

2020 Reference Guide

IRAs & Qualified Plans

Contribution Limits	
IRA or Roth IRA contribution limit	\$6,000
IRA or Roth IRA catch-up (age 50 or older)	\$1,000
Traditional IRA deduction phaseout	
Participants in a retirement plan	
Single	\$65,000 - \$75,000
Married filing jointly	\$104,000 - \$124,000
Married filing separately	\$0 - \$10,000
Spousal IRA	\$196,000 - \$206,000
Roth IRA phaseout	
Single	\$124,000 - \$139,000
Married filing jointly	\$196,000 - \$206,000
Qualified Plans	
Elective deferrals to 401(k), 403(b), 457, and SARSEPs	
	\$19,500
Catch-up contribution (age 50 or older)	\$6,500
Defined contribution plan limit (Section 415(c)(1)(A))	
	\$57,000
Defined benefit plan limit (Section 415(b)(1)(A))	
	\$230,000
Simple IRA & SEP IRA	
SEP IRA contribution limit	
	Lesser of \$57,000 or 25% of compensation
SIMPLE Plan contribution limit	\$13,500
Catch-up contribution (age 50 or older)	\$3,000
Maximum compensation limit for retirement plans	
	\$285,000
Key employee (top-heavy plans)	
	Above \$185,000
Highly compensated employee	
	\$130,000

Health Savings Account

Minimum Deductible Amount	
Single	\$1,400
Family	\$2,800
Maximum Out-of-Pocket Amount	
Single	\$6,900
Family	\$13,800
HSA Contribution Limit	
Single	\$3,550
Family	\$7,100
Catch-up contribution (age 55 or older)	\$1,000

Education

Coverdell Education Savings Accounts	
Contribution limit	\$2,000
Single phaseout	\$95,000 - \$110,000
Married filing jointly phaseout	\$190,000 - \$220,000
Lifetime Learning Credit - 20% of qualified expenses	
Expense limit	\$10,000
Single phaseout	\$59,000
Married filing jointly phaseout	\$118,000
529 Plans	

Eligible for college, apprenticeship, and trade school expenses, and up to \$10,000/year for private K - 12 tuition. A lifetime limit of \$10,000 each can be used to repay the beneficiary's and each of his/her sibling's student loans.

Capital Gains & Qualified Dividends

For 2020, rates are applied to taxable income levels:

Tax Rate	Single	Married Filing Jointly	Trusts & Estates
0%	\$0 - \$40,000	\$0 - \$80,000	\$0 - \$2,650
15%	\$40,000 - \$441,450	\$80,000 - \$496,600	\$2,650 - \$13,150
20%	over \$441,450	over \$496,600	over \$13,150

(Short-term capital gains are taxed at income tax rates)

Medicare contribution tax on investment income*: 3.8%

*Tax is applied to the lower of net investment income or modified adjusted gross income over certain thresholds (\$250,000 joint filers/\$200,000 single/\$13,150 Trusts & Estates).

Income Tax Rate Schedules

If Taxable Income Is:		Then the Gross Tax Payable Is:		
Over	But not over	Amount	Plus (%)	Of the amount over
Single Taxpayers				
\$0	\$9,875	----- 10% of taxable income -----		
\$9,875	\$40,125	\$987.50	12%	\$9,875
\$40,125	\$85,525	\$4,617.50	22%	\$40,125
\$85,525	\$163,300	\$14,605.50	24%	\$85,525
\$163,300	\$207,350	\$33,271.50	32%	\$163,300
\$207,350	\$518,400	\$47,367.50	35%	\$207,350
\$518,400	-	\$156,235.00	37%	\$518,400
Married Filing Jointly				
\$0	\$19,750	----- 10% of taxable income -----		
\$19,750	\$80,250	\$1,975.00	12%	\$19,750
\$80,250	\$171,050	\$9,235.00	22%	\$80,250
\$171,050	\$326,600	\$29,211.00	24%	\$171,050
\$326,600	\$414,700	\$66,543.00	32%	\$326,600
\$414,700	\$622,050	\$94,735.00	35%	\$414,700
\$622,050	-	\$167,307.50	37%	\$622,050

The income tax brackets for Married Filing Separately are half of the amounts for Married Filing Jointly. The brackets for Heads of Households generally fall between the brackets for single and joint filers.

Trusts & Estates				
\$0	\$2,600	----- 10% of taxable income -----		
\$2,600	\$9,450	\$260.00	24%	\$2,600
\$9,450	\$12,950	\$1,904.00	35%	\$9,450
\$12,950	-	\$3,129.00	37%	\$12,950

Kiddie tax: In 2020, the parent's marginal tax rate is used for a dependent child's unearned income over their deduction amount.

