



## Clarion Newsletter

November 2014

### Medicare Enrollment Options for 2014-15

*A summary of what you need to know.*

Key Medicare enrollment periods are approaching. This fall and winter, there are three periods in which Medicare beneficiaries can either enroll or disenroll in forms of coverage.

\* **Oct. 15-Dec. 7: Open enrollment period.** This is when you can exit Original Medicare (Part A & B) for a Medicare Advantage Plan (Part C) and change your prescription drug coverage (Part D). You can also get out of a Part C plan and go back to Part A & B during this period, although you will certainly want a Medicare Supplement (Medigap policy) in place before you make such a move. (In most cases, that means having to pass underwriting.)<sup>1</sup>

\* **Dec. 8: Annual enrollment period begins for 5-star plans.** As you probably know, Part C and Part D plans are assigned ratings. Beginning December 8, 2014 and ending November 30, 2015, a window opens for you to enroll in a 5-star Part C or Part D plan. You can do this once per 365 days. How do you find the 5-star plans? Visit [www.medicare.gov/find-a-plan](http://www.medicare.gov/find-a-plan).<sup>2</sup>

\* **Jan. 1-Feb. 14, 2015: Disenrollment period.** If you join a Part C plan in late 2014 and decide you want to leave it, you can do so within this window of time and go back to Original Medicare (Part A & B) with a stand-alone Prescription Drug Plan (Part D). Again, having a Medigap policy before making such a switch is only prudent.<sup>1</sup>

**Do you have to confirm Medicare enrollment at the health insurance marketplace?** No. If you have Original Medicare or a Medicare Advantage plan through an HMO or PPO, you are covered under the Affordable Care Act. If you need to make changes to your Medicare coverage, you don't need to go to the health insurance marketplace to do so. (For the record, you can't buy any Medicare plan through the marketplace.)<sup>3</sup>

The ACA has enhanced Medicare benefits. It gives Medicare recipients in the "donut hole" avenues to brand-name prescription drug discounts, and recipients

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#### Upcoming Seminars

Tuesday, November 18  
Wednesday, December 10

#### Portfolio Review

Call us today to make an in-person or phone appointment to review your portfolio.

Contact Us  
**866-557-1031**



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may now take advantage of free preventive benefits, cancer screenings and an annual wellness visit.<sup>3</sup>

**Should you get Medigap coverage if you have Part A & B?** This third-party health insurance may save you money over time by picking up co-payments and deductibles not covered by Part A & B, but a Part C plan provides more comprehensive coverage than Medigap does. Today's Medigap policies don't include prescription drug coverage, and they won't pay for long-term care, dental or vision care, or hearing aids or glasses. If you want or need Medigap coverage, you can evaluate policies using Medicare's Personal Plan Finder at Medicare.gov.<sup>4</sup>

**What should you look for in a Part C plan?** Scrutinize the out-of-pocket spending limit, the copays and the co-insurance. Attractively low premiums might not tell you the whole story about the value of a Part C plan. Also, how inclusive is the plan network? Does it include hospitals you would choose and the physicians that now treat you?

**Medicare's website will determine the best Part D plan for you.** Enter your medications and the website will go to work. Each Part D plan has its own formulary (list of approved drugs), categorized into higher and lower "tiers" by cost. Formularies do change; if a drug you take drops off of one, that Part D plan has to give you 60 days of notice (or alternately, written notice of the change when you get a refill with a 60-day supply of the medication).<sup>5</sup>

Every fall, Medicare plans mail out Annual Notice of Change (ANOC) letters to their plan members. Use this notice to determine if your current plan is still right for you and your medical care needs. If you don't receive such a letter by September, contact your plan.<sup>6</sup>

**How expensive will Part D coverage be next year?** In April, The Centers for Medicare and Medicaid Services (CMS) issued the finalized 2015 Standard Benefit Model Plan parameters. (The definition of "Standard Benefit Model Plan" = the minimum allowable Part D coverage.) Under those parameters, the initial deductible for standard Part D prescription drug coverage will go up \$10 to \$320 next year. After total prescription drug costs surpass \$320, you'll pay 25% of total prescription costs between \$310-2,960. You'll be in the "donut hole" between \$2,960-4,700 next year (versus \$2,850-4,550 for 2014). Next year, Part D enrollees will get a 55% discount on the total cost of brand-name drugs they buy while in the donut hole. Should your total prescription drug costs exceed \$4,700 in 2015, you'll be eligible for catastrophic coverage, leaving you on the hook for just 5% of drug costs above that level.<sup>7</sup>

The 2015 monthly premiums for Part C and standard Part D plans are likely to approximate those of 2014. The Centers for Medicare & Medicaid Services projects average monthly premiums of \$32.60 for a Part C plan in 2014 and \$31 for a standard Part D plan.<sup>8</sup>

#### Citations.

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- 2 - [medicare.gov/sign-up-change-plans/when-can-i-join-a-health-or-drug-plan/five-star-enrollment/5-star-enrollment-period.html](http://medicare.gov/sign-up-change-plans/when-can-i-join-a-health-or-drug-plan/five-star-enrollment/5-star-enrollment-period.html) [7/14/14]
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- 7 - [q1medicare.com/PartD-The-2015-Medicare-Part-D-Outlook.php](http://q1medicare.com/PartD-The-2015-Medicare-Part-D-Outlook.php) [7/14/14]
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## Financial Considerations for 2015

### *Is it time to make a few alterations for the near future?*

2015 is less than three months away. Fall is the time when investors look for ways to lower their taxes and make some financial changes. This is an ideal time to schedule a meeting with a financial, tax or estate planning professional.

