

# **Social Security and Medicare Changes for 2019: What Clients Need to Know**



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# **The Opportunities for Education and Advice**



# Education

## Seminars, workshops and classes

### Public: Why attend?

- People want to learn (not be sold)
- Boomers enjoy learning
- Financial topics are complex
- Investors want education
- People are desperate for guidance

### Advisors: Why teach?

- Teaching builds credibility
- Allows you to connect
- Demonstrates expertise (show, don't tell)
- Generates a flow of prospects/new clients
- Freedom to enjoy practice and life



# **Social Security as an education topic**

- Appeals directly to lucrative pre-retiree audience
- Huge market: 10,000+ boomers turn 62 each day
- Multifaceted, complicated topic; many ways to assist prospects
- Perfect difficulty: challenging but everyone can “get it” with help
- Painful mistakes can and have been made
- Informed advice helps prospects assure a higher standard of living



# **The pivot: Turning attendees into prospects/clients**

- Invite attendees into your office for a customized Social Security analysis
- Emphasize that decisions must be in context of total retirement assets picture
- Show example of custom, printed reports with recommendations



# Why use calculators?

- Shows lifetime benefits under suggested claiming scenarios based on client's individual situation
- Flexibility to add your own scenarios
- Rules are built in – no danger of recommending an invalid scenario
- Flexibility to change assumptions: life expectancy, COLA
- Handles unusual cases such as age disparity between spouses
- Impressive report
- Leads to further discussion of products and services



# Medicare as an education topic

- Appeals directly to pre-retirees and retirees who need help funding health care
- Huge market: Retirees must sign up at 65
- Widespread ignorance of the topic, yet the matter returns annually
- Important deadlines must be met each year
- Mistakes can be costly (and irreversible)



# **The pivot: Turning attendees into prospects/clients**

- If they haven't started Medicare yet:
  - Estimate health care costs in retirement and how they'll fund them
  - Use their birthday to figure out key deadlines, then direct them on when they need to apply
  - Find out how they're getting their current healthcare coverage—explain how it will work with Medicare and where to go next
- If they have started Medicare...
  - Bring them in to discuss their coverage and how they're planning on paying health costs in retirement
  - Explain how long-term care is not covered by Medicare

