

Financially Speaking

Professional Guidance For the Future You Deserve

Winter 2006

Volume 1, Issue 1

A Prescription for Confusion—Medicare Part D

The new Medicare Part D program has been confusing to many at best and incomprehensible to many at worst. **California has forty plus companies offering plans**, some with two or three options and different monthly premiums, each company with a different drug list,



Medicare Part D, which plan is right for you?

multiple marketing campaigns in the mail, on radio and TV and insurance salesmen pitching their products. Add to this program deductibles, different level co-pays and a

“donut hole,” it is no wonder that people are having a difficult time navigating the process in order to make the best prescription drug program choice.

This program has impacted, or is about to impact anyone who cares for someone over the age of 65. As a child, grandchild or friend you need to be informed about Medicare Part D to be able to jump in if needed to help the senior you love make a wise choice. The AARP website, http://www.aarp.org/health/medicare/drug_coverage/medicarerx_coverage.html, and the Medicare website, www.medicare.gov, have articles and calculators which will help in the decision making process.

Medicare Part D is too complex to try to explain in one article. The basic design of the program is clearly spelled out at the above

websites. However, in working with some of my senior clients and clients who are helping their parents, a few things are repeatedly coming up.

The most basic question to answer is to determine “Do I need to enroll?”

1. *What health insurance plan, if any, do you have? Is it a Medicare Advantage plan (usually an HMO) or a military Tricare plan with prescription coverage included? If so, you will not need to enroll in Medicare Part D, but CALL your medical plan insurer to make sure.*
2. *If you are still working, does your employer plan cover your prescriptions? Again, if yes, you may not need to enroll. CONTACT the payroll or human resources office.*

Start your process by making a list of all your prescriptions, including names (brand name and generic if you know it), dosages and the number of times taken per day. This will allow you to easily compare plans on the Medicare website, my website of choice for plan comparisons. Medicare has no bias in which plan you choose, unlike some other websites.

For seniors who need to enroll, you should make your plan decision and application before May 15, 2006. If you qualify for a Medicare Part D plan and do not enroll, but decide to enroll later, you could be subject to a premium penalty of 1% a month

for every month that you wait to join. This penalty can add up in a hurry, so it is wiser for most people to enroll now.

Seniors who take very few or no drugs, should consider enrolling in a Medicare Part D plan even if the added monthly premium will be more expensive than the drug costs you now pay. For example, I have a client whose monthly drug costs are \$12 or \$144.00 per year. His out of pocket drug costs are well below the initial co-pay of \$250.00. However, he decided to enroll in a basic Part D plan with a monthly premium of \$5.50. He made this choice because, while his drug costs are low now, he doesn't know what the future will bring. He is only 66 and if he put off enrolling, adding the cumulative monthly 1% premium penalty to future drugs could make it more costly in the long run.

Couples do not need to have the same plan or even the same insurance company. In fact, due to differences in your medications, the plans very likely could be different. One spouse with many prescriptions may need a plan with higher premiums and complete coverage while the other may only have one or two generic prescriptions which will make a low monthly premium for basic coverage the best choice.

Continued Page 2

A Prescription for Confusion, cont.

It is also not necessary that your Medigap insurance company provide you with your Medicare Part D plan. You should choose the Part D plan that will most economically cover all (or the majority of your most expensive) prescriptions. This may not be your Medigap insurance company.

Once you have selected your Medicare Part D plan you are required to keep it for the entire year. So, if at your annual physical in August your doctor prescribes a new drug for you that is not on the formulary list of your Medicare Part D insurance company, you will have to pay, out of your own pocket, for this prescription for the



balance of the year. **But, each November you will be able to evaluate your prescriptions and change to another company, if needed.** The new plan year begins in January.

These are but a few of the topics you should consider when sorting through Medicare Part D plan choices. It will take some study, but together we can overcome the confusion.

For seniors needing to enroll, you should to make your plan decision and application before
May 15, 2006.

Financial Trivia

Just for fun here are some miscellaneous financial statistics. Remember, statistics are simple facts and are inherently neutral. Judgments, interpretations and viewpoints are applied to statistics by us. So as you read these statistics and have reactions to them, ponder how they could impact you, your family or friends.

- ▶ *60% of workers rank health insurance as the single most important employee benefit, versus 17% for retirement savings plans. (Employee Benefit Research Institute)*
- ▶ \$5,267 was the per-capita spending on a U.S. citizen for health care in 2002—53% higher than by the next highest industrialized nation. (Health Affairs)
- ▶ **\$500 million is the expected sales in standby residential generators for 2005 up from \$150 million in 2003. (Frost and Sullivan)**
- ▶ 18 is the average number of years a worker spent in retirement in 2003 versus less than 12 years in 1950.
- ▶ 60% of Americans age 62 to 74 say they depend on Social Security for more than half their income. (AARP)
- ▶ *-.5% is the U.S. savings rate for 2005, the first time the savings rate has been negative for an entire year since 1933. (U.S. Department of Commerce)*

76% of college students carried credit cards in 2004 down from 83% in 2001. (Nellie Mae)

- ▶ \$9,312 was the average household credit card balance in 2004 versus \$7,842 in 2000. (Cardweb.com)
- ▶ **.53 cents is the average amount Americans personally saved in June 2005. (MarketWatch.com)**
- ▶ 60% of U.S. Wealth will be controlled by women by the year 2010. (Fortune)



P.O. Box 1343
San Juan Bautista, CA. 95045
831-623-2126

Books of the month

The Seven Stages of Money

Maturity

by George Kinder.

Easily read, this book will have you talking to yourself about your belief systems about money and it will inspire you to make positive changes.



Just Give Me The Answer\$

by Sheryl Garrett with Marie Swift and the Garrett Planning Network

Answers your most pressing financial questions, quickly and in plain English.

AMT Calculator available at IRS.gov



While started to ensure that the very wealthy paid their fair share of federal taxes, due to the lack of indexing for inflation, the Alternative Minimum Tax is putting the bite on more and more middle class Americans. The IRS has implemented a tool, "AMT Assistant"

on its website that you can use to determine if you might be subject to AMT this year.

The information you provide is anonymous and will be used only for purposes of determining AMT liability. The AMT Assistant automates an AMT worksheet from form 1040 instructions. You enter your information from a draft form 1040 to generate an answer in five to ten minutes.

Go to www.irs.gov/businesses/small/article/0,,id=150703,00.html.



383 Olympia Avenue
P.O. Box 1343
San Juan Bautista, CA. 95045
Phone: 831-623-2126
Fax: 831-623-2043
E-Mail:
Info@mlgFinancialPlanning.com

We're on the Web
www.mlgFinancialPlanning.com

Publisher—Mary Lacey Gibson
Editing—Deborah Simmons

Reminders

- *Your portfolio should be reviewed at least once a year to bring it into balance with your targeted asset allocation.*
- *Important keys for building wealth are to save consistently, live within your means, allocate wisely within your risk tolerance, diversify-diversify-diversify across and within asset classes, keep fund fees low, and check fund manager tenure.*
- *You can contribute to your 2005 IRA or Roth IRA until April 15th and it is not too early to contribute to your 2006 Roth IRA or IRA.*

Financial Planning: The wise integration of money in your life including the areas of insurance, retirement, taxes, debt and budgeting, investments, estate planning and college funding. Call 831-623-2126.

Thank you for your support. I really appreciate the referrals to family and friends I receive from you and the trust that it implies.

Mary



P.O. Box 1343
San Juan Bautista, CA. 95045

~Newsletter~