by private insurance companies that follow rules set by Medicare
- Helps cover the cost of prescription drugs
- Once total drug costs (between what you and the plan have spent) reach \$4,660 (2023 limit), enrollee will pay no more than 25% of the drug price (this is often referred to as the 'donut hole' of Part D coverage)

# Medicare: Common Misconceptions



## ✘ Medicare provides completely free health care

- ✓ For most people, Medicare Part A does not require a premium, but you are still responsible for copays, coinsurance and deductibles
- ✓ Medicare Part B has premiums, copays, coinsurance and deductibles similar to other health insurance plans

## ✘ Medicare covers everything

- ✓ Does not cover any type of long-term care, whether in a nursing home, assisted living community, or home care.
- ✓ Dental and Vision health care services are not covered
- ✓ Prescription drug coverage is only covered through Part D and Medicare Advantage plans
- ✓ Beginning in 2023, Medicare will cover a visit to an audiologist (without a physician's referral), so long as the hearing loss has existed for at least 12 months

## ✘ Medicare may not cover you

- ✓ You cannot be rejected for coverage or be charged higher premiums due to serious illness

## ✘ Eligible enrollees will be notified when it's time to sign up for Medicare

- ✓ Unless you are already receiving Social Security benefits, you must apply for Medicare
- ✓ If you sign up when first eligible, you can avoid delays in coverage



# Medicare: Important Dates to Remember

Medicare benefits generally do not require annual enrollment. Key dates for enrollment and changes are highlighted below.

Date	Notes
Initial Enrollment Period	Seven-month period: initial enrollment period begins three months prior to the month turning age 65 and ends three months after the month turning age 65 Individuals who do not sign up during the IEP may be subject to a late enrollment penalty
General Enrollment Period	January 1 – March 31 Those missing the Initial Enrollment Period can sign up during this period; coverage will subsequently start July 1
Medicare Advantage Open Enrollment	January 1 – March 31 (only for individuals who already have a MA plan) If enrolled in a Medicare Advantage plan, enrollee can: <ul style="list-style-type: none"><li>• Switch to a different Medicare Advantage plan</li><li>• Drop Medicare Advantage plan and return to Original Medicare</li><li>• Sign up for Medicare Part D (if returning to Original Medicare)</li></ul>
Annual Open Enrollment Period	October 15 – December 7 Individuals can join, switch, or drop a plan for coverage beginning January 1
Special Enrollment Period	Individuals with certain qualifying life events (losing health coverage, moving, getting married, having a baby or adopting a child) may be eligible to sign up during a Special Enrollment Period
January 1	New coverage begins; monthly premium adjustments go into effect

Source: Medicare.gov

Source: Aetna Medicare – “Unpacking Medicare: What you need to know about Medicare enrollment periods (and when you can change your plan)”

# Choosing Medicare Coverage



	Original Medicare (Parts A & B) <sup>1</sup>	Medicare Advantage (Part C) <sup>1</sup>
<b>Care Options</b>	<ul style="list-style-type: none"> <li>Visit any doctor that accepts Medicare; in most cases, no referral is needed for a specialist</li> </ul>	<ul style="list-style-type: none"> <li>Must use doctors only in plan network (most commonly HMO or PPO network); a referral may be needed to visit a specialist</li> </ul>
<b>Costs</b>	<ul style="list-style-type: none"> <li>Monthly premiums determined by income.</li> <li>No annual out-of-pocket maximum</li> <li>Usually pay 20 percent of Medicare-approved amount after meeting deductible</li> </ul>	<ul style="list-style-type: none"> <li>Still have to pay Part B premium (and, if applicable, Part A premium) in addition to the plan's premium</li> <li>Varying out-of-pocket costs, but will not pay additional costs in a year after reaching plan limit</li> </ul>
<b>Coverage</b>	<ul style="list-style-type: none"> <li>Part A and Part B included</li> <li>Part D may be added separately</li> <li>Supplemental (Medigap) coverage allowed</li> </ul>	<ul style="list-style-type: none"> <li>Plans must cover all services Original Medicare covers and may offer additional benefits</li> <li>Prescription drug coverage (Part D) is included in most plans</li> <li>Cannot buy or use separate supplemental coverage</li> <li>May include additional services not covered by Original Medicare such as dental, vision and hearing care</li> </ul>
<b>Additional Notes</b>	<ul style="list-style-type: none"> <li>May be preferable for those wanting greater provider choices</li> <li>According to the Kaiser Family Foundation, 93% of primary physicians participate in Medicare (however, only 70% of primary care doctors are accepting new Medicare patients)<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>May be cheaper than Original Medicare with additional Medigap coverage</li> <li>May be beneficial for those with low medical usage</li> </ul>

***“Think of it as choosing between ordering the prix fixe meal (Medicare Advantage) at a restaurant, where the courses are already selected for you, or going to the buffet (original Medicare), where you must decide for yourself what you want.” – AARP***

<sup>1</sup> Source: AARP – “The Big Choice: Original Medicare vs. Medicare Advantage” (November 2022)

<sup>2</sup> Source: eHealth insurance – “Do Most Primary Care Doctors Accept Medicare?” (September 2019)

# Medicare Premiums



## Modified Adjusted Gross Income (MAGI) Thresholds for Additional Medicare Part B Premiums

- Taxpayers with higher Modified Adjusted Gross Income (MAGI) must pay additional Medicare premiums
- Adjusted Gross Income (AGI) is found on the first page of a tax return. The most applicable deductions added back to AGI to determine MAGI are: one-half of self-employment tax, passive income/loss, IRA contributions and taxable Social Security payments
- Medicare premiums are determined by an individual's tax return from two years prior; for example, the 2021 tax return filed in 2022 determines 2023 Medicare premiums

Single Filers	Married Filing Jointly	Part B Monthly Premium (2023)	Part D Monthly Premium (2023)
0 - 97,000	0 - 194,000	164.90	Plan premium
97,001 - 123,000	194,001 - 246,000	230.80	12.20 + premium
123,001 - 153,000	246,001 - 306,000	329.70	31.50 + premium
153,001 - 183,000	306,001 - 366,000	428.60	50.70 + premium
183,001 - 499,999	366,001 - 749,999	527.50	70.00 + premium
500,000 +	750,000 +	560.50	76.40 + premium



### Options to Lower MAGI

- Spend from taxable accounts, minimize amount withdrawn from a tax-deferred account
- Make a Qualified Charitable Distribution from an IRA
- Harvest losses in taxable accounts to offset realized capital gains



# Nursing Home Care & Medicare Coverage



## Medicare Coverage for Nursing Home Costs

Medicare will only cover skilled nursing care expenses in very specific situations and is not designed to pay for nursing home or custodial care costs long term. One such situation is when a senior has been hospitalized and released, but still requires a bit of specialized care. Medicare will help pay for short-term stays in nursing homes if they:

- ✓ Were admitted to the hospital for a minimum of three days as an inpatient.
- ✓ Have been admitted to a Medicare-certified facility within 30 days of the hospital stay.
- ✓ Need skilled care like physical therapy, speech therapy, and other types of rehabilitation.

Those who meet all of these conditions under original Medicare will qualify for assistance as follows.

- ✓ Up to 20 days of nursing care is 100 percent by Medicare.
- ✓ After day 21 and up to day 100, patients will pay a copay that is up to \$200 per day.
- ✓ After 100 days, all Medicare coverage ends, and all payments are the patient's responsibility.



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