

Financial Decisions for Retirement

This list of topics was generated by some of your colleagues and does not represent expert advice or information. We hope it gets you started learning.

GETTING HELP

Who can help?

- ▶ Start with Human Resources – Staff members there can review your current Benefits options and identify issues that need your attention as you transition away from Bates benefits.
- ▶ Staff will provide paperwork from the College that you need to file for Medicare benefits.
- ▶ Staff can recommend sources outside the College and not affiliated with benefit providers to advise you as you review options.

What advisors are available?

- ▶ Seniors Plus, for health insurance options
- ▶ TIAA: telephone help or Portland office
- ▶ Social Security office in Auburn
- ▶ Financial Planners /Advisers: commission-based, or fee-only; some are *bona fide* fiduciaries, others specialize in retirement planning
- ▶ Accountants

INCOME OPTIONS

Social Security

When to start taking SS benefits

- ▶ If retiring before age 70, options are available
- ▶ Benefit goes up 8 percent per year after full retirement age, until age 70
- ▶ Complexities for couples, and for individuals with a living ex-spouse

Retirement Savings

Withdrawing Funds from your TIAA and other investment and savings accounts

- ▶ This is where the advice of a financial planner can be tailored to your individual situation and, thus, invaluable.
- ▶ You can (but are not required to) convert TIAA-CREF funds (some or all) to a traditional IRA without having to pay taxes
- ▶ Compare earnings and expenses of institutional (Bates) options versus funds held in an individual IRA.
- ▶ Review beneficiaries listed on TIAA holdings, other investments, bank accounts, etc.
 - ▶ Note: if you named sister Sue as beneficiary of your TIAA funds, but your will says your kids get everything. Guess what? Your children won't get any of your TIAA money! Named beneficiaries take precedence over your will.

Individual Retirement Accounts

Will your withdrawals be taxed or not?

- ▶ Withdrawals from Traditional IRAs are taxed.

- ▶ You can convert Traditional IRA funds (some or all) to a Roth IRA
 - ▶ Conversion means paying taxes on converted amount
 - ▶ Roth IRAs grow tax free; withdrawals from Roth IRAs are not taxed.

Required Minimum Distributions

- ▶ Note: no RMD's required for anyone in 2020 due to coronavirus relief
- ▶ If you were born *after* June 30, 1949 you may delay RMDs from 403(b) and IRAs until age 72.
 - ▶ if born *before* July 1, 1949 you must start RMDs by age 70½.
- ▶ A charitable distribution (QCD) from a traditional IRA does not show up on your tax return either as income on form 1040 or as a deduction on Schedule A. Making such a Qualified Charitable Distribution may allow you to avoid having distributions push up your income and requiring higher monthly payments for Parts B and D of Medicare.
 - ▶ Consult a tax advisor to determine your tax liability – or break – from a QCD.

POTENTIAL TAX LIABILITIES

Resources that may move you into a higher tax bracket in retirement:

- ▶ Social Security benefits
- ▶ Required Minimum Distributions (RMDs)
- ▶ Having been on half-time or adjunct status before retirement
- ▶ What taxes are normally withheld from income?
 - ▶ Social security withholds federal taxes *if you chose that option*, but they have no mechanism for state tax withholding.
 - ▶ Few people request that taxes be withheld from these types of income: interest on savings accounts or CDs, dividends, royalties, consulting or business income, etc.
- ▶ What to do?
 - ▶ If you have a fair amount of income that is not subject to withholding, you may need to pay estimated taxes now so you don't face steep penalties when you file your income taxes in April. Estimated taxes are due quarterly:
 - ▶ First quarter payments are due April 15
 - ▶ Second quarter payments are due June 15
 - ▶ Third quarter payments are due Sept. 15
 - ▶ Fourth quarter payments are due Jan. 15
- ▶ Questions? Ask an accountant, or put your estimated 2020 income into last year's Turbo Tax program to calculate your estimated tax for 2020.
- ▶ Consult a financial advisor or tax accountant to plan for potential increases in income and taxes.

For 2020 (and, perhaps, beyond):

- ▶ As you may know, required minimum distributions (from your retirement accounts) are suspended for 2020 due to the pandemic.
- ▶ Is my stimulus payment taxable?
 - ▶ [The short answer: No.](#) In the somewhat longer words of the IRS: “No, the payment is not income and taxpayers will not owe tax on it. The payment will not reduce a taxpayer's refund or increase the amount they owe when they file their 2020 tax return

next year. A payment also will not affect income for purposes of determining eligibility for federal government assistance or benefit programs."

HEALTH CARE INSURANCE OPTIONS

Transitioning from Bates group health insurance

- ▶ Do you want to delay your departure from Bates insurance? COBRA is an option. Talk to HR Staff.

Medicare

Sign up for Medicare Part A when you turn 65. (Unless you have a Health Savings Account [HAS], the high deductible kind.)

Signing up for Medicare options

- ▶ Part B: Traditional Medicare:
 - ▶ monthly Part B cost depends on your income: \$144 if Adj Gross income is < \$87K (max fee is \$492)
 - ▶ You must enroll in Part B Traditional Medicare *before* you can enroll in any optional or alternative health insurance plans.
 - ▶ Part D: prescription drug coverage can be added (fee also is tied to income).
 - ▶ Get Notices of Creditable Coverage issued by the College each year so that you do not have to pay a penalty for signing up "late".
- ▶ Supplemental policies, also called Medigap, cover gaps in traditional Medicare coverage.
- ▶ Part C: Alternatively, you can purchase a Medicare Advantage such as Martins Point
 - ▶ Some of these plans may be the equivalent of Parts B and D.

Note that there are some restrictions on switching between traditional Medicare and a Medicare Advantage plan.

Find out what each plan pays for and what it excludes. Consider adding coverage for options you consider important: dental care, hearing, vision, home aides, gym membership, etc.

Search for and compare plans to find your optimal choice at medicare.gov.

Long Term Care

Paying for Long Term Care

Long Term Care Insurance policies may cover a wide range of services including Assisted Living, Memory Care, as well as Nursing Home Care.

- ▶ Nursing home average yearly cost is \$100K in US). Options include:
 - ▶ self-insurance, i.e., private savings
 - ▶ Medicaid (must use up most assets to qualify)
- ▶ Long Term Care insurance
 - ▶ monthly premium depends on age when buying; availability depends on age and current health when buying
 - ▶ policies are very complex; often require you to anticipate all possible contingencies
 - ▶ new hybrid policies have a life insurance component; if you don't use all benefits, survivors get paid.
- ▶ Option: TIAA/CREF, through Pacific Life, offers a life-insurance plan that can morph into long-term care benefits. It requires a big lump sum up front. If you die without going into a long-term care facility your heirs will get that payment back, with interest.

ESTATE PLANNING

Periodically *Review and Revise your estate documents* -- durable financial power of attorney, health care directive, last will -- with an attorney's help.

- ▶ Setting up a Living Trust may simplify your executor's job tremendously, depending on your situation.

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