Income Tax Deductions and Credits

Single	\$12,400
Married filing jointly	\$24,800
Head of household	\$18,650
Married filing separately	\$12,400
Child Tax Credit	
Qualifying Child (Children under age 17)	\$2,000
Dependents not eligible for Qualifying Child	\$500
Single phase out begins at	\$200,000
Married filing jointly phase out begins at	\$400,000
Elderly (over age 65) or blind additional deduction	
Single	\$1,650
Married	\$1,300

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Estate & Gift Tax

Individual estate tax exclusion (Federal) (Any unused amount can transfer to a surviving spouse)	\$11,580,000
Maximum estate tax rate	40%
Gift tax exclusion	\$11,580,000
Generation-skipping exclusion	\$11,580,000
Annual gift tax exclusion (per recipient)	\$15,000
Lump sum accelerated gift to a 529 plan (5-year rule)	\$75,000

States with an estate tax and/or inheritance tax: CT, DC, HI, IL, IA, KY, ME, MD, MA, MN, NE, NJ, NY, OR, PA, RI, VT, and WA

Alternative Minimum Tax (AMT)

Status	Exemption	Phaseout
Single	\$72,900	\$518,400
Married filing jointly	\$113,400	\$1,036,800

Alternative Minimum Tax Rates	
	26% up to \$197,900 of AMT base
	28% over \$197,900 of AMT base

Social Security

Social Security wage base	\$137,700
Social Security cost-of-living adjustment	1.6%
Quarter of coverage (earnings for Social Security)	\$1,410
Maximum benefit (worker retiring at FRA)	\$3,011
Estimated average monthly benefit	\$1,503

Social Security benefits are reduced if someone receives benefits and continues to work. The benefit is reduced \$1 for every \$2 or \$3 earned above \$18,240 (\$1,520/mo.) in years prior to FRA and \$48,600 (\$4,050/mo.) in the year FRA is reached, respectively. There is no reduction at FRA.

For additional information about Social Security, please see Manning & Napier's 2020 Social Security Guide.

Businesses/Business Owners

For 2020, net business income is taxed at the following rates:

Corporations (C-Corps and similarly treated LLCs)	
Corporate income tax rate:	21%
Accumulated Earnings tax rate (plus interest):	20%*

Dividends paid to shareholders are taxable to them at ordinary income or capital gains tax rate(s), depending on the type of dividend.

*On retained earnings in excess of \$250,000 (\$150,000 for personal service corps.), except if to meet reasonable business needs.

The AMT and US tax on foreign income were eliminated for corps. Illiquid assets and cash held outside of the U.S. are taxed once at rates of 8% and 15.5%, respectively.

Pass Through Entities (Sole Props, Partnerships, S-Corps, and similarly treated LLCs)

Net business income is reported by the owner(s) and is taxed at his/her tax rates	
Self-Employment Tax on wages, tips & net earnings	
Medicare Tax (on total amount)*:	2.9%
Social Security Tax (on the first \$137,700):	12.4%
Deduction for qualified business income**:	20.0%

*An Additional Medicare Tax of 0.9% is applied to amounts over certain thresholds (\$250,000 joint filers/\$200,000 single filer).

**The deduction is limited to the lesser of 20% of QBI or 20% of the owner's taxable income. Subject to phase out depending on the type of services provided if income is over \$326,600 (joint) or \$163,300 (single) as of 2020.

Important Dates & Deadlines

Deadlines for Traditional IRAs, Roth IRAs, and SEP IRAs	
2019 Contributions	April 15, 2020
2020 Contributions	April 15, 2021
2020 Roth IRA Conversions	December 31, 2020

Required Minimum Distributions (RMDs)

RMD starting age changed from 70½ to 72 if born after July 1, 1949

Age of IRA holder:	First RMD Deadline*:
Turn 70 in 2019 before July 1	April 1, 2020
Turn 70 in 2019 on or after July 1	April 1, 2022
Turn 70 in 2020 (turn 72 in 2022)	April 1, 2023

*Subsequent RMDs must be taken by December 31 of each year.

The RMD life expectancy factors are expected to be adjusted as early as 2021 or 2022. The change would slightly reduce RMDs at each age.

2019 Tax Form Mailing Deadlines for Custodians

Form 1099-R (Retirement Account Distributions)	January 31, 2020
Consolidated Form 1099s (Taxable Accounts)	February 18, 2020*
*Extended deadline for accounts holding certain securities (REITs, WHFITs, CMOs)	
Form 5498 (Retirement Account Contributions)	June 1, 2020

2020 Estimated Tax Payments

For the period	Due date
January 1 - March 31	April 15, 2020
April 1 - May 31	June 15, 2020
June 1 - August 31	September 15, 2020
September 1 - December 31	January 15, 2021

