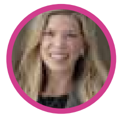

financial fitness

By **Jennifer Osgood**, Partner/Financial Advisor at Wagner Wealth Management

5 THINGS YOU NEED TO KNOW ABOUT FINANCES WHEN TURNING 65

It's a pivotal age for retirement planning — even if you aren't ready to retire yet.

1. You still haven't reached full retirement age for Social Security.
This is a big change from your parents' retirement. For decades, 65 was the magic age for receiving full Social Security benefits. But that age started to increase for people born in 1938 and later. It's age 66 for people born in 1943-54, and then rises by two months every year until it tops out at age 67 for people born in 1960 and later.

You can still take early benefits starting at age 62, but your payouts will be reduced for your lifetime, based on the number of months before your full retirement age. For someone born in 1955, the full retirement age is 66 and 2 months. If they sign up for Social Security at age 65 this year, they'll be enrolling 14 months early.

"Someone taking benefits 14 months early would see their full retirement age benefit reduced by about 7.82 percent," says Tim Steffen, advisor education consultant for PIMCO Investments. Taking benefits early can also reduce the survivor benefits your spouse could receive after you die.

Also, if you're still working and are younger than full retirement age, your Social Security benefits may be reduced based on your income.

2. You can sign up for Medicare.
That one hasn't changed — you can still get Medicare coverage at age 65. But the sign-up rules are tricky if you haven't started receiving Social Security benefits yet. If you enrolled in Social Security early, you'll automatically be enrolled in Medicare at 65. But if you haven't signed up for Social Security, then you need to take steps to enroll in Medicare.

"If you're not getting Social Security, you won't get automatically enrolled — you need to be proactive," says Joanne Giardini-Russell, owner of Giardini Medicare in Howell, Michigan, which helps people with Medicare issues and supplemental coverage.

You have a seven-month window to sign up for Medicare — the three months before your birthday, your birthday month and three months after that. You can sign up for Medicare online at the Social Security website, even if you aren't signing up for Social Security benefits yet.

Unless you're working and have health insurance from your employer (or spouse's employer), then you usually need to sign up for Medicare at age 65. Medicare Part A, which covers hospitalization, is free for most people, so they generally sign up at 65 even if they're working (unless they want to contribute to an HSA).

But Medicare Part B, which covers doctor and outpatient services can be costly, so some people delay signing up for Part B while they are working. But you must sign up within eight months after you leave your job and lose your employer's coverage, or else you could have a late enrollment penalty of 10 percent of the cost of Part B for every 12 months you should have been enrolled in Medicare but were not.

Also, if you don't have health insurance from an employer with 20 or more employees, Medicare generally becomes your primary coverage at age 65 and your other insurance becomes secondary (including retiree health benefits and COBRA coverage). If you don't sign up for Medicare at that point, you could have expensive gaps in coverage.

3. You can use your HSA for more expenses
A health savings account (HSA) can provide a triple tax break: your contributions are tax-deductible (or pre-tax if through your employer), the money grows tax-deferred, and you can withdraw it tax-free for eligible medical expenses at any time. And when you turn age 65, you can withdraw the money tax-free for even more expenses.

You have to stop making HSA contributions when you enroll in Medicare Part A or Part B, but some people who are still working for a large employer delay signing up for Medicare so they can contribute to an HSA. To be eligible to make HSA contributions in 2020, your policy must have a medical insurance deductible of at least $1,400 if you have self-only coverage or $2,800 for family coverage.

But even after you have to stop making new HSA contributions, you can keep the money growing in the account for future expenses. You usually have to pay taxes and a 20 percent penalty if you withdraw HSA money for anything other than qualified medical expenses, but the penalty goes away at 65. At that point, you just have to pay taxes on nonmedical withdrawals.

And you have more ways to minimize taxes. After you turn 65 you can also take tax-free HSA withdrawals to pay premiums for Medicare Part B, Part D prescription-drug coverage, and Medicare Advantage (but not Medigap) for yourself and your spouse, as long as the HSA account owner is 65 or older, says Roy Ramthun, president of HSA Consulting Services.

4. You get a bigger standard deduction and other tax breaks.
Starting in the year you turn 65, you qualify for a larger standard deduction when you file your federal income-tax return. The standard deduction for 2020 is generally $12,400 for single filers, $18,650 for head of household, and $24,800 if married filing jointly. Single filers and head of household who are 65 or older qualify for an extra $1,650 standard deduction. Married couples can get an extra $1,300 for each spouse who is 65 or older ($2,600 if both spouses are 65 or older).

Low-income people 65 or older may also qualify for the Tax Credit for the Elderly or Disabled. The IRS has more tips for older taxpayers.

You may also qualify for extra state or local tax breaks at age 65. "A lot of state and local jurisdictions freeze property tax assessments for people age 65 and older," says Hamilton. Some states may subtract a fixed dollar amount from your home's assessed value or your property tax bill. Contact your state and county to find out if you are eligible for any breaks.

5. You can still save for retirement
If you're still doing any work at 65 — even if it's just part-time or freelance — you can continue to save for retirement. You can contribute to a Roth or a traditional IRA at any age, as long as you earned some income from working. You can contribute up to $7,000 to an IRA in 2021 if you're 50 or older (or up to the amount of money you earned from working for the year, if less).

If you're working but your spouse is not, you can also contribute up to $7,000 to a spousal IRA on his or her behalf, if they are 50 years old or older. Your later-in-life savings can still make a difference, even in your 60s or 70s.

Your contributions may also make you eligible for the retirement savers' tax credit, if your 2020 adjusted gross income is $32,500 or less if single, or $48,750 for head of household, or $65,000 if married filing jointly. The lower your income; the larger the credit. The maximum credit is $1,000 per person.

Wagner Wealth Management has offices in Greenville, Anderson and Oconee counties. Call us at 864-236-4706 or visit www.wagnerwealthmanagement.com to learn more about our firm.

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