

The Medicare Conversation That Leads to Planning Opportunities

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by Joanne Giardini-Russell

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I was recently prepping for my session with First Protective, a company that markets insurance products. Its first annual Advanced Planning University will arrive virtually in August. I was asked for my session's title. My answer was, "Covid-19, Cobra and Retirement – Medicare Planning Mistakes to Avoid."

That title was met with a bit of hesitation and an "anddddd, what do advisors **actually do with that information?**"

Holy smokes. I could rattle off an hour talk on that topic alone.

After years working with those age 65-plus in their transition to the Medicare system, I'll share some ideas and tips that will lead to some great conversations between you and your clients – and, likely some added revenue for your practice.

Don't fear Medicare

First things first. Please don't be afraid of bringing up Medicare or health insurance with your client. Ask the question, "Mr. Smith, where is your insurance coverage held today?" Mr. Smith will get a tad excited that you even asked and rattle off, "Well, it's with my workplace and I pay too much for it and the deductibles are out of control so I'm excited to move over to that free Medicare stuff when I retire."

What does the advisor do? You clam up because you don't know where to take the conversation next.

The client is thrilled that you asked; you're terrified that you opened a can of worms.

Solution? Create a partnership with a person or firm well-versed in Medicare. Trust them. Encourage your client to get good information. I guarantee that your client will be thrilled with some direction and assistance. They are looking for it. Be the guide to get them to good information.

I'll provide some basic jargon to get a client conversation started.

IRMAA and the 60-year-old

You'll need to know enough about Medicare to break it to Mr. Smith that it isn't "free." And, **it's not free**, please inform him that it's not as subsidized by the government as he thinks it is. Yes, he will tell you that he, "paid into the system my whole life and now I have to pay for that insurance?"

Yes, you do Mr. Smith.

Be a brilliant advisor and when your client is 60 or 62, for example, and pull out the chart on page 8 of our downloadable workbook [here](#). This chart shows the 2020 Part B premium amounts that people who are new to Medicare this year will pay. The chart shows six levels of premium amounts due. Each level up from the base amount of \$144.60 includes IRMAA.

IRMAA is an income-related monthly adjustment amount. This is a tax, a surcharge, whatever you'd like to refer to it as. In the client's head, it's an extra cost that they didn't prepare to pay in retirement. Most of the world is shocked by this. Remember, they thought Medicare was free or highly subsidized.



Note in the guidebook that to determine Medicare premiums, the Social Security Administration will look back two years to a person's single or joint tax return and retrieve their modified adjusted gross income (MAGI). That MAGI will equate to one of the brackets on the IRMAA chart.

When a person is 60-ish they, working with you, have a much better chance of timing and managing income streams than they do when they turn 65. When I mentioned "managing," I was referring to creating tax-free income strategies – perhaps selling or exiting a business in a different fashion. Maybe not selling a home at age 65. Not taking an annuity buyout from an employer. On and on.

My firm's job as Medicare advisors is to explain how things work when they arrive into the Medicare system. Your job is to help with cash flows prior to their arrival.

Simply showing a person that this chart and concept exists will blow your client's mind. You'll be a rockstar advisor.

The beauty of this? All you have to do is know that IRMAA exists and pull out a picture.

Pre-existing conditions and health insurance

If you help your client understand that pre-existing conditions *do* need to be confronted during the Medicare years, you can save them a small fortune in medical expenses and even more in sheer frustration and stress.

Getting an overview of the Medicare system a year before a planned retirement or when a person would need to transition is priceless. The person entering this new arena of medical insurance needs to understand that pre-existing conditions can eliminate your ability to purchase certain products if you don't handle the transition properly.

If your client is 63 years old and has multiple sclerosis, for example, they need to make an important decision as they access to Medicare. Done incorrectly? There is no fixing.

Medicare is not like the Obamacare or employer insurance, where pre-existing conditions generally don't affect people as they secure their coverage.

Think of your clients who are struggling with health issues and keep a running list. Those folks are extra concerned about how Medicare will work for them.

The beauty of this? All you have to do is know your client and tell them Medicare could be an extra big decision for them. They'll love you for noticing.

Long-term care isn't covered?

This is an easy one. Medicare will not provide coverage for those who require long-term care (LTC) solutions.

So, if Medicare won't cover that like many believe? Here's an enormous opportunity for you.

Medicare will not cover long-term care or custodial care. We get calls from 50-year-old children asking, "My dad needs some assistance with bathing. How much will Medicare cover?" Answer – zero. Or, "My uncle fell, and the facility says that he has to pay \$175 per day to continue staying there. Medicare pays for that, right?" Answer – no.

Care requires dollars – and many of them. Whether those dollars are paid to hire a neighbor to help, hire a facility to care, to fund assisted living situations, whatever the solution could be, dollars are required.

Help your client find or fund the dollars in any manner that makes sense. The world of LTC has solutions that might work. Bring it up before it's too late.

The beauty of this? You've eliminated an enormous area of family stress by addressing this. And, you may have a placed a product in their world and grown your practice financially.

Estate planning

This isn't your zone necessarily or ours. I hope you have a good relationship with an elder-care attorney.

I often find that we're inserting our two cents when we have someone new to Medicare and the spouse has early-onset dementia, for example. We can interject, "Do you have a medical power-of-attorney (POA) set up?"

I had a client pass away last week, and I asked the widow, “Did he have a trust?” The answer was no. This family has assets – remember we know this when we’re helping them figure out how much they’ll pay for Medicare premiums. I don’t make it a point to ask, “Do you have a trust?” I leave that to you.

The beauty of this? You did the right thing by talking about estate planning and prevented the family gobs of legal and financial problems down the road.

Medicare costs how much?

As I wrote in a prior article, people are generally surprised when they learn just how much Medicare will cost them during their golden years.

When we are working with clients, our first step is to assess, “Do you need to enroll into Medicare?” If the answer is “yes,” we will then turn to the actual cost of this insurance.

“Has anyone discussed with you the actual cost of Medicare?” That answer is “no” 99% of the time. Not good.

High-net worth couples are shocked to learn that they may pay \$17,000 annually for their health insurance that they thought was “free.” An average person can pay \$5,000 annually for premiums, dental, medication co-pays and more.

Someone should break it to these people that those costs will be incredibly higher than the consumer could imagine. I have a client who takes one pill a day to ward off cancer. That one pill costs \$952 each month. Yes, out of her checkbook. She has a drug plan that provides “coverage.” The drug retails at \$250,000 annually and her co-pay is \$952 per month.

Factor that number into retirement plans.

Not an easy subject to provide great answers to, but people appreciate knowing what they’re in for even if they can’t control it. The nature of “planning” – it’s what you do.

The beauty of this? The consumer has a heads up related to cost! They arrive to me saying, “My advisor is great. We planned for Medicare to cost me approximately _____ each year.”

Conversation starter

If you prefer to give material to clients to start their thinking process, our new guidebook can help. Feel free to get your free copy from our website [here](#).

And our YouTube Channel can help you all learn more about Medicare.

Best of luck in your conversations!

Joanne Giardini-Russell is a Medicare nerd with Giardini Medicare, which was created to help those approaching Medicare eligibility or those currently enrolled in Medicare better understand what they are purchasing and how their choices may affect their long-term outcomes regarding care, finances, etc.