The SECURE Act

Effective as of 2020

- The Traditional IRA contribution age limit of 70½ is eliminated. As long as there is earned income contributions can be made at any age. RMDs must still begin at the RMD starting age.
- Some part-time workers can participate in 401(k) plans beginning in 2021.
- The RMD starting age is 72 if born on or after July 1st, 1949. It remains 70½ if born before July 1st, 1949 (i.e., if RMDs began in 2019 or earlier).
- The "Stretch IRA" is eliminated for most beneficiaries of Traditional and Roth IRAs whose owners pass away in 2020 or later (Stretch IRA rules still apply to certain beneficiaries and to all Inherited IRAs whose owners passed away before 2020). There are no mandatory annual distributions, but the entire Inherited Traditional or Roth IRA balance must be withdrawn by the end of the 10th year. Beneficiaries excluded from the 10-year rule are: spouses; those disabled; chronically ill; not more than 10 years younger than the IRA owner; and minor children of the IRA owner (until the age of majority is reached, at which time the 10-year rule kicks in).
- Eligible 529 Plan expenses now include the cost of trade schools and apprenticeships, as well as a lifetime limit of up to \$10,000 towards the beneficiary's student loans and up to \$10,000 each towards his/her sibling's loans. Penalties or taxes may still be incurred at the state level.
- Each 401(k) or IRA owner can withdraw up to \$5,000 (\$10,000 per couple) penalty-free within one year after adopting or giving birth to a child. Income taxes are still due on the amount withdrawn.
- Qualified Charitable Distributions (QCDs) from IRAs can still begin as early as age 70½.

Revisions and Extensions to the Tax Cuts and Jobs Act (TCJA) of 2017

- The medical expenses deduction floor remains 7.5% of income for 2019 and 2020, delaying the increase to 10% until 2021.
- A dependent child's unearned income will be taxed at the parent's marginal tax rate effective as of 2020, repealing the TCJA version of the "Kiddie Tax". Further clarification is expected regarding whether the parent's marginal tax rate can be applied retroactively to tax years 2018 and 2019, when the rates for trusts and estates were used instead.
- Some additional tax deductions for certain expenses that had expired but are now renewed or extended through 2020 include: qualified principal residence indebtedness; mortgage insurance premium (aka the PMI); and qualified tuition and related expenses.

Consult with an attorney or a tax or financial advisor regarding your specific legal, tax, estate planning, or financial situation

The SECURE Act Reference Guide

Key Changes for Individuals

(Effective Jan. 1, 2020)

- The required minimum distribution (RMD) starting age is 72 if born on or after July 1, 1949. It remains 70 ½ if born before July 1, 1949 (i.e., if RMDs began in 2019 or earlier).

Age of IRA holder:	First RMD Deadline*:
Turn 70 in 2019 before July 1	April 1, 2020
Turn 70 in 2019 on or after July 1	April 1, 2022
Turn 70 in 2020 (turn 72 in 2022)	April 1, 2023

*Subsequent RMDs must be taken by December 31st of each year. The RMD life expectancy factors are expected to be adjusted as early as 2021 or 2022. The change would slightly reduce RMDs at each age.

- The “Stretch IRA” is eliminated for most beneficiaries of Traditional and Roth IRAs whose owners pass away in 2020 or later (**Previous IRA rules still apply to certain beneficiaries and to all Inherited IRAs whose owners passed away before 2020). **There are no mandatory annual distributions, but the entire Inherited Traditional or Roth IRA balance must be withdrawn by the end of the 10th year.** Beneficiaries excluded from the 10-year rule are: spouses; those disabled; chronically ill; not more than 10 years younger than the IRA owner; and minor children of the IRA owner (until the age of majority is reached, at which time the 10-year rule kicks in).
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- Some additional tax deductions for certain expenses that had expired but are now renewed or extended through 2020 include: qualified principal residence indebtedness; mortgage insurance premium (aka the PMI); and qualified tuition and related expenses.

Key Changes for Business Owners

- **Expanded Access to Annuities:** The Act expands access to lifetime-income contracts, commonly called annuities, within retirement plans. The aim is to help retirees establish reliable income streams in their retirement.
- **Retirement Plan Statements:** The Act requires retirement plan statements to include a lifetime income disclosure at least once during any 12-month period. The intent is to help those saving for retirement, as well as retirees, to understand approximately how much monthly income they can expect based on the total benefits they have accrued in their retirement plan.
- **Multiple-Employer Plans:** The Act relaxes the rules for unrelated small businesses and employers to band together and participate in multiple-employer plans and have one provider administer it, which should result in lower costs.
- **Long-term Part-time Employees:** Certain long-term employees who work at least 1,000 hours in one year or at least 500 hours in three consecutive 12-month periods are now allowed to participate in their workplace retirement plan.
- **Small Employer Tax Credits:** The Act increases the tax credit for small employer pension plan startup costs, creates a new three-year credit for costs for new pension plans that include automatic enrollment.
- **Safe Harbor Notices & Non-Elective Amendments:** Safe harbor notice requirements are eliminated and the ability to amend to non-elective status have been expanded.

**The SECURE Act did not change or revoke the existing rules for “Stretch IRA” beneficiaries that are not a designated individual (i.e., a charity, the owner’s estate, or a trust that does not qualify as a see-through trust). Thus, a “non-designated beneficiary” may still be required to withdraw the entire balance within 5-years rather than within 10-year

2020 Social Security Reference Guide

Social Security encompasses retirement benefits, disability benefits, and is intertwined with Medicare benefits. This guide focuses on Social Security retirement benefits, the most common association of the term Social Security. Currently, there are nearly 54 million people receiving Social Security retirement benefits (i.e., Old Age and Survivor Insurance or OASI).

Social Security Employment Tax

While you are working, you and your employer each pay 6.2% (7.65% each including Medicare). Social Security taxes are paid on the first \$137,700 of income (2020).