**How do economists see next year unfolding?** Morningstar sees 2.0-2.5% GDP for the U.S. for 2015, with housing, export growth, wage growth, very low interest rates and continuing vitality of energy-dependent industries as key support factors. It sees the jobless rate in a 5.4-5.7% range and annualized inflation running between 1.8-2.0%. Fitch is far more optimistic, envisioning U.S. GDP at 3.1% for 2015 compared to 1.3% for the eurozone and Japan. (Fitch projects China's economy slowing to 6.8% growth next year as India's GDP improves dramatically to 6.5%.)<sup>1,2</sup>

The *Wall Street Journal's* Economic Forecasting Survey projects America's GDP at 2.8% for both 2015 and 2016 and sees slightly higher inflation for 2015 than Morningstar (with the CPI rising at an annualized 2.0-2.2%). The *Journal* has the jobless rate at 5.9% by the end of this year and at 5.5% by December 2015.<sup>3</sup>

The *WSJ* numbers roughly correspond to the Federal Reserve's outlook: the Fed sees 2.6-3.0% growth and 5.4-5.6% unemployment next year. A National Association for Business Economics (NABE) poll projects 2015 GDP of 2.9% with the jobless rate at 5.6% by next December.<sup>4</sup>

**What might happen with interest rates?** In the *Journal's* consensus forecast, the federal funds rate will hit 0.47% by June 2015 and 1.17% by December 2015. NABE's forecast merely projects it at 0.845% as next year concludes. That contrasts with Fed officials, who see it in the range of 1.25-1.50% at the end of 2015.<sup>3,4</sup>

Speaking of interest rates, here is the *WSJ* consensus projection for the 10-year Treasury yield: 3.24% by next June, then 3.58% by the end of 2015. The latest *WSJ* survey also sees U.S. home prices rising 3.3% for 2015 and NYMEX crude at \$93.67 a barrel by the end of next year.<sup>3</sup>

**Can you put a little more into your IRA or workplace retirement plan?** You may put up to \$5,500 into a traditional or Roth IRA for 2014 and up to \$6,500 if you are 50 or older this year, assuming your income levels allow you to do so. (Or you can spread that maximum contribution across more than one IRA.) Traditional IRA contributions are tax-deductible to varying degree. The contribution limit for participants in 401(k), 403(b) and most 457 plans is \$17,500 for 2014, with a \$5,500 catch-up contribution allowed for those 50 and older. (The IRS usually sets next year's contribution levels for these plans in late October.)<sup>5</sup>

**Should you go Roth in 2015?** If you have a long time horizon to let your IRA grow, have the funds to pay the tax on the conversion, and want your heirs to inherit tax-free distributions from your IRA, it may be worth it.

**Are you thinking about an IRA rollover?** You should know about IRS Notice 2014-54, which lets taxpayers make "split" IRA rollovers of employer-sponsored retirement plan assets under more favorable tax conditions. If you have a workplace retirement account with a mix of pre-tax and after-tax dollars in it, you can now roll the pre-tax funds into a traditional IRA and the after-tax funds into a Roth IRA and have it all count as one distribution

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rather than two. Also, the IRS is dropping the *pro rata* tax treatment of such rollover amounts. (Under the old rules, if you were in a qualified retirement plan and rolled \$80,000 in pre-tax dollars into a traditional IRA and \$20,000 in after-tax dollars into a Roth IRA, 80% of the dollars going into the Roth would be taxed under the pro-rated formula.) The tax liability that previously went with such “split” distributions has been eliminated. The new rules on this take effect January 1, but IRS guidance indicates that taxpayers may apply the rules to rollovers made as early as September 18, 2014.<sup>6</sup>

**Can you harvest portfolio losses before 2015?** Through tax loss harvesting – dumping the losers in your portfolio – you can claim losses equaling any capital gains recognized in a tax year, and you can claim up to \$3,000 in additional losses beyond that, which can offset dividend, interest and wage income. If your losses exceed that limit, they can be carried over into future years. It is a good idea to do this before December, as that will give you the necessary 30 days to repurchase any shares should you wish.<sup>7</sup>

**Should you wait on a major financial move until 2015?** Is there a chance that your 2014 taxable income could jump as a consequence of exercising a stock option, receiving a bonus at work, or accepting a lump sum payout? Are you thinking about buying new trucks or cars for your company, or a buying a building? The same caution applies to capital investments.

**Look at tax efficiency in your portfolio.** You may want to put income-producing investments inside an IRA, for example, and direct investments with lesser tax implications into brokerage accounts.

**Finally, do you need to change your withholding status?** If major change has come to your personal or financial life, it might be time. If you have married or divorced, if a family member has passed away, if you are self-employed now or have landed a much higher-salaried job, or if you either pay a lot of tax or get unusually large IRS or state refunds, review your current withholding with your tax preparer.

#### Citations.

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- 3 - [projects.wsj.com/econforecast](http://projects.wsj.com/econforecast) [9/30/14]
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## Thought for the Day

*“If you want to feel rich, just count the things you have that money can't buy”*

~ Proverb ~