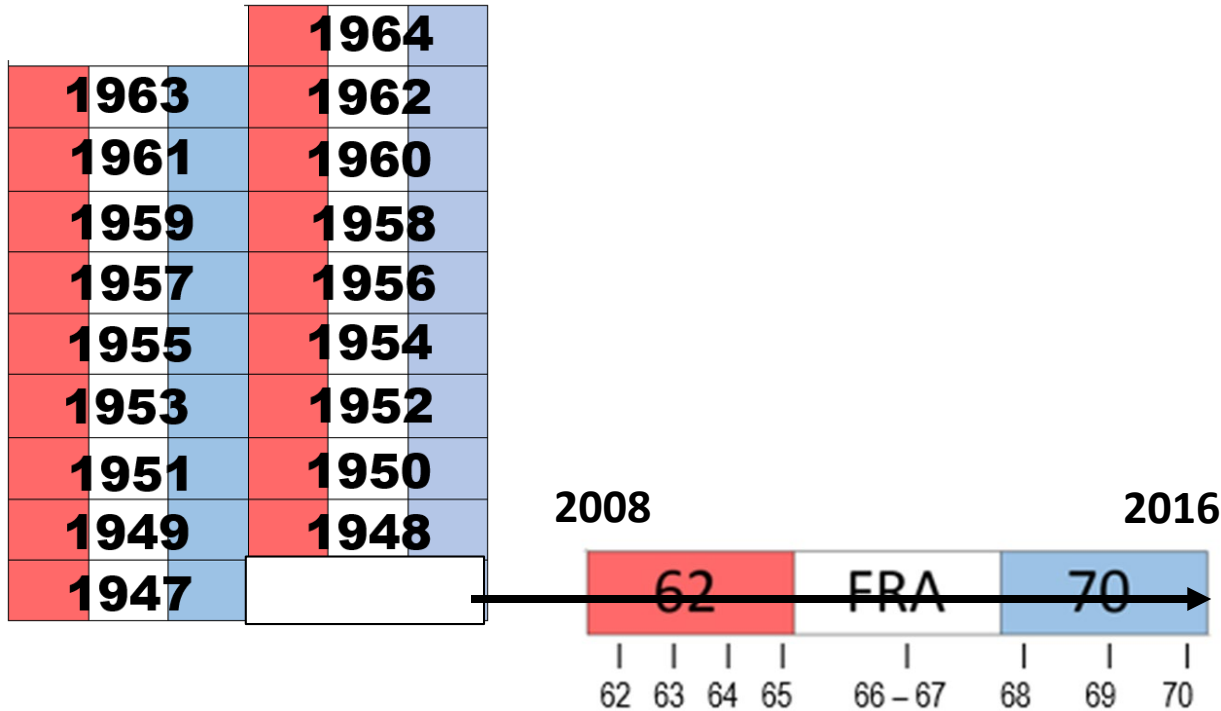




# **The Advice Opportunity: Boomers in the pipeline**

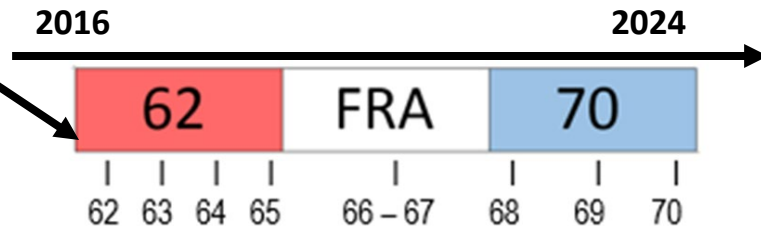


# 1946 Boomers started claiming in 2008, finished claiming in 2016

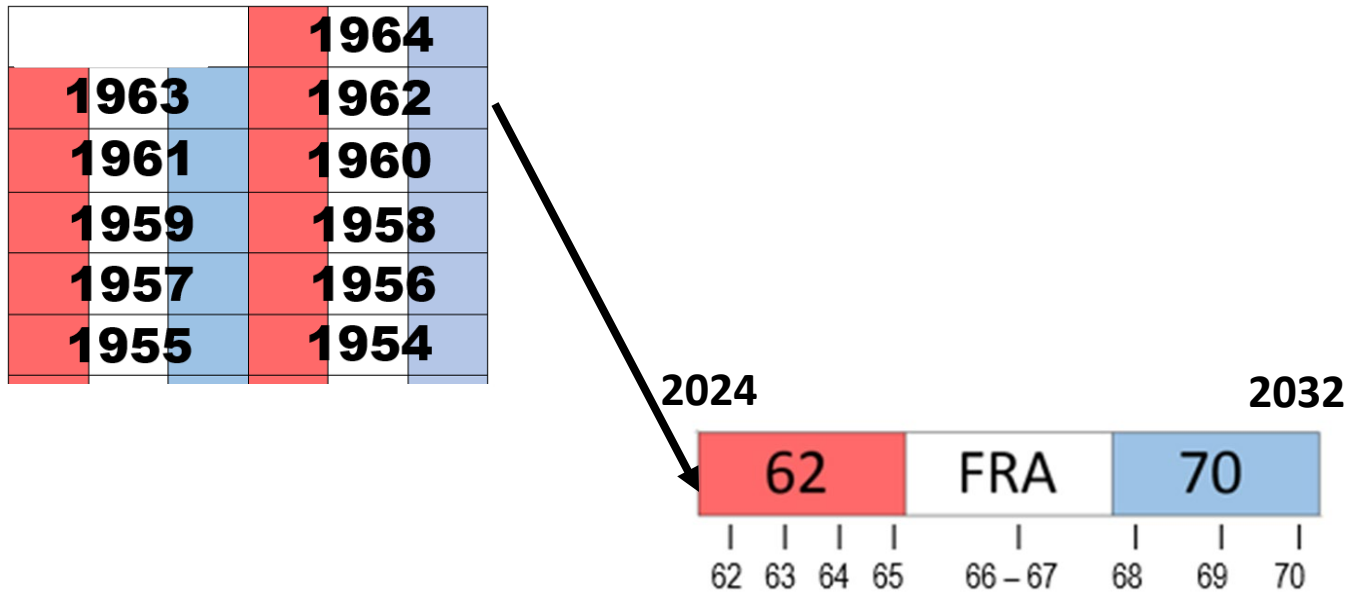


## 1954 Boomers entered the claiming pipeline in 2016, will finish in 2024

					<b>1964</b>
<b>1963</b>					<b>1962</b>
<b>1961</b>					<b>1960</b>
<b>1959</b>					<b>1958</b>
<b>1957</b>					<b>1956</b>
<b>1955</b>					<b>1954</b>

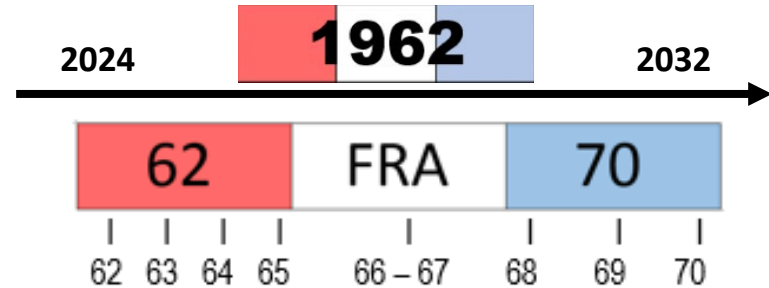
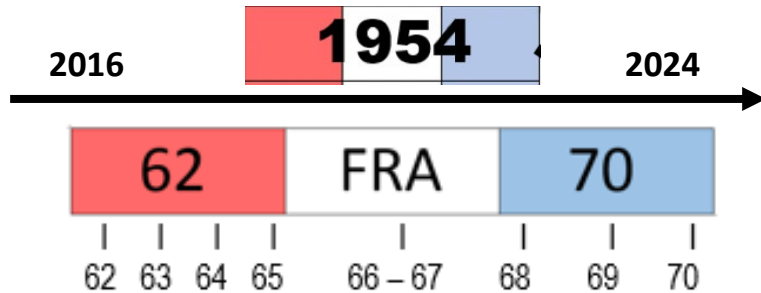


## 1962 Boomers will enter the claiming pipeline in 2024, will finish in 2032



**34 million Boomer prospects enter the claiming pipeline every year**

**They need help deciding when to claim Social Security and how to manage the rest of their retirement assets**



# **Savvy Social Security and Medicare Updates**



# 1. Social Security cost-of-living adjustment

- Checks going up by 2.8%
- May be partially offset by Medicare premium “catch-up” (low income) or IRMAA (high income)
- All PIAs raised by COLA, whether or not benefits have started



## 2. Earnings test thresholds

- **\$17,640 pre-FRA year**
  - Benefits withheld \$1 for \$2
- **\$46,920 FRA year**
  - Benefits withheld \$1 for \$3
- **First-year monthly earnings test**
  - \$1,470 pre FRA
  - \$3,910 FRA year





### 3. New bend points: \$926 and \$5,583

#### PIA formula

For an individual who first becomes eligible for old-age insurance benefits or disability insurance benefits in 2019, or who dies in 2019 before becoming eligible for benefits, his/her PIA will be the sum of:

- (a) 90 percent of the first \$926 of his/her average indexed monthly earnings, plus
- (b) 32 percent of his/her average indexed monthly earnings over \$926 and through \$5,583, plus
- (c) 15 percent of his/her average indexed monthly earnings over \$5,583.

We round this amount to the next lower multiple of \$.10 if it is not already a multiple of \$.10.

<https://www.ssa.gov/oact/cola/piaformula.html>

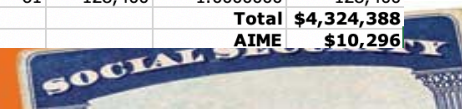


# Indexed earnings for baby boomer born in 1957, turning 62 in 2019

## Maximum earnings since 1979

**\$4,324,320 in total indexed earnings ÷ 420 months = \$10,296 AIME (average indexed monthly earnings)**

Year	Age	Nominal earnings	Indexing factor	Indexed earnings
1979	22	22,900	4.3836461	100,385
1980	23	25,900	4.0214209	104,155
1981	24	29,700	3.6536357	108,513
1982	25	32,400	3.4629903	112,201
1983	26	35,700	3.302126	117,886
1984	27	37,800	3.1187897	117,890
1985	28	39,600	2.9913426	118,457
1986	29	42,000	2.9051156	122,015
1987	30	43,800	2.7309507	119,616
1988	31	45,000	2.6027612	117,124
1989	32	48,000	2.5036327	120,174
1990	33	51,300	2.393092	122,766
1991	34	53,400	2.3071159	123,200
1992	35	55,500	2.1940688	121,771
1993	36	57,600	2.1753602	125,301
1994	37	60,600	2.1185015	128,381
1995	38	61,200	2.0368567	124,656
1996	39	62,700	1.9418879	121,756
1997	40	65,400	1.8348243	119,998
1998	41	68,400	1.7435682	119,260
1999	42	72,600	1.6515312	119,901
2000	43	76,200	1.5649875	119,252
2001	44	80,400	1.5285223	122,893
2002	45	84,900	1.5133452	128,483
2003	46	87,000	1.4772336	128,519
2004	47	87,900	1.4116111	124,081
2005	48	90,000	1.3617831	122,560
2006	49	94,200	1.3019419	122,643
2007	50	97,500	1.2454224	121,429
2008	51	102,000	1.2174169	124,177
2009	52	106,800	1.2360575	132,011
2010	53	106,800	1.2075178	128,963
2011	54	106,800	1.1708317	125,045
2012	55	110,100	1.1353789	125,005
2013	56	113,700	1.1210504	127,463
2014	57	117,000	1.0826214	126,667
2015	58	118,500	1.0462229	123,977
2016	59	118,500	1.0345326	122,592
2017	60	127,200	1.0000000	127,200
2018	61	128,400	1.0000000	128,400
		<b>Total</b>	<b>\$4,324,388</b>	
		<b>AIME</b>	<b>\$10,296</b>	



## Example of benefit formula for max earner

- Baby Boomer born in 1957 – turns 62 in 2019
- AIME = \$10,296
- PIA formula:
  - $\$926 \times .90 = \$833.40$
  - $\$4,657 \times .32 = \$1,490.24$  ( $\$5,583 - \$926 = \$4,657$ )
  - $\$4,713 \times .15 = \underline{\$706.95}$  ( $\$10,296 - \$5,583 = \$4,713$ )
  - Total =  $\$3,030.59$

