



**Social Security**

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**Medicare**

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**YOUR WEALTH JOURNEY — NAVIGATING LIFE'S FINANCIAL MILESTONES**

## **Social Security and Medicare**

### **What Seniors Need to Know About Two Big Decisions**

As you enter your 60s and reach retirement age, you have some big decisions to make that can significantly affect your finances and quality of life. Two of those decisions concern your access to Social Security and Medicare. Here's what you need to know about navigating these important government benefit programs.



## Social Security

Many people have paid into the Social Security system at some point over their lifetime and can claim a benefit starting in their 60s. Two important questions are: What is the best age to start taking benefits? And if you're married, divorced, or widowed, how can you maximize your monthly benefit amount?

### At What Age Do I Claim Benefits?

The earliest you can begin receiving Social Security benefits is age 62, but your payment will be 30% lower if you claim benefits before your full retirement age (FRA)—which is 66 if you were born between 1943 and 1954 and incrementally rises to 67 for those born in 1960 and after.<sup>1</sup>

Furthermore, if you delay your benefits beyond your FRA, your monthly benefit amount will increase 8% annually until you reach age 70—when you reach the maximum benefit amount and the latest age at which you must start taking benefits. This essentially means that your benefit amount will rise by approximately 75% if you wait until age 70, compared to what your benefit would be at 62.<sup>2</sup>

Deciding what age is best to start claiming benefits is something of an actuarial guessing game based on how long you live. It may make sense to wait at least until your FRA so you receive the full benefit amount, unless you have a compelling reason to begin receiving benefits sooner. It's also worth considering that you may have to pay federal income tax on your benefit amount if you are receiving additional income from other sources.<sup>3</sup>



<sup>1</sup> Social Security Administration: [ssa.gov/benefits/retirement/learn.html#h3](https://www.ssa.gov/benefits/retirement/learn.html#h3)

<sup>2</sup> [knowledge.wharton.upenn.edu/article/delay-social-security/](https://knowledge.wharton.upenn.edu/article/delay-social-security/)

<sup>3</sup> [ssa.gov/benefits/retirement/planner/taxes.html](https://www.ssa.gov/benefits/retirement/planner/taxes.html)



### Married? Divorced? Widowed?

The federal government gives married couples and people who are divorced or widowed some options when it comes to taking Social Security:

- **Married:** If you're married, you have the option of either taking a benefit based on your own lifetime earnings *or* claiming a benefit valued at up to 50% of your spouse's Social Security benefit amount, though if you begin taking those benefits before your own FRA, the amount will be less. If your spouse earned significantly more than you, it's worth evaluating which option provides you with the larger monthly payment. Regardless, your spouse still receives his or her full monthly benefit amount.
- **Divorced:** If you are divorced but were married to someone for at least 10 years, you can claim a benefit valued up to 50% of your ex-spouse's benefit amount rather than taking a benefit based on your own earning history—assuming your own benefit amount is lower. This is not an option if you are remarried.
- **Widowed:** You can be eligible to receive up to 100% of the Social Security benefit your deceased spouse would have been entitled to based on his or her earnings record up to that point. Conversely, if the spouse died after his or her FRA, the surviving spouse would receive what the deceased would have collected had he/she claimed benefits the month he/she died. If you remarry before age 60, you are not entitled to claim benefits on the deceased spouse, however, you are entitled to the benefits if you remarry after age 60.

You can sign up for Social Security [online](#), by calling 1-800-772-1213, or by visiting your [local Social Security office](#). You can enroll up to four months before you want to receive benefits, but it's recommended to sign up at least a month in advance since it can take several months for your application to process.

This [online calculator](#) provided by the Social Security Administration can help you understand your monthly benefit amount based on your personal earnings history and the age at which you start claiming benefits.



## Medicare

Most Americans are eligible to enroll in the federal Medicare health insurance program at age 65. However, you generally can delay enrolling in Medicare Parts A and B if you have group health insurance through a company with 20 or more employees where either you or your spouse works. Once you lose that coverage, you have up to eight months to enroll in Medicare without facing a penalty.

