

# Prepare for Medicare

## Wondering where to begin with Medicare?

In our September Wealth Strategies webinar, Baird Wealth Planner Toby Prestegaard and Iris Nelson of ClearMatch, Baird's Healthcare Partner, share how to make the most out of your coverage.

Medicare is frequently cited as one of the chief benefits – and chief concerns – for retirees. But polls consistently find that taxpayers have little or no confidence around the plans that provide their healthcare after retirement. Here are some of the basics you should know before you enroll in Medicare.

### THE ELEMENTS OF MEDICARE

"Original Medicare" consists of Part A and B, with Part D prescription drugs being added in 2006. Medicare's Advantage plans are an alternate option to using

Original Medicare with supplemental coverage, but you still continue to pay for your Original Medicare either way. Here are the basic elements as they stand now:

	What It Covers	How To Enroll
<b>Part A</b>	Inpatient hospital, skilled nursing and hospice care. Deductible for inpatient in 2023 is \$1,600.	Not automatically enrolled unless already receiving Social Security; delay if still contributing to Health Savings Account.
<b>Part B</b>	80% of physician and outpatient costs (after a deductible of \$226 for 2023).	Not automatically enrolled unless already receiving SS.
<b>Part D</b>	Prescription drugs.	Optional to add Part D to Parts A or B or receive Part D benefits through some Medicare Advantage Plans.
<b>Part C (Medicare Advantage)</b>	Instead of Part A, B and D – may include dental, vision and hearing coverage or gym membership.	You must still pay for your Part B or Medicare even when you switch over to the alternate system. Original Medicare will no longer be responsible for claims.
<b>Medigap (Medicare Supplements)</b>	Covers deductibles and coinsurance for Parts A & B.	Optional purchase in order to fill gaps between Parts A and B.

## Prepare for Medicare *continued*

### THE IRMAA PROBLEM

If your income is above a certain level, the government expects you to pay more for your Medicare Part B and Part D. This is known as an Income-Related Monthly Adjustment Amount, or IRMAA. The adjustment is based on your income from two years earlier. For Medicare Part B, your monthly premium can go from \$164.90 at the lowest income levels to more than \$500 a month if you are a single filer earning more than \$97,000 or a joint filer earning more than \$194,000.

### MEDICARE AND HEALTH SAVINGS ACCOUNTS

If you've been investing in a Health Savings Account, it can be a great way to help pay for your Medicare. You may use your HSA funds, free of tax and penalty, to pay for your Medicare Part A, Part B and Part D premiums. You can also use them to pay for qualified medical expenses, including Part B deductibles, prescription drugs, dental and vision expenses and office co-pays. Medigap premiums, though, are not eligible expenses.

### WHEN TO START PLANNING FOR MEDICARE

You should start making your Medicare plans six months before your 65th birthday, or nine months before retirement if you're already over the age of 65. Some of the strategies to consider at that time:

- **Roth IRA conversions:** Since you can withdraw money from a Roth IRA tax-free, they can be very valuable to have in retirement. One advantage for people on Medicare is that your Roth withdrawals don't count as income for IRMAA purposes. Converting Traditional IRA funds to a Roth IRA after you begin Medicare may also subject you to IRMAA.
- **Using HSA accounts for Medicare premiums:** The distributions from your HSA are also tax-free, giving you increased flexibility if you use them to pay your Medicare premiums.

- **Choosing a Social Security filing strategy:** If you're receiving Social Security when you turn 65, you are automatically enrolled in Medicare. Alternatively, if you delay Social Security past age 65, you will need to reach out to the Social Security Administration to enroll in Medicare.
- **Planning your enrollment:** Your initial enrollment period starts three months before the date you turn 65 and ends three months after. If you have coverage that will extend past age 65, you may be eligible for another enrollment period.

To learn more about how you can get the most from Medicare, start by watching the September webinar for more details, then contact your Baird Financial Advisor for how to implement these ideas into your retirement plan. Our entire series of Wealth Strategies webinars is also available online.

Please reach out if you or anyone you know would benefit from discussing this topic further.

Find additional financial planning content on [BairdWealth.com](https://www.bairdwealth.com).

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