**PIA = \$3,030.50**

**Amount worker will receive at full retirement age**



## 4. Maximum wage base for 2019: \$132,900

- Based on growth in average wage index 2 years prior: up 3.5% in 2017
- Additional earnings (or lack thereof) may affect the PIA
- Statement estimate may be off
  - Early retirees: send to Retirement Estimator ([www.ssa.gov/estimator](http://www.ssa.gov/estimator)) or ballpark \$100-\$200 less than statement shows
  - Continued earnings make a bigger difference for clients with less than 35 years of earnings (but later earnings always count for more than earlier earnings so everyone who works can improve their benefit)



# What if I keep working?

**Add four years of earnings: 2019 - 2022**

Year	Age	Nominal earnings	Indexing factor	Indexed earnings
1979	22	22,900	4.3836461	100,385
1980	23	25,900	4.0214209	104,155
1981	24	29,700	3.6536357	108,513
1982	25	32,400	3.4629903	112,201
1983	26	35,700	3.302126	117,886
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1990	33	51,300	2.393092	122,766
1991	34	53,400	2.3071159	123,200
1992	35	55,500	2.1940688	121,771
1993	36	57,600	2.1753602	125,301
1994	37	60,600	2.1185015	128,381
1995	38	61,200	2.0368567	124,656
1996	39	62,700	1.9418879	121,756
1997	40	65,400	1.8348243	119,998
1998	41	68,400	1.7435682	119,260
1999	42	72,600	1.6515312	119,901
2000	43	76,200	1.5649875	119,252
2001	44	80,400	1.5285223	122,893
2002	45	84,900	1.5133452	128,483
2003	46	87,000	1.4772336	128,519
2004	47	87,900	1.4116111	124,081
2005	48	90,000	1.3617831	122,560
2006	49	94,200	1.3019419	122,643
2007	50	97,500	1.2454224	121,429
2008	51	102,000	1.2174169	124,177
2009	52	106,800	1.2360575	132,011
2010	53	106,800	1.2075178	128,963
2011	54	106,800	1.1708317	125,045
2012	55	110,100	1.1353789	125,005
2013	56	113,700	1.1210504	127,463
2014	57	117,000	1.0826214	126,667
2015	58	118,500	1.0462229	123,977
2016	59	118,500	1.0345326	122,592
2017	60	127,200	1.0000000	127,200
2018	61	128,400	1.0000000	128,400
2019	62	132,900	1.0000000	132,900
2020	63	138,216	1.0000000	138,216
2021	64	143,745	1.0000000	143,745
2022	65	149,494	1.0000000	149,494
		<b>Total</b>	<b>\$4,415,249</b>	
		<b>AIME</b>	<b>\$10,512.50</b>	



## Add four years of earnings

- New AIME = **\$10,512**
- PIA formula
  - $\$926 \times .90 = \$833.40$
  - $\$4,657 \times .32 = \$1,490.24$  ( $\$5,583 - \$926 = \$4,657$ )
  - **$\$4,929 \times .15 = \underline{\$739.42}$**  ( **$\$10,512 - \$5,583 = \$4,929$** )
  - Total =  **$\$3,063.06$**

**PIA = \$3,063**

Amount worker will receive at full retirement age not counting COLAs or additional earnings

**For a maximum earner, four more years of work will add \$33 to the PIA**



## “What if I retire early?”

- Estimate for a client age 58 now

Stop work at age	PIA*
67	\$2,900**
58	\$2,775

\*Based on SSA Quick Calculator estimate

\*\*This is the **estimate shown on statement**  
**~\$125 more** than amount client will actually receive



# What if I have zeros on my work record?

- Born in 1957
- Maximum earnings from age 22 to 25
- Zero earnings from age 25 to 40
- Maximum earnings from age 40 to 62





**Zeros on work record PIA  
calculated at age 62**

**\$2,960,176 in total indexed  
earnings ÷ 420 months =  
\$7,048 AIME**

Year	Age	Nominal earnings	Indexing factor	Indexed earnings
1979	22	22,900	4.2373204	97,035
1980	23	25,900	3.8871863	100,678
1981	24	29,700	3.5316777	104,891
1982	25	0	3.347396	0
1983	26	0	3.1919013	0
1984	27	0	3.0146848	0
1985	28	0	2.8914918	0
1986	29	0	2.8081431	0
1987	30	0	2.6397918	0
1988	31	0	2.5158813	0
1989	32	0	2.4200616	0
1990	33	0	2.3132108	0
1991	34	0	2.2301046	0
1992	35	0	2.120831	0
1993	36	0	2.1027469	0
1994	37	0	2.0477862	0
1995	38	0	1.9688666	0
1996	39	0	1.8770679	0
1997	40	65,400	1.773578	115,992
1998	41	68,400	1.6853681	115,279
1999	42	72,600	1.5964032	115,899
2000	43	76,200	1.5127483	115,271
2001	44	80,400	1.4775004	118,791
2002	45	84,900	1.4628299	124,194
2003	46	87,000	1.4279237	124,229
2004	47	87,900	1.3644917	119,939
2005	48	90,000	1.3163269	118,469
2006	49	94,200	1.2584832	118,549
2007	50	97,500	1.2038503	117,375
2008	51	102,000	1.1767796	120,032
2009	52	106,800	1.194798	127,604
2010	53	106,800	1.1672109	124,658
2011	54	106,800	1.1317495	120,871
2012	55	110,100	1.0974801	120,833
2013	56	113,700	1.0836298	123,209
2014	57	117,000	1.0464836	122,439
2015	58	118,500	1.0113001	119,839
2016	59	118,500	1.0000000	118,500
2017	60	127,200	1.0000000	127,200
2018	61	128,400	1.0000000	128,400
			<b>Total</b>	<b>\$2,960,176</b>
			<b>AIME</b>	<b>\$7,048</b>



# Primary Insurance Amount (PIA) calculated in 2019 using earnings through 2018

- Lower-earning person born in 1957 – age 62 in 2019
- Max earnings age 22-24, zero earnings age 25-39; maximum age 40-61
- AIME = \$7,048
- PIA formula:
  - $\$926 \times .90 = \$833.40$
  - $\$4,657 \times .32 = \$1,490.24$  ( $\$5,583 - \$926 = \$4,657$ )
  - $\$1,465 \times .15 = \underline{\$219.76}$  ( $\$7,048 - \$5,583 = \$1,465$ )
  - Total =  $\$2,543.40$

**PIA = \$2,543.40**

Amount worker will receive in four years at full retirement age not counting COLAs  
or additional earnings