When you sign up, it's important to be aware of the coverage options and gaps. Below are key considerations when enrolling in Medicare:

### Medicare Coverage

You can enroll in Medicare Parts A and B—also called original Medicare—once you turn age 65. This “initial enrollment period” begins three months before the month you turn 65 and runs until three months after.

Part A (hospital coverage) covers inpatient care and is free for most people if they or their spouse paid Medicare taxes long enough while working—generally at least 10 years.<sup>4</sup> Part B (outpatient coverage) charges a monthly premium, and you will pay a penalty if you don't sign up when you become eligible.

Most Medicare participants will want to secure additional Medicare coverage beyond Medicare Parts A and B since the government's original Medicare Parts A and B have coverage gaps. Medicare participants have two basic options: a Medicare Advantage plan or a Medicare Supplement Plan.

A Medicare Advantage plan is a private health plan similar to employer-sponsored health insurance that charges one monthly premium and often bundles prescription drug coverage, dental care, vision, and hearing benefits. These plans will generally limit you to a specific network of health providers. Some Advantage plans are “zero premium”—meaning you don't pay a premium for them—but you still must pay the Part B premium charged by original Medicare.

A Medicare Supplement plan—also called Medigap—covers your healthcare where original Medicare leaves off. These plans are also sold through private insurers, but they are standardized with letters A through N—with each lettered plan offering the same types of coverage. Unlike Medicare Advantage, a Supplement plan can be used with any provider that accepts original Medicare—meaning it can cover you with a much wider pool of health providers. Supplement plans do not include prescription drug coverage; you'll need to buy a separate stand-alone Part D prescription drug plan (also sold through private insurers). They also often don't include dental, hearing, or vision coverage, so you may want to buy that coverage separately as well.

<sup>4</sup> [medicare.gov/basics/costs/medicare-costs#:~:text=Part%20A%20\(Hospital%20Insurance\)%20costs&text=%240%20for%20most%20people%20\(because,premium%2Dfree%20Part%20A.%E2%80%9D](https://www.medicare.gov/basics/costs/medicare-costs#:~:text=Part%20A%20(Hospital%20Insurance)%20costs&text=%240%20for%20most%20people%20(because,premium%2Dfree%20Part%20A.%E2%80%9D)



If you want to sign up for a Supplement plan, it can be a good idea to do so when you first sign up for Medicare. At that point, you can buy any Medigap policy in your state regardless of your current health status. However, if you wait to sign up for a Supplement plan until after your initial enrollment period, you may be denied coverage depending on your health status.

Most Medicare Advantage plans include prescription drug coverage, but if you don't have that coverage, you will generally want to sign up for a Part D stand-alone drug plan. You can compare your Medicare Advantage and Medicare Supplement plans available in your area, as well as Part D stand-alone plans, at [medicare.gov/plan-compare/](https://www.medicare.gov/plan-compare/).

### Change Medicare Plans

Medicare open enrollment occurs each fall from October 15 through December 7. This is an annual opportunity to change or sign up for new Medicare coverage, such as switching Medicare Advantage plans or Plan D prescription drug plans.

You also may be eligible for a special enrollment period if you move and lose coverage or for another qualifying reason. It's a good idea to at least evaluate your current Medicare coverage each year before open enrollment and decide whether to continue with your current plan or research another option.

Your Medicare plan should send you a Plan Annual Notice of Change each fall that includes any changes in cost or coverage for the upcoming year. That can help you decide whether to keep your current plan or select a new one.

### Sign Up for Medicare

People who enroll in Social Security before they turn age 65 can sign up for original Medicare (Parts A and B) at the same time. Otherwise, if you're not yet signed up for Social Security, you can enroll in Medicare separately online at [ssa.gov/benefits/medicare/](https://ssa.gov/benefits/medicare/) or by visiting or calling your local Social Security Office.

To sign up for a Medicare Advantage or Medicare Supplement plan, you'll need to select the plan you want and apply with that insurer.

### Looking Ahead

Your William Blair wealth advisor can help you navigate decisions regarding Social Security and Medicare or point you to other resources that can help. Because these are such important decisions, it is wise to start thinking about Social Security and Medicare well in advance and explore your options.

### Contact Us:

Please reach out to your William Blair wealth advisor or contact us at [pwm@williamblair.com](mailto:pwm@williamblair.com).

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