Minimum Eligibility Requirements

In order to qualify for Social Security retirement benefits on your own record, you need to earn a minimum of 40 credits, equivalent to ten years of Social Security-eligible work history. You accrue one credit for each \$1,410 in earnings (2020), up to a maximum of 4 credits per year.

How Benefits Are Calculated

Your Social Security benefit at Full Retirement Age (FRA) is calculated based upon indexed (inflation-adjusted) earnings of your highest 35 years, subject to annual income caps (e.g., \$137,700 in 2020). The estimated average monthly Social Security benefit of a retired worker in January 2020 is \$1,503 (\$18,036/year) after a 1.6% Cost of Living Adjustment (COLA). The average total for couples who are both are receiving benefits is \$2,531 (\$30,372/year). The maximum Social Security benefit for a worker retiring at Full Retirement Age in 2020 is \$3,011 (\$36,132/year).

How to Find Out Your Own Benefit Information

While the Social Security Administration has stopped physically mailing Social Security statements to all individuals, the Social Security website allows you to obtain your Social Security statement online by signing up for a mySocial Security account or estimate benefits using one of several tools.

MySocialSecurity: <https://www.ssa.gov/myaccount/>

Tools: <https://www.ssa.gov/planners/calculators/>

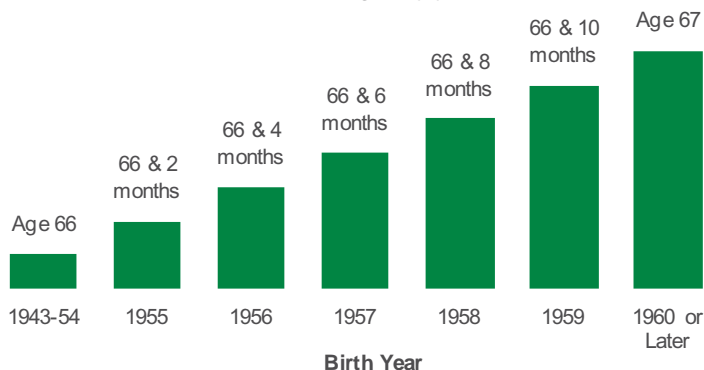
Taxes on Benefits

Depending on your income in retirement, a portion of your Social Security benefit payment may be subject to taxes. The table below shows the percentage of your Social Security benefit that could be subject to taxation, depending on income.

Income Range		% of Social Security Subject to Taxation
Single Filer	Married Filing Jointly	
\$0 - \$25,000	\$0 – \$32,000	0%
\$25,000 - \$34,000	\$32,000 - \$44,000	50%
\$34,000+	\$44,000+	85%

Full Retirement Age

Your Full Retirement Age (i.e., the age that you qualify to receive full benefits), depends on the year you were born. The chart below shows the full retirement ages by year of birth.



Early or Delayed Social Security Benefits

You can choose to begin benefits prior to your Full Retirement Age (as early as age 62) and receive a reduced Social Security benefit amount. You can also choose to delay the start of benefits in exchange for a higher benefit amount. For example, taking benefits at age 62 results in monthly benefit payments that are 25% - 30% lower than what they would have been at Full Retirement Age, but allows you to receive benefits 4-5 years sooner. Likewise, waiting until age 70 to file for benefits results in payments that are 76% - 77% higher than at age 62 and 24% - 32% higher than at Full Retirement Age. Of course, the drawback of delaying Social Security is that it means forgoing benefit payments in the interim. The following table shows the impact of taking benefits early or late for people with a Full Retirement Age of 66 or 67.

Percent of Full Retirement Age Benefit

Age	Full Retirement Age of 66	Full Retirement Age of 67
62	75%	70%
63	80%	75%
64	86.7%	80%
65	93.3%	86.7%
66	100% (FRA)	93.3%
67	108%	100% (FRA)
68	116%	108%
69	124%	116%
70	132%	124%

Taking Early Benefits While Continuing to Work

If you take benefits prior to Full Retirement Age and continue to work, your benefits may be reduced. For example, benefits are reduced by \$1 for every \$2 in earnings above \$18,240 in 2020. Alternatively, in the year you reach Full Retirement Age, benefits are reduced by \$1 for every \$3 you earn over \$48,600 (in 2020), until the month you reach FRA. Benefits are not reduced beginning the month you reach FRA.

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Spousal Benefits

If you have never worked, or if you have worked but your own benefit amounts to less than half of your spouse's Full Retirement Age benefit, you can receive a spousal benefit. Spousal benefits are equivalent to one-half of your spouse's Full Retirement Age benefit at your own FRA, or less if taken prior to your own FRA (e.g., as early as age 62). Spousal benefits do not go up or down based on when the primary Social Security recipient files for benefits, but the primary recipient must file for benefits in order for the spouse to receive a spousal benefit. Spousal benefits do not continue to increase after you reach Full Retirement Age. The table below shows the spousal benefit by percentage, depending on when benefits are taken.