# Work till 70 to replace zeros

**\$4,373,360 in total  
indexed earnings ÷ 420  
months =  
\$10,413 AIME**

Year	Age	Nominal earnings	Indexing factor	Indexed earnings
1979	22	22,900	4.2373204	97,035
1980	23	25,900	3.8871863	100,678
1981	24	29,700	3.5316777	104,891
1982	25	0	3.347396	0
1983	26	0	3.1919013	0
1984	27	0	3.0146848	0
1985	28	0	2.8914918	0
1986	29	0	2.8081431	0
1987	30	0	2.6397918	0
1988	31	0	2.5158813	0
1989	32	0	2.4200616	0
1990	33	0	2.3132108	0
1991	34	0	2.2301046	0
1992	35	0	2.120831	0
1993	36	0	2.1027469	0
1994	37	0	2.0477862	0
1995	38	0	1.9688666	0
1996	39	0	1.8770679	0
1997	40	65,400	1.773578	115,992
1998	41	68,400	1.6853681	115,279
1999	42	72,600	1.5964032	115,899
2000	43	76,200	1.5127483	115,271
2001	44	80,400	1.4775004	118,791
2002	45	84,900	1.4628299	124,194
2003	46	87,000	1.4279237	124,229
2004	47	87,900	1.3644917	119,939
2005	48	90,000	1.3163269	118,469
2006	49	94,200	1.2584832	118,549
2007	50	97,500	1.2038503	117,375
2008	51	102,000	1.1767796	120,032
2009	52	106,800	1.194798	127,604
2010	53	106,800	1.1672109	124,658
2011	54	106,800	1.1317495	120,871
2012	55	110,100	1.0974801	120,833
2013	56	113,700	1.0836298	123,209
2014	57	117,000	1.0464836	122,439
2015	58	118,500	1.0113001	119,839
2016	59	118,500	1.0000000	118,500
2017	60	127,200	1.0000000	127,200
2018	61	128,400	1.0000000	128,400
2019	62	133,536	1.0000000	133,536
2020	63	138,877	1.0000000	138,877
2021	64	144,433	1.0000000	144,433
2022	65	150,210	1.0000000	150,210
2023	66	156,218	1.0000000	156,218
2024	67	162,467	1.0000000	162,467
2025	68	168,966	1.0000000	168,966
2026	69	175,724	1.0000000	175,724
2026	70	182,753	1.0000000	182,753
			<b>Total</b>	<b>\$4,373,360</b>
			<b>AIME</b>	<b>\$10,413</b>



## PIA after zeros are replaced

- New AIME = **\$10,413**
- PIA formula:
  - $\$926 \times .90 = \$833.40$
  - $\$4,657 \times .32 = \$1,490.24$  ( $\$5,583 - \$926 = \$4,657$ )
  - $\$4,830 \times .15 = \underline{\$720.80}$  ( $\$10,413 - \$5,583 = \$4,830$ )
  - Total =  **$\$2,966.94$**

**PIA = \$2,966.90**

**Working to age 70 adds \$423 to the PIA**



## 5. Window closing for restricted application

- People born before January 2, 1954 are still eligible for this strategy when they turn 66
- Receive spousal benefit while own benefit builds delayed credits to age 70
- Other spouse must have filed
- Other spouse need not be born before 1954



## **“Claim now, claim more later”**

At FRA, higher-earning spouse restricts his application to his spousal benefit (lower-earning spouse must have filed for benefits on her record).

At 70, higher-earning spouse switches to his own maximum benefit.

Example:

- Larry and Linda are 66
- Larry's PIA is \$2,400; Linda's PIA is \$800
- Linda files for her benefit at 66
- Larry files for his spousal benefit at the same time and begins collecting \$400 (half of Linda's PIA)
- When Larry turns 70, he switches to his maximum benefit. Linda adds on her spousal benefit

**Budget Act Update: Must have turned 62 before the end of 2015 to take spousal benefit if own benefit is higher (restricted application)**



# Before: No “Claim now, claim more later”

## Larry does not file for spousal benefit

Year	Linda's age	Larry's age	Linda's COLA-adjusted benefit (monthly)	Linda's COLA-adjusted benefit (annual)	Larry's COLA-adjusted benefit (monthly)	Larry's COLA-adjusted benefit (annual)	Combined monthly benefit	Combined annual benefit	Cumulative total
2019	66	66	\$800	\$9,600	\$0	\$0	\$800	\$9,600	\$9,600
2020	67	67	\$821	\$9,850	\$0	\$0	\$821	\$9,850	\$19,450
2021	68	68	\$842	\$10,106	\$0	\$0	\$842	\$10,106	\$29,555
2022	69	69	\$864	\$10,368	\$0	\$0	\$864	\$10,368	\$39,924
2023	70	70	\$1,330	\$15,957	\$3,511	\$42,127	\$4,840	\$58,084	\$98,007
2024	71	71	\$1,364	\$16,372	\$3,602	\$43,222	\$4,966	\$59,594	\$157,601
2025	72	72	\$1,400	\$16,798	\$3,695	\$44,346	\$5,095	\$61,143	\$218,744
2026	73	73	\$1,436	\$17,234	\$3,792	\$45,499	\$5,228	\$62,733	\$281,477
2027	74	74	\$1,474	\$17,682	\$3,890	\$46,682	\$5,364	\$64,364	\$345,841
2028	75	75	\$1,512	\$18,142	\$3,991	\$47,895	\$5,503	\$66,037	\$411,879
2029	76	76	\$1,551	\$18,614	\$4,095	\$49,141	\$5,646	\$67,754	\$479,633
2030	77	77	\$1,591	\$19,098	\$4,202	\$50,418	\$5,793	\$69,516	\$549,149
2031	78	78	\$1,633	\$19,594	\$4,311	\$51,729	\$5,944	\$71,323	\$620,472
2032	79	79	\$1,675	\$20,104	\$4,423	\$53,074	\$6,098	\$73,178	\$693,650
2033	80	80	\$1,719	\$20,626	\$4,538	\$54,454	\$6,257	\$75,080	\$768,731





# After: “Claim now, claim more later”

## Larry files for spousal benefit

### Receives \$20,000 in additional benefits

Year	Linda's age	Larry's age	Linda's COLA-adjusted benefit (monthly)	Linda's COLA-adjusted benefit (annual)	Larry's COLA-adjusted benefit (monthly)	Larry's COLA-adjusted benefit (annual)	Combined monthly benefit	Combined annual benefit	Cumulative total
2019	66	66	\$800	\$9,600	\$400	\$4,800	\$1,200	\$14,400	\$14,400
2020	67	67	\$821	\$9,850	\$410	\$4,925	\$1,231	\$14,774	\$29,174
2021	68	68	\$842	\$10,106	\$421	\$5,053	\$1,263	\$15,159	\$44,333
2022	69	69	\$864	\$10,368	\$432	\$5,184	\$1,296	\$15,553	\$59,886
2023	70	70	\$1,330	\$15,957	\$3,511	\$42,127	\$4,840	\$58,084	\$117,969
2024	71	71	\$1,364	\$16,372	\$3,602	\$43,222	\$4,966	\$59,594	\$177,563
2025	72	72	\$1,400	\$16,798	\$3,695	\$44,346	\$5,095	\$61,143	\$238,706
2026	73	73	\$1,436	\$17,234	\$3,792	\$45,499	\$5,228	\$62,733	\$301,439
2027	74	74	\$1,474	\$17,682	\$3,890	\$46,682	\$5,364	\$64,364	\$365,803
2028	75	75	\$1,512	\$18,142	\$3,991	\$47,895	\$5,503	\$66,037	\$431,840
2029	76	76	\$1,551	\$18,614	\$4,095	\$49,141	\$5,646	\$67,754	\$499,595
2030	77	77	\$1,591	\$19,098	\$4,202	\$50,418	\$5,793	\$69,516	\$569,111
2031	78	78	\$1,633	\$19,594	\$4,311	\$51,729	\$5,944	\$71,323	\$640,434
2032	79	79	\$1,675	\$20,104	\$4,423	\$53,074	\$6,098	\$73,178	\$713,612
2033	80	80	\$1,719	\$20,626	\$4,538	\$54,454	\$6,257	\$75,080	\$788,693





# How to file a restricted application

## Page 15 of the application for benefits

**If you are eligible for both retirement benefits and spouse's benefit, do you want to delay receipt of retirement benefit?** [More Info](#)

If you are full retirement age and we determine that you are eligible to receive both a retirement benefit and a spouse's benefit, you may choose to delay receiving your own retirement benefit and receive only the spouse's benefit for now.

