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TENON FINANCIAL
RETIREMENT PLANNING & INVESTMENT MANAGEMENT

Retirement Planning Insights

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Up Front

Good weather and social media updates

With warmer weather upon us, I hope you all are finding ways to safely get outside a bit more. As for me and my family, we like finding places to hike and going to the beach. Even though it was a bit chilly, we recently enjoyed an impromptu visit to one of our favorite beaches:

I'm happy to share that my Facebook group, **Taxes in Retirement**, now has over 600 members! There have been a lot of great questions and information sharing so far. If you haven't already, join so you can be part of the exciting intersection of retirement and taxes! (and yes, I just called it exciting…)

I'm also happy to share the progress of my recently launched YouTube channel, **Retirement Planning Demystified**. There are now over 15 videos posted and I have plenty of new ones in the pipeline. If there are any topics you'd like to see covered in a video, let me know!

As always, if you have any retirement planning or investing questions you'd like answered, don't hesitate to contact me! Stay safe and be well.

-Andy

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Retirement Planning News

COVID-19's impact on Social Security

In April, the 2020 Social Security Trustees report was released. Officially called "The 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," it gives detailed projections of what is expected happen to the finances of the Social Security system over the next 75 years.

The report projects the Social Security trust funds will deplete in 2035. While that sounds grim on the surface, it's not as doomsday as it may appear. Even when the trust funds run out, it's projected the Social Security system will still have enough income each year to cover about 79% of expected benefits through 2094, and then 73% from then onward. Obviously, receiving only 79% of your benefits is worse than receiving 100%. But, it's not nearly as bad as receiving zero.

Due to the timing of when the 2020 Trustees' report was released, it did NOT consider any potential effects of the COVID-19 pandemic and its expected economic impacts. For example, it's safe to assume the sweeping layoffs and furloughs will lead to less payroll taxes getting paid into the Social Security system. Also, people of Social Security age who are prematurely pushed out of the workforce will presumably start their benefits earlier than expected.

While it's too soon to put any official figures to the pandemic's impact on Social Security, I've read rational and defensible estimates that say depletion of the trust funds could now happen up to 7 years earlier, which would mean as soon as 2028.

What would that mean for retirees or those nearing retirement??? It's impossible to say, though I'm confident politicians will eventually make changes to the system to bolster its finances. But if I had to guess, those changes won't be done until the 11th hour.

There are infinite changes – some major, some minor – that can be made to strengthen Social Security. But they all ultimately boil down to 1) increasing what people pay in and/or 2) decreasing what people get out.

I feel those who are already receiving Social Security, or close to it, likely do not have to worry about their benefits getting reduced…I think those younger than 50-ish will bear the brunt of the changes. But we shall see. Stay tuned for updates.

If you would like to learn more about how the Social Security system functions, what will happen when the trust funds deplete and what can be done to prevent depletion, check out my recent YouTube video, **"Will Social Security Run out of Money?"**

Practical Retirement Planning

Retiree health insurance options before Medicare

If you're employed full-time, you likely have health insurance through your employer. If you retire before age 65, you'll need health insurance coverage between when you lose your employer-sponsored plan and when you start Medicare at 65. There are 6 options to bridge that health insurance gap:

1. **Self-insurance** – This means NOT getting insurance. If/when you need any medical services, you'll have to pay 100% of the cost.
2. **Employer's retiree benefits** – While increasingly rare, some employers offer fully or partially subsidized health insurance benefits to their retirees.
3. **Coverage from spouse** – If you have a spouse who is still employed and has health insurance coverage through his or her employer, you can most likely be added to that policy.
4. **COBRA** – This is the ability to continue the coverage you had at your employer. While often the easiest option, it's not the cheapest - you'll have to pay 102% of the unsubsidized amount of monthly premium of your employer's policy. Also, you can typically only extend coverage for up to 18 months after you stop working.
5. **Marketplace** – Also known as the "exchange," this is the government-run health insurance shopping platform. Depending on your level of gross income, you may be eligible for subsidies that help defray the monthly premiums you'd otherwise have to pay. Visit **www.healthcare.gov** for more information.
6. **Faith-based health sharing arrangements** – Typically requiring you to be of a Christian faith, these are collections of people who pool together money to help pay each other's medical bills. While not legally insurance, these agreements often look and act like insurance. But be sure to thoroughly research and understand their terms and rules.

For more information on each of these 6 options, watch my recent YouTube video, **"Health Insurance Options Before Medicare Eligibility."**