Age	Full Retirement Age of 66	Full Retirement Age of 67
62	35%	32.5%
63	37.5%	35%
64	41.7%	37.5%
65	45.8%	41.7%
66	50% (FRA)	45.8%
67	50%	50% (FRA)

Spousal Benefits for Divorcees

You may qualify for a spousal benefit from a previous spouse. In order to qualify, you must have been married for 10 or more years, currently be unmarried, and age 62 or older. The percent of the spousal benefit is the same as for married spouses (see table above). As long as you have been divorced for at least two years, you can receive spousal benefits if your ex-spouse is eligible to receive benefits (regardless of whether they have actually filed for benefits or not).

Survivor Benefits

Surviving spouses, surviving ex-spouses, and other family members may qualify for varying levels of Social Security survivor benefits when the primary recipient dies. Most notably, among married spouses, the higher of the two Social Security benefits lives on when one spouse passes away.

Cost of Living Adjustment (COLA)

Social Security payments go up over time in order to keep up with inflation. COLAs are determined annually based on increases in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The following table shows the Social Security cost of living adjustment for each of the last 15 years.

2006 – 4.1%	2011 – 0.0%	2016 – 0.0%
2007 – 3.3%	2012 – 3.6%	2017 – 0.3%
2008 – 2.3%	2013 – 1.7%	2018 – 2.0%
2009 – 5.8%	2014 – 1.5%	2019 – 2.8%
2010 – 0.0%	2015 – 1.7%	2020 – 1.6%

Recent Legislation

The Bipartisan Budget Act of 2015 put an end to “File and Suspend” and “Deemed Filing” strategies. The closure of the “Deemed Filing” loophole only affects individuals who reached age 62 after January 1, 2016. Therefore, those who reached age 66 on or before January 1, 2020 can still take advantage of the deemed filing loophole (i.e., filing for spousal benefits after reaching age 66 while allowing benefits on your own work record to continue to grow). Deemed filing rules do not apply to those applying for survivor or dependent benefits.

Potential Future Legislation

According to the Congressional Budget Office (CBO), payments have exceeded revenues each year, beginning in 2010. Based on the current trajectory, the balance of the retirement portion of the Social Security trust fund is projected to be exhausted in 2034. Eventual change is inevitable to ensure the continuation of Social Security benefits. Future changes to Social Security could include pushing back the retirement age, reducing benefits/benefit caps, raising taxes, increasing eligibility requirements, means testing, and others.

When to Take Social Security

While the Bipartisan Budget Act of 2015 closed glaring Social Security loopholes, there are still ways to thoughtfully strategize about how and when to take Social Security benefits. For example, given the trade-off that exists in waiting, most advisors suggest waiting until Full Retirement Age to take benefits. If nothing else, waiting provides “longevity insurance” in the event you live beyond life expectancy. For married couples, given that the higher benefit lives on when one spouse passes away, many couples choose to have one spouse take benefits earlier, while the second delays benefits. This way the couple receives some benefits at an early age, while locking in a higher benefit that will carry through their joint life expectancy.

How to Apply

You can apply online, by phone, or in person at your local Social Security office (appointments available). In order to prepare, gather the following information: date and place of birth, marriage and divorce record (names, dates of birth, Social Security numbers, dates/places of marriage), names and dates of birth for minor or disabled children, US military service record, recent employment history, and direct deposit banking information.

2020 Medicare Reference Guide

Medicare is a government-run health insurance system for Americans over 65 years old or disabled. The system is funded through employee and employer payroll contributions and provides coverage for portions of certain health care costs, depending on level of coverage selected.

For most people, Medicare Part B premiums increased by approximately 6.8% from 2019 and Part D premiums have decreased by about 1.3% from 2019. This year marks the end of a 10-year effort to gradually reduce the Part D coverage gap (i.e., “donut hole”) by increasing the discount on generic drugs (originally 7% in 2011 and 75% in 2020 and thereafter) and on brand-name drugs (originally 50% in 2011 and 75% beginning as of 2019).

Medicare coverage is split into four Parts:

Part A (Hospital Insurance)

Covers inpatient hospital care, skilled nursing facility, hospice, lab tests, surgery, home health care

Monthly Premium*:	\$0.00
First 60 days of hospitalization - patient pays a deductible	\$1,408.00
Next 30 days - patient pays	\$352 per day
Next 60 days (lifetime reserve days)	\$704 per day
Skilled nursing facility:	
First 20 days - patient pays	\$0.00
Next 80 days - patient pays	\$176 per day
Over 100 days - patient pays	All costs

*Most individuals over age 65 receive Part A free (“premium-free Part A”) as a result of paying Medicare taxes while working. For those who have not sufficiently paid Medicare taxes (rare), you can buy Medicare Part A and pay a premium of either \$252 or \$458 per month.