☒ Yes ☐ No



## 6. Taxes on SS benefits: Same formula, different marginal tax rates

Filing status	Provisional income*	Amount of SS subject to tax
Married filing jointly	Under \$32,000 \$32,000 - \$44,000 Over \$44,000	0 Up to 50% Up to 85%
Single, head of household, qualifying widow(er), married filing separately & living apart from spouse	Under \$25,000 \$25,000 - \$34,000 Over \$34,000	0 Up to 50% Up to 85%
Married filing separately and living with spouse	Over 0	85%

\*Provisional income = AGI + one-half of SS benefit + tax-exempt interest



Form **W-4V**  
(Rev. February 2018)  
Department of the Treasury  
Internal Revenue Service

## Voluntary Withholding Request

(For unemployment compensation and certain Federal Government and other payments.)

OMB No. 1545-0074

► Give this form to your payer. Do not send it to the IRS.

1	Your first name and middle initial	Last name	2	Your social security number
3	Home address (number and street or rural route)	City or town	State	ZIP code
4	Claim or identification number (if any) you use with your payer			
5	<input type="checkbox"/> I want federal income tax withheld from my unemployment compensation at a rate of 10% of each payment.			
6	I want federal income tax withheld from (a) my social security benefits, (b) my social security equivalent Tier 1 railroad retirement benefits, (c) my Commodity Credit Corporation loans, (d) certain crop disaster payments under the Agricultural Act of 1949 or under Title II of the Disaster Assistance Act of 1988, or (e) dividends and other distributions from Alaska Native Corporations to its shareholders, at the rate of (check one): <div>7% <input type="checkbox"/>      10% <input type="checkbox"/>      12% <input type="checkbox"/>      22% <input type="checkbox"/></div>			
7	<input type="checkbox"/> I want you to stop withholding federal income tax from my payment(s).			

Your signature ►

Date ►

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 22891V

Form **W-4V** (Rev. 2-2018)



## 7. OASDI Trust Fund still growing (a little)

Trust fund balance on 12/31/17: \$2.892 trillion

### 2018 results

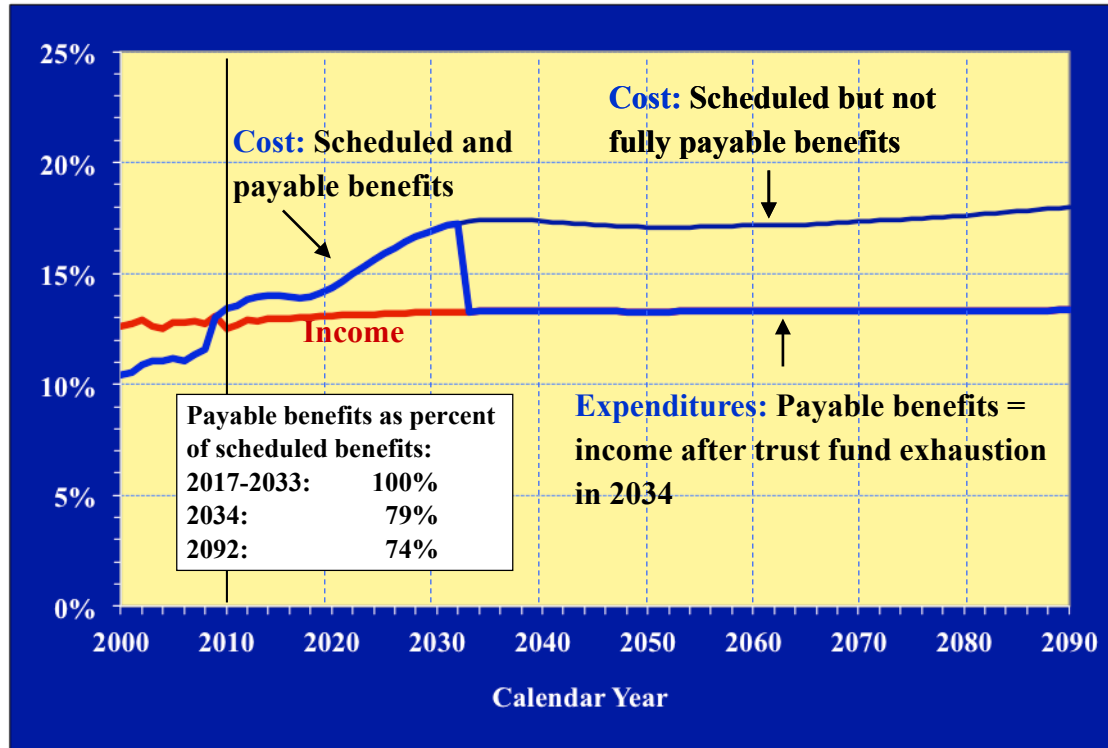
- Total income: \$1.003 trillion
- Total expenditures: \$1.000 trillion
- Net increase in assets: \$3 billion

Trust fund balance on 12/31/18: \$2.895 trillion

Source: Social Security Administration, Office of the Chief Actuary



# Long-term projections: without reform, benefits fall to 79% in 2034





## Individual Changes Modifying Social Security


[Office of the Chief Actuary](#)

[Solvency Proposals](#)

[2018 Trustees Report](#)

[Understanding Interaction Among Options](#)

Annual [Trustees Reports](#) provide estimates of the financial status of Social Security's [Old-Age and Survivors Insurance](#) (OASI) and [Disability Insurance](#) (DI) Trust Funds under current law. Recent Reports call for informed discussion, creative thinking, and timely legislation to address expected future deficits. Many policy makers have developed proposals and options to address this long-range solvency problem. Listed below is a broad range of policy options that would address Trust Fund solvency and other issues related to Social Security benefits and financing. Many of these options are part of comprehensive proposals intended to restore Trust Fund solvency.

We group the options into categories, as shown below. We also provide a **summary list of all options**  (PDF version).

### Category of Change to the Social Security Program

*(Estimates based on the 2018 Trustees Report unless otherwise stated)*

[A: Cost of Living Adjustment](#)

[F: Coverage of Employment/Earnings](#)

[B: Level of Monthly Benefits \(PIA\)](#)

[G: Investment in Marketable Securities](#)

[C: Retirement Age](#)

[H: Taxation of Benefits](#)

[D: Benefits for Family Members](#)

[I: Individual Accounts](#)

[E: Payroll Taxes \(including maximum taxable\)](#)

[J: All Categories](#)

Estimates available in HTML and PDF. PDF requires [Adobe Acrobat Reader](#) or equivalent.



