

Social Security and Medicare: Separate Benefits Requiring Separate Choices

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The Medicare and Social Security programs have many things in common. For example, they're both associated with retirees, they're both funded by the FICA (i.e. payroll) tax, and you apply for both sets of benefits through the Social Security Administration. It's no wonder that many people think the two programs are connected. However, they're actually two very distinct systems and represent two very separate decisions for retirees. Below are some of the most popular questions we've received from clients about coordinating their Medicare and Social Security benefits.

Q: My full retirement age for Social Security benefits is 66. Does that mean that I'm eligible for Medicare benefits at age 66 as well?

A: No—Medicare is available to you earlier. Here's why: Full retirement age for Social Security retirement benefits was age 65 for many years. However, individuals born in 1938 or later now hit their full retirement age a year later for Social Security purposes. Medicare, interestingly, didn't follow suit. The full retirement age to qualify for Medicare benefits is still age 65. (Sources: www.ssa.gov/ www.medicare.gov)

Q: I'll turn 65 next month and my wife is 62. I'm retired and will enroll in Medicare and begin receiving Social Security payments. Since my wife is planning to take Social Security spousal benefits

based on my record, can she also start receiving Medicare benefits off of my record now?

A: No. Social Security and Medicare have different requirements as to when benefits may start. In general, the earliest anyone can enroll in Medicare is age 65. Your wife will need to wait three more years before she can enroll. In the meantime, assuming she does not have access to health insurance through an employer of her own, she should get coverage through a private insurer. Also, keep in mind that there's no incentive for delaying Medicare coverage beyond age 65. This is quite different from Social Security: Your SS retirement payments actually grow by 8% per year if you wait until age 70 to apply for benefits.

(Sources: www.ssa.gov/ www.medicare.gov)

Q: I'm worried about the Medicare program using funds that are in the Social Security Trust Fund. Is it allowed to do that?

A: No. The Medicare and Social Security programs utilize separate trust funds. They each dictate that the assets and income of those specific trusts can only be used for Medicare and Social Security expenses, respectively.

(Sources: www.ssa.gov/ www.medicare.gov)

Q: If I'm planning to delay drawing my Social Security benefit until age 70, must I also delay my Medicare coverage until age 70? If not, what do I need to do with Medicare in the meantime?

A: No—Medicare and Social Security benefits are completely separate issues. Even if you delay drawing your Social Security benefit until 70, you still need to make a decision about Medicare—likely at age 65.

If you retire at age 65 (or work for an employer with fewer than 20 employees), you're eligible for Medicare. Later, once you receive Social Security benefits, your monthly Medicare premium will be debited from your Social Security benefit and the net amount deposited into your checking account.

But in the interim, if you're on Medicare but not getting a Social Security check, Medicare will just send you a quarterly bill and you'll send a check directly to Medicare. Be sure to make these payments on time to avoid a penalty in the form of increased premiums!

Source (www.ssa.gov & www.medicare.gov).

Conclusion

As you can see, decisions (or lack thereof!) involving Social Security and Medicare should not be made lightly. They can have a serious impact on your financial future. Consult your Wealth Advisor if you're planning to apply for Medicare or Social Security benefits in the near future.

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