Part B (Medical Insurance)

Doctor and other health care providers’ services, home and outpatient care, durable medical equipment, ambulance services, and some preventive services

Premium Rates*	If your 2018 income was**	
	Single:	Married Filing Jointly:
\$144.60	\$87,000 or less	\$174,000 or less
\$202.40	\$87,001 - \$109,000	\$174,001 - \$218,000
\$289.20	\$109,001 - \$136,000	\$218,001 - \$272,000
\$376.00	\$136,001 - \$163,000	\$272,001 - \$326,000
\$462.70	\$163,001 - \$500,000	\$326,001 - \$750,000
\$491.60	Above \$500,000	Above \$750,000
Deductible:	\$198 per year	
Coinsurance:	20% of amount after deductible	

*Most people will pay this amount; however, a small number of people who pay premiums out of monthly Social Security benefits will pay less than this amount due to Social Security’s “Hold Harmless” provision that prevents a decline in Social Security benefits for most people.

**Medicare uses the modified adjusted gross income reported on your 2018 tax return to determine your 2020 premium (the most recent income information provided to Social Security by the IRS). Therefore, if your income has decreased from 2018 to 2019, Medicare premiums can remain higher than expected due to this lag.

Parts A and B do not cover long-term care (aka, custodial care) as well as dental care, eye care, and hearing aids.

Part D (Prescription Standard Benefit Model)

Provided by private insurers. The costs and drugs covered varies by Medicare Prescription Drug Plan

Monthly Premium*:	Based on prescription drug plan selected
Initial deductible:	\$435 maximum (deductibles vary between plans)
Copayment or coinsurance on next	\$4,020
Coverage gap (“donut hole”)**	\$4,020 - \$6,350
Copayment or coinsurance amounts above	\$6,350

Premium Rates Based on Income	If your 2018 income was	
	Single:	Married Filing Jointly:
Plan premium	\$87,000 or less	\$174,000 or less
\$12.20 + plan premium	\$87,001 - \$109,000	\$174,001 - \$218,000
\$31.50 + plan premium	\$109,001 - \$136,000	\$218,001 - \$272,000
\$50.70 + plan premium	\$136,001 - \$163,000	\$272,001 - \$326,000
\$70.00 + plan premium	\$163,001 - \$500,000	\$326,001 - \$750,000
\$76.40 + plan premium	Above \$500,000	Above \$750,000

*Each prescription drug plan has its own list of covered drugs (referred to as a “formulary”), with drugs assigned to different “tiers”. The drugs in lower tiers will generally cost less than drugs in higher tiers.

**The coverage gap begins after you and your plan spend \$4,020 in 2020. Then you pay a portion of discounted drug prices out-of-pocket (25% of covered brand-name and generic drug costs in 2020), until you reach the out-of-pocket (OOP) threshold, which is \$6,350 in 2020. For the remainder of the year, “catastrophic coverage” then begins for any covered drugs.

Medicare Advantage / “Part C”

Part A and B coverage but through private companies instead of through Medicare. Some companies may offer additional benefits such as prescription drugs, vision, and/or Dental

Part C plans are Medicare approved but administered through private insurance companies.

Monthly premium amounts vary by plan.

Plans, not Medicare, establish the amounts they charge for premiums, deductibles, and services. Amounts can only change once per year, on January 1st.

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Medigap Policies

In addition to the four Medicare Parts above, Medigap insurance is offered by private companies to reimburse individuals for out-of-pocket medical costs resulting from gaps left by traditional Medicare benefits, such as copayments, coinsurance, and deductibles.

Medigap policies do not provide additional coverage but rather supplement costs of original Medicare benefits.

Medigap policies don't work with Medicare Advantage Plans (Part C). If you decide to have Part A and B coverage, determine if you need Part D, and then consider a Medigap policy. If you decide to gain coverage through a Medicare Advantage Plan, a Medigap policy is unnecessary.

Starting in 2020, Medigap plans which cover the Part B deductible (i.e., Plans C and F) are no longer allowed and are unavailable to those first eligible for Medicare on or after January 1, 2020. The Plans remain available to those already eligible for Medicare prior to 2020.

Must follow federal and state laws and, in most states, are limited to "standardized" policies.

In order to determine if a Medigap Policy is the right fit, contact your State Health Insurance Assistance Program. Medicare.gov can also be a resource to point you in the right direction.

Medicare Enrollment & Election Periods*

Initial Enrollment Period: 7-month period beginning 3 months prior to the month you turn 65 and ending 3 months after the month you turn 65

Coverage Begins:

Part A	1st day of your birthday month
Part B & Part D	Varies depending on what month you enroll
General Part A & Part B Enrollment:	January 1st to March 31st
General Part D Enrollment:	April 1st to June 30th
Annual Election/ Open Enrollment:	October 15th to December 7th

***Individuals already collecting Social Security as of 3 months prior to turning 65 will be automatically enrolled in Part A and Part B at 65 unless waived. You still must manually enroll in Part D.**

If an individual misses the Initial Enrollment Period then they can enroll during General Enrollment, but late enrollment penalties may apply which vary for Part A, Part B, and Part D. Under certain circumstances individuals may be eligible for a delayed Special Enrollment Period with no penalties.

Changes to existing Part A, Part B, and Part D Medicare can be made annually during the Annual Election/Open Enrollment Period. Individuals have the option to switch between Part C coverage and original Medicare coverage between January 1st to March 31st of each year.