<https://www.ssa.gov/oact/solvency/provisions/index.html>





## Proposals Affecting Trust Fund Solvency

[Subscribe](#)

Search for memoranda by key word(s):




Search by the developer(s) of the proposal:


[Individual changes modifying Social Security](#)
[Frequently Asked Questions](#) about Trust Funds

The last 7 [Trustees Reports](#) have indicated that Social Security's **Old-Age, Survivors, and Disability Insurance (OASDI)** Trust Fund reserves would become depleted between 2033 and 2034 under the intermediate set of economic and demographic assumptions provided in each report. If no legislative change is enacted, scheduled tax revenues will be sufficient to pay only about three-fourths of the scheduled benefits after trust fund depletion. Policymakers have developed proposals and options that have financial effects on the OASDI Trust Funds. Many of these proposals and options have the intent of addressing the long-range solvency problem.

We have prepared memoranda for many of these proposals and options. Each memorandum provides an actuarial analysis showing the estimated effect on the financial status of the OASDI program.

These memoranda are provided in Portable Document Format (PDF), which we recommend for printing (requires [Adobe Acrobat Reader](#)). Some of the memoranda are also available in HTML format.

The memoranda are listed below in chronological order, most recent first. To search the list, use the search forms at left.

Date of memorandum	Developer(s) of proposal	Memorandum subject and related information
January 30, 2019	John Larson, Richard Blumenthal, Chris Van Hollen	Estimates of the Financial Effects on Social Security of the "Social Security 2100 Act," legislation introduced on January 30, 2019 by Chairman John Larson, Senator Richard Blumenthal, and Senator Chris Van Hollen ( <a href="#">PDF version</a> )
December 7, 2018	Seth Moulton	Estimates of the Financial Effects on Social Security of H.R. 1171, the "ALS Disability Insurance Access Act of 2017," introduced on February 16, 2017 by Representative Seth Moulton ( <a href="#">PDF version</a> )
October 4, 2018	Kevin Brady	Estimates of the Financial Effects on Social Security of H.R. 6933, the "Equal Treatment of Public Servants Act of 2018," introduced on September 27, 2018 by Chairman Kevin Brady ( <a href="#">PDF version</a> )
September 19, 2018	Robert P. Casey, Jr.	Estimates of the Financial Effects on Social Security of S. 3457, the "Surviving Widow(er) Income Fair Treatment Act of 2018" or the "SWIFT Act," introduced on September 18, 2018 by Senator Robert P. Casey, Jr. ( <a href="#">PDF version</a> )

<https://www.ssa.gov/oact/solvency>



# Social Security 2100 Act

- Introduced by John Larson (D-Connecticut)
- Has more than 170 co-sponsors in the House
- Will probably get a hearing this year and may even come to a vote
- Would restore full solvency (see [https://www.ssa.gov/oact/solvency/JLarson\\_20170405.pdf](https://www.ssa.gov/oact/solvency/JLarson_20170405.pdf))



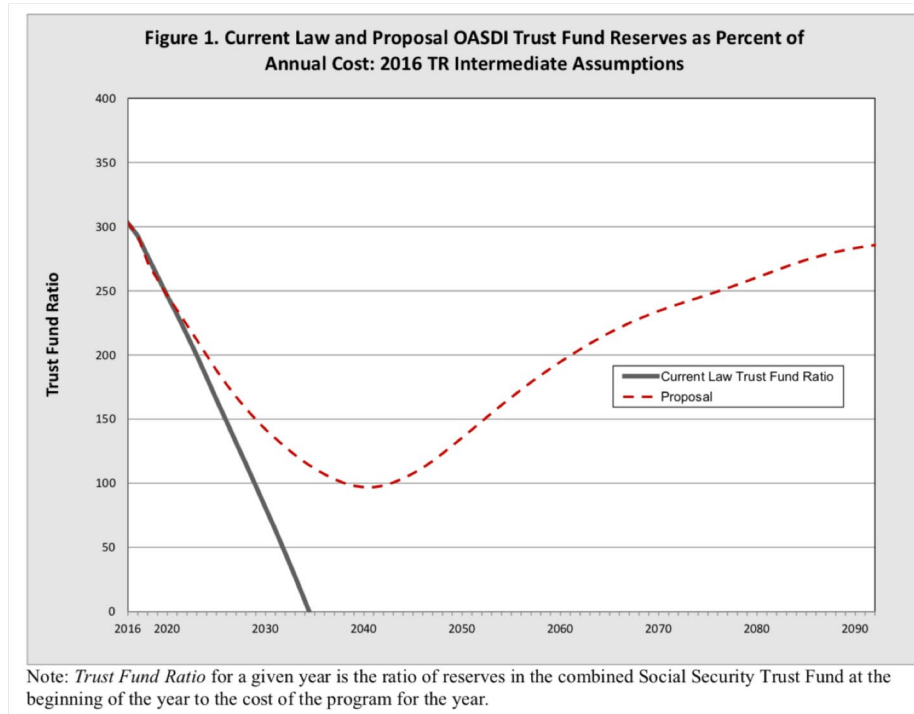


# Larson bill provisions

- Would increase first bend point multiplier from .90 to .93
- Would base cost-of-living adjustments on the CPI-E (expected to increase COLA by 0.2 percentage points per year)
- Would increase the special minimum PIA
- Would replace current taxation thresholds to \$50,000 for single individuals and \$100,000 for couples. Would not be adjusted for inflation
- Would withhold OASDI taxes on income over \$400,000. A “second AIME” would be created to credit these earnings, with a 2% multiplier
- Would gradually increase the payroll tax rate from 12.4% to 14.8% for 2042 and later
- OAS and DI trust funds would be combined



# Larson bill effect



## 8. New Medicare numbers for 2019

- Part B premiums
- Deductibles and coinsurance amounts



# Monthly premiums for Parts B & D Including Income Related Monthly Adjustment Amounts

MAGI Single	MAGI Joint	MAGI Married filing separately	Part B monthly premium paid to Medicare	Part B income- related adjustment amount paid to Medicare	Part D monthly premium (average) paid to insurer	Part D income- related adjustment amount paid to Medicare	Total Parts B & D premium
≤ \$85,000	≤ \$170,000	≤ \$85,000	\$135.50	\$0.00	\$40.00	\$0.00	<b>\$175.50</b>
\$85,001 - \$107,000	\$170,001 - \$214,000		\$135.50	\$54.10	\$40.00	\$12.40	<b>\$242.00</b>
\$107,001 - \$133,500	\$214,001 - \$267,000		\$135.50	\$135.40	\$40.00	\$31.90	<b>\$342.80</b>
\$133,501 - \$160,000	\$267,001 - \$320,000		\$135.50	\$216.70	\$40.00	\$51.40	<b>\$443.60</b>
\$160,001- \$499,999	\$320,001- \$749,999	\$85,001- \$414,999	\$135.50	\$297.90	\$40.00	\$70.90	<b>\$544.30</b>
≥\$500,000	≥\$750,000	≥\$415,000	\$135.50	\$325.00	\$40.00	\$74.80	<b>\$575.30</b>

These do not include premiums for Medicare Advantage or Medicare supplement plans



# **Deductibles**

## **Amount You Pay**

- **Part A - \$1,364 per spell of illness**
- **Part B - \$185/year**
  - **Waived for some preventive services such as flu shots, some mammograms and Pap smears, bone mass tests, prostate screening, diabetes tests, some others**
- **Part D – \$415/year**



# Coinsurance

## Amount You Pay

- **Part A**
  - **Hospital**
    - **\$341/day for days 61-90**
    - **\$682/day for days 91-150**
  - **Skilled nursing: \$170.50/day for days 21-100**
- **Part B**
  - **Assigned claims: 20% of Medicare approved rate**
  - **Unassigned claims: 20% of approved rate + balance of actual charge up to an additional 15% of the approved charge**



# Medigap Plans

Medigap Benefits	A	B	C	D	F	G	K	L	M	N
Medicare Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Medicare Part B coinsurance or copayment	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Blood (first 3 pints)	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Part A hospice care coinsurance or copayment	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Skilled nursing facility care coinsurance			100%	100%	100%	100%	50%	75%	100%	100%
Medicare Part A deductible		100%	100%	100%	100%	100%	50%	75%		100%
Medicare Part B deductible			100%		100%					
Medicare Part B excess charges					100%	100%				
Foreign travel emergency (up to plan limits)			80%	80%	80%	80%			80%	80%

Plan F has a high-deductible option - \$2,300 in 2019

For Plans K and L, after you meet your out-of-pocket yearly limit and Part B deductible, the Medigap plan pays 100% of covered services for the rest of the calendar year. Out-of-pocket limits: Plan K \$5,560; Plan L \$2,780

Plan N pays 100% of the Part B coinsurance, except for some copayments.

Source: <https://www.medicare.gov/supplement-other-insurance/compare-medigap/compare-medigap.html>



## **9. New Medicare Advantage open enrollment period January 1 – March 31**

- Replaces disenrollment period that ran from January 1 to February 14
- During this time you may:
  - Switch to a different Medicare Advantage plan
  - Drop your Medicare Advantage Plan and return to Original Medicare (and sign up for a standalone Part D drug plan). You may not go the other way, switching from Original Medicare to a Medicare Advantage plan
  - Drop your standalone Part D drug plan





# 10. Medicare Part A solvency projections

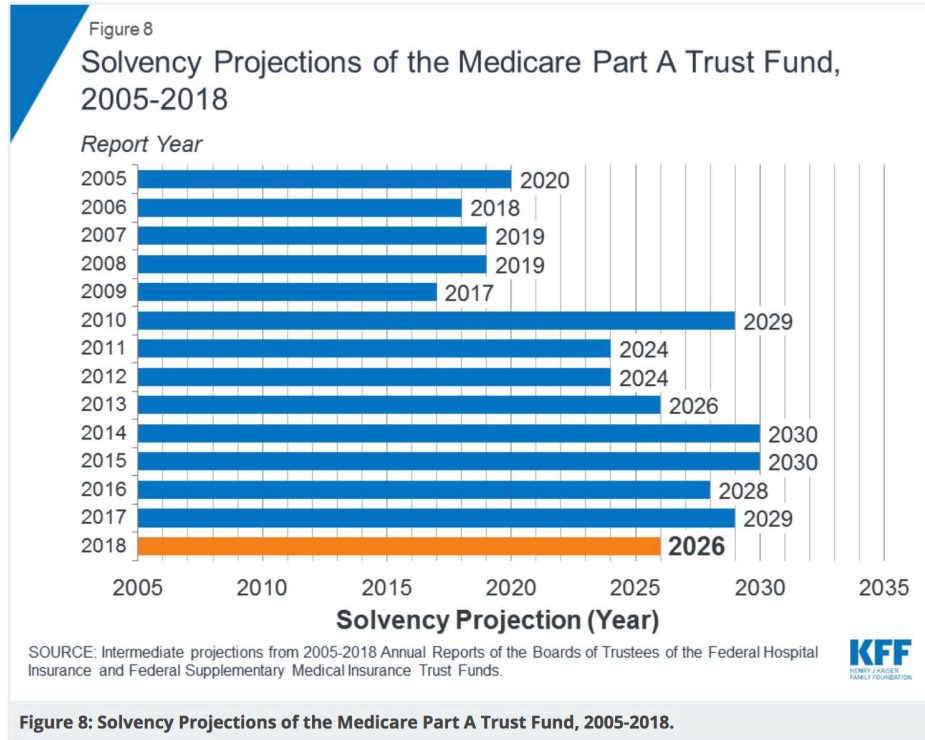


Figure 8: Solvency Projections of the Medicare Part A Trust Fund, 2005-2018.



# How is Medicare financed?

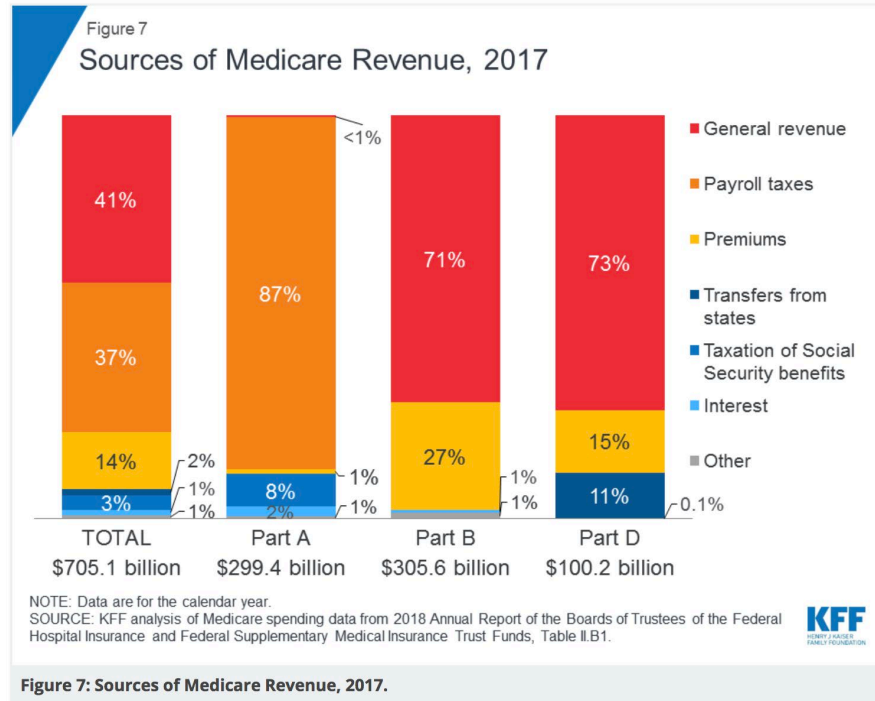
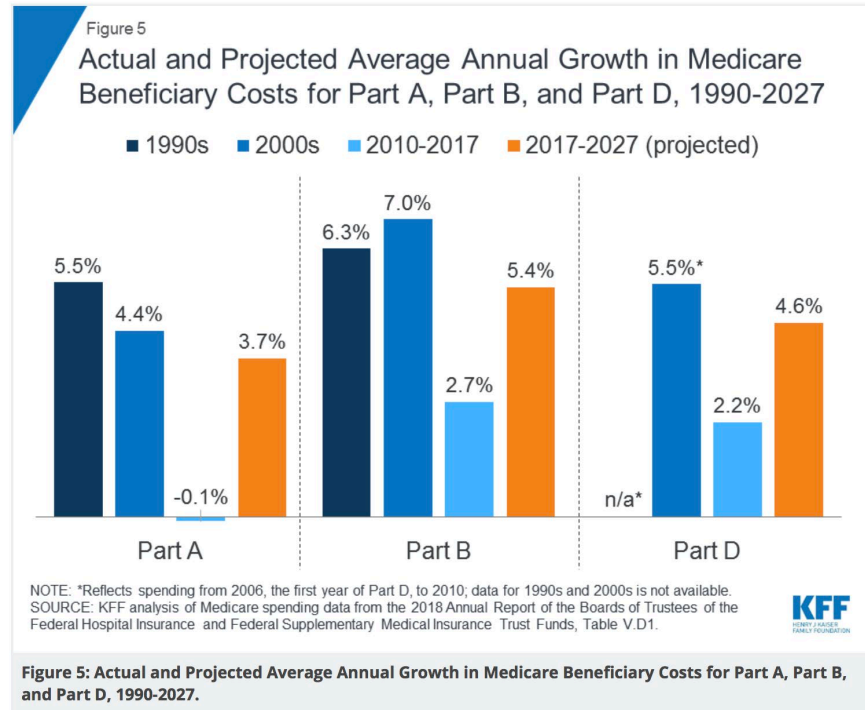


Figure 7: Sources of Medicare Revenue, 2017.