Minimal Essential Coverage: Coverage necessary to fulfill the individual responsibility requirement under the Affordable Care Act. Medicare Part A or a Medicare Advantage Plan meets this requirement. Medicare Part B alone does not.

Planning Considerations and the Need to Prepare:

Health costs are the 4th largest expense for individuals between 65 - 74 years old after housing, transportation, and food. They are the second largest expense for those over 75, after housing.

Traditional Medicare covers only about 60% of medical costs in retirement, with the rest being covered by out-of-pocket spending and private insurance.

Estimated retirement health care costs for a couple (Medicare Part B and Part D premiums, Medigap premiums, and out-of-pocket drug expenses) starting at age 65 in 2019.*

	Median Prescription Drug Expenses Throughout Retirement*
50% Chance of Personal Savings Meeting Total Expenses	\$183,000
90% Chance of Personal Savings Meeting Total Expenses	\$301,000

*Couples with expenses in the 90th percentile would require personal savings of \$363,000 if they want a 90% chance of meeting total expenses.

Source: Employee Benefit Research Institute

It's important to consider other factors when planning such as increasing life expectancies, personal health variables, and the impact of inflation. Also, Part D, Medicare Advantage Plans, and Medigap policies can vary widely based on state, so it's important to contact a specialist in your area if you have questions.

For more information about Medicare, you can go to medicare.gov or call 800-633-4227 (800-MEDICARE).

2020 Long-Term Care Reference Guide

Long-term care (LTC) planning is a significant concern for many people across a broad range of demographics. The personal nature of health care, the inability to predict how much care will be needed in the future or how the care will be delivered, and longer life expectancies can make for a challenging and sometimes uncomfortable planning topic. Furthermore, costs for custodial care are not covered by Medicare or traditional health care insurance. As such, early planning and an effort to coordinate the issue with other important financial planning areas is vital. In an effort to simplify some of the key considerations, this reference guide provides a summary and key statistics, median LTC costs across the country, and common funding options.

Although LTC can refer to a wide variety of services, the focus of this guide is on custodial care, as most LTC falls under this category. Custodial care provides assistance with the following Activities of Daily Living (ADL): bathing, dressing, eating, toileting, continence, and transferring, or when an individual has memory problems. Typically, when individuals are unable to perform a certain number of the above-mentioned daily activities (typically two), or have memory problems, they are likely to be candidates for LTC.

Key LTC Statistics

- **47%:** The percentage of men who will need LTC.
- **58%:** The percentage of women who will need LTC.
- **1.5 years:** The average number of years men will need long-term care.
- **2.5 years:** The average number of years women will need long-term care.
- **13%:** The percentage of people who will need long-term care for longer than five years.
- The median annual cost for an assisted-living facility is **\$48,612**.
- The median annual cost for a private room in a nursing home is **\$102,200**.
- **3.13%:** The five-year annual inflation rate in nursing-home costs for a private room.

Categories of Care

- **Home Care:** Home health aides offer services to people who need more extensive care. It's "hands-on" personal care, but not medical care.
- **Assisted Living:** Residential arrangements providing personal care and health services. The level of care may not be as extensive as that of a nursing home. Assisted living is often an alternative to a nursing home, or intermediate level of LTC.
- **Nursing Home:** These facilities often provide a higher level of supervision and care than assisted living facilities. They offer residents personal care assistance, room and board, supervision, medication, therapies and rehabilitation, and on-site nursing care 24 hours a day.

Cost of LTC in 2019*

Location	Home Care	Assisted Living	Nursing Home
National	\$52,624	\$48,612	\$102,200
Alabama	\$41,184	\$39,000	\$81,395
Alaska	\$68,594	\$72,000	\$362,628
Arizona	\$57,200	\$45,000	\$97,638
Arkansas	\$43,472	\$38,100	\$73,000
California	\$64,064	\$54,000	\$127,750
Colorado	\$59,488	\$49,140	\$113,150
Connecticut	\$54,912	\$58,560	\$166,988
Delaware	\$56,056	\$72,414	\$136,328
D.C.	\$62,920	\$135,450	\$127,750
Florida	\$50,336	\$42,000	\$112,639
Georgia	\$46,904	\$40,020	\$85,775
Hawaii	\$62,645	\$52,500	\$160,418
Idaho	\$51,480	\$44,730	\$102,748
Illinois	\$54,912	\$50,040	\$82,125
Indiana	\$52,624	\$49,200	\$102,200
Iowa	\$57,200	\$48,933	\$82,537
Kansas	\$50,336	\$53,670	\$74,095
Kentucky	\$45,760	\$41,958	\$91,250
Louisiana	\$38,896	\$43,800	\$68,109
Maine	\$61,410	\$62,031	\$125,925
Maryland	\$54,912	\$51,600	\$120,085
Massachusetts	\$62,920	\$67,680	\$158,545
Michigan	\$53,768	\$48,000	\$111,508
Minnesota	\$69,784	\$45,600	\$132,448
Mississippi	\$42,328	\$42,291	\$85,045
Missouri	\$50,336	\$34,566	\$68,255
Montana	\$54,912	\$45,840	\$92,608
Nebraska	\$59,488	\$45,831	\$92,345
Nevada	\$51,480	\$40,800	\$111,325
New Hampshire	\$64,636	\$84,255	\$125,925
New Jersey	\$57,200	\$76,800	\$139,795
New Mexico	\$51,480	\$49,200	\$96,725
New York	\$59,488	\$55,563	\$148,190
North Carolina	\$45,760	\$48,000	\$91,980
North Dakota	\$63,972	\$40,860	\$143,832
Ohio	\$52,624	\$52,062	\$93,805
Oklahoma	\$50,908	\$42,210	\$67,525
Oregon	\$64,064	\$53,985	\$124,100
Pennsylvania	\$53,768	\$46,950	\$124,830
Rhode Island	\$61,776	\$62,385	\$127,750
South Carolina	\$48,002	\$42,000	\$91,250
South Dakota	\$64,064	\$42,000	\$88,323
Tennessee	\$46,698	\$46,800	\$87,600
Texas	\$48,048	\$45,000	\$77,015
Utah	\$54,912	\$40,800	\$91,250
Vermont	\$62,348	\$64,050	\$135,415
Virginia	\$52,578	\$57,600	\$98,550
Washington	\$69,784	\$66,000	\$119,173
West Virginia	\$41,184	\$45,000	\$138,335
Wisconsin	\$57,200	\$52,200	\$112,785
Wyoming	\$64,613	\$45,360	\$96,360