# Growth in Medicare beneficiary costs



# History and future of Part B premiums

**Table V.E2.—SMI Cost-Sharing and Premium Amounts**

Calendar year	Part B		Part D			
	Standard monthly premium <sup>1</sup>	Annual deductible <sup>2</sup>	Base beneficiary premium	Deductible	Initial benefit limit	Catastrophic threshold
Historical data:						
1970	\$4.00	\$50	—	—	—	—
1975	6.70	60	—	—	—	—
1980	8.70	60	—	—	—	—
1985	15.50	75	—	—	—	—
1990	28.60	75	—	—	—	—
1995	46.10	100	—	—	—	—
2000	45.50	100	—	—	—	—
2005	78.20	110	—	—	—	—
2006	88.50	124	\$32.20	\$250	\$2,250	\$3,600
2007	93.50	131	27.35	265	2,400	3,850
2008	96.40	135	27.93	275	2,510	4,050
2009	96.40	135	30.36	295	2,700	4,350
2010	110.50	155	31.94	310	2,830	4,550
2011	115.40	162	32.34	310	2,840	4,550
2012	99.90	140	31.08	320	2,930	4,700
2013	104.90	147	31.17	325	2,970	4,750
2014	104.90	147	32.42	310	2,850	4,550
2015	104.90	147	33.13	320	2,960	4,700
2016	121.80	166	34.10	360	3,310	4,850
2017	134.00	183	35.63	400	3,700	4,950
2018	134.00	183	35.02	405	3,750	5,000
Intermediate estimates:						
2019	135.50	185	35.52	415 <sup>3</sup>	3,820 <sup>3</sup>	5,100 <sup>3</sup>
2020	141.10	193	38.13	435	4,020	6,350
2021	148.50	204	40.16	460	4,260	6,750
2022	154.50	215	42.35	490	4,530	7,150
2023	163.30	227	44.55	520	4,810	7,600
2024	173.20	241	46.90	550	5,090	8,050
2025	182.50	254	48.79	580	5,390	8,500
2026	191.00	266	51.43	610	5,660	8,950
2027	202.70	282	54.23	645	5,960	9,450

<sup>1</sup>Amounts shown for 1970-1980 are for the 12-month periods ending June 30; amounts shown for 1985 and later are for calendar years.

<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2018.pdf>



Figure 1

**Medicare beneficiaries' average out-of-pocket health care spending as a share of average per capita Social Security income is projected to rise from 41% in 2013 to 50% in 2030**



NOTE: Estimates based on spending and income amounts in 2016 dollars. Includes Medicare Advantage enrollees, and institutionalized and non-institutionalized beneficiaries. Total out-of-pocket health care spending includes spending on services and premiums for Medicare and private health insurance premiums. Per capita income for married couples is income for the couple divided by two.

SOURCE: Kaiser Family Foundation analysis based on CMS Medicare Current Beneficiary Survey 2013 Cost and Use file and The Urban Institute's DYNASIM3.



**Figure 1: Medicare beneficiaries' average out-of-pocket health care spending as a share of average per capita Social Security income is projected to rise from 41% in 2013 to 50% in 2030**



# Factors that will cause Medicare premiums to rise

- Average age of the shared pool
  - Now: Healthy boomers in their 60s and 70s
  - Later: Sicker boomers in their 80s and 90s
- Increasing end-of-life expenses: Oldest boomers turn 85 in 2031
- Medical inflation is higher than general inflation:  
5% vs. 2%
  - Rising premiums will absorb entire COLA for those held harmless
  - Those not held harmless (e.g., subject to IRMAA) will see Social Security checks decline from year to year



## Possible solutions

- Lower Medicare age of eligibility to bring younger, healthier people into the risk pool
- Work on lowering health care prices across the board
- Negotiate drug prices



# Updated Program Materials





- **2019 COLA**
- **New trustee projections**
- **New wage base for 2019**
- **Earnings test threshold for 2019**
- **PIA calculation for max earner turning 62 in 2019**
- **Numbers and examples geared toward FRA of 67**
- **Restricted application window closing as grandfathered people age into FRA**

## Savvy Social Security Planning

# Updated Medicare presentations

- Medicare premiums for 2019 including IRMAAs
- 2019 deductibles and coinsurance amounts
- Part D drug plan design for 2019
- New Medicare Advantage open enrollment period Jan. 1 – March 31
- New Medigap deductibles
- Updated health care budget
- Updated long-term care costs

## Managing Health Care Expenses in Retirement

WHAT BABY BOOMERS NEED TO KNOW ABOUT MEDICARE AND LONG-TERM CARE



Presented by:  
Teresa S. Sampleton, CFP, CPA  
Sampleton Wealth Management Group  
*See reverse side for details*

### Transitioning to Medicare

How health insurance works after you leave your job

**Baby Boomers are asking:**

- When do I sign up for Medicare?
- How do I sign up for Medicare?
- How does Medicare work with the insurance I've already got?
- What happens to my insurance when I retire?
- What can I expect to pay for my healthcare down the line?

**Attend if:**

- You are age 60 and over.
- You are concerned about retirement health care expenses.
- You plan to take Medicare soon.
- You are not clear on how your existing insurance works with Medicare.
- You are ready to start planning.

**In this half hour presentation, you'll learn:**

- How Medicare coordinates with other forms of insurance, like group health plans and COBRA.
- Who needs to enroll in Medicare and when.
- How to enroll in Medicare.
- How to effectively transition to Medicare, while keeping all the deadlines in mind.

Seating is limited, call today to reserve your spot

**Call: (123) 456-7890**

*See reverse side for dates and times*



# New calculators

- Faster calculations and more responsive interface
- Benefits are calculated on a monthly basis showing partial-year benefits the first year of claiming
- Life expectancies offer a quick-selection option (e.g., male, longer than average), but you can override them
- The option to show values in “real” or “nominal” terms—that is, today’s dollars or future dollars
- Reports have been updated with a better-looking comparison section, better graphs and a more attractive color palette



# **Upcoming Social Security and Medicare 2-day workshops**

~~Dallas - February 21-22~~

**San Diego – May 9-10**

**Chicago – June 6-7**

**Call 888-336-6884 ext. 1**



# Conferences – Elaine speaking on Social Security and Medicare

- FPA Norcal, San Francisco – Tuesday, May 28, 10:30 – 12:00
  - [www.fpanorcal.org](http://www.fpanorcal.org)
- AICPA Engage, Las Vegas – Tuesday, June 11, 3:00 – 3:50 pm
  - [www.aicpaengage.com](http://www.aicpaengage.com)



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# Thank you!