*Based on median costs in each state. 2019 Genworth Cost of Care Survey.

2020 Long-Term Care Reference Guide

LTC Funding Options

As the preceding statistics indicate, LTC is a service that many people may need at some point in their lifetimes. It is important to consider how one is prepared to pay for this service, especially with the rising costs of care. Also, the cost of care can vary significantly by location. LTC insurance is one tool in the financial planning process that may allow individuals to protect their assets and relieve the burden of paying for care from their family. In contrast, many individuals feel that, if their net worth would allow them to pay for their coverage out-of-pocket, they need not consider a LTC insurance policy. However, even if that is the case, there are significant reasons to consider such a policy, such as peace of mind and potentially preserving the assets you would have used to pay for your care.

LTC Insurance

LTC insurance is private insurance specifically designed to cover some or all of the custodial care expenses typically incurred while at home, in assisted living facilities, or in nursing homes. LTC insurance comes in several policy types. Indemnity and Expense Incurred are the two most common.

- **\$3,050:** Average annual premium for LTC policy purchased by a couple age 55, at coverage start date. (Policy provides a daily benefit of \$150, three years of coverage in home and institutional settings with a 90-day waiting period, 100% home care benefit, and 3% automatic compound inflation protection.)
- **22%:** The percentage of applicants ages 50-59 who were denied long-term care coverage due to health issues.
- **30%:** The percentage of applicants ages 60-69 who were denied long-term care coverage due to health issues.

Pros:

- With proper coverage, the financial risk of LTC is reduced and preserves investments for heirs.
- Premiums might be tax deductible.

Cons:

- Potential premium increases (after already paying premiums). Higher premiums if you wait.
- Difficult to predict the amount of coverage needed and there may be out-of-pocket expenses anyway.
- Policy might lapse if premium payments are missed.
- If unused, premiums might be viewed as a waste of money.

Hybrid Insurance Products

Hybrid insurance products that combine LTC insurance with other forms of insurance are becoming increasingly more common. There are many ways to obtain LTC insurance through a hybrid product. One of the most common vehicles is a life insurance/LTC policy. Typically a rider is added to a life insurance policy which allows the client to access the death benefit to pay for LTC needs if necessary.

Pros:

- Larger initial premium can eliminate the potential for future premium increases and policy lapses that are possible with traditional LTC insurance.
- Death benefit is available if LTC insurance isn't used (receive something in return).
- Generally fewer underwriting requirements. Some might qualify for a hybrid policy when they otherwise wouldn't under a traditional LTC insurance policy.

Cons:

- Large initial premium removes assets from your investment portfolio.
- Limited access to cash value if you want the policy to maintain the same level of LTC coverage.

Self Funding

Some people are able to save an adequate amount over their working years to fund retirement needs and potential future LTC expenses. Therefore, rather than purchasing LTC insurance or a hybrid policy, these people choose to use their investment portfolio/savings to fund LTC.

Pros:

- No cost if LTC isn't needed.
- Money saved on the insurance can be invested or used to fulfill other planning goals.

Cons:

- Any LTC expenses must be met by withdrawing assets from investment accounts (investment and tax implications).
- Costs and length of care is difficult to predict or budget.
- Additional stress on family in order to manage and organize financial needs.
- LTC expenses can reduce assets that would otherwise go to family as inheritance.

Medicaid

If insurance is considered to be too expensive and self-funding likely isn't a possibility, Medicaid can cover LTC needs if necessary.

Pros:

- Provides an option for people with very little savings.
- Can be a backup plan if personal assets are exhausted.

Cons:

- Requires relative poverty in order to qualify.
- Medicaid recipients may receive a lower quality of care, due to lower reimbursements to facilities.
- Medicaid planning can be complex (look back periods, reduced access to assets) in order to qualify.