# Retirement expert says financial planning important for non-retirees, too

October 22 2013

As older workers increasingly contemplate delaying retirement or putting it off entirely, they should also consider the financial-planning options available in Social Security, Medicare and employment-based retirement plans such as IRAs and 401(k) accounts, says a University of Illinois expert on taxation and retirement benefits.

According to a paper by law professor Richard L. Kaplan, such options are relevant not only to the non-retirees, but also potentially to a surviving spouse.

"Most retirement-oriented planning focuses on retiring early or at age 65," said Kaplan, the Peer and Sarah Pedersen Professor at Illinois. "Very little attention has been paid to those age 65-plus who can't or may not want to retire just yet."

The paper, which was published in *The ElderLaw Report*, examines a number of misconceptions that apply to Social Security, Medicare and employment-based retirement plans.

For example, most people conflate filing for Social Security benefits and retiring from employment, even though they're really separate decisions, Kaplan says.

"Once a person reaches full retirement age" – 66 years old, for most Baby Boomers – "he or she can receive undiminished Social Security benefits while still employed. The earnings limit that reduces such

benefits ($15,120 in 2013) no longer applies when a person attains full retirement age."

Another misconception is that required minimum distributions from employer-sponsored savings plans must begin after an older adult turns 70 ½ years old. Kaplan notes that such distributions are not required if an employee is working for the same employer that sponsors the retirement plan in question. But distributions from any former employer are required.

"Even then, such distributions can be avoided if the funds in the prior employer's plan are rolled into the current employer's plan," he said. "Not all employer-sponsored plans accept such rollovers, but it may be worth investigating."

According to Kaplan, Medicare is much more complicated because each respective "part" presents its own issues.

For example, in Medicare Part A, once a person reaches age 65, there's little reason not to enroll, he said.

"You paid for it throughout your working life, and many employers require that employees age 65-plus sign up for part A coverage," Kaplan said.

Medicare Part B, however, is different.

"This component involves a monthly premium of $104.90 in 2013, and higher-income enrollees – those with taxable income over $85,000 per year – pay even more," he said. "An employer's coverage of doctor charges may be more comprehensive, and the employee's out-of-pocket costs might be about the same."

According to Kaplan, Medicare Part D's prescription drug program is the most idiosyncratic component, and really demands a case-by-case analysis that considers the specific medications the person takes as well as the available plans.

"Moreover, both part B and D have delayed-enrollment penalties that apply if a person does not enroll in these programs at age 65 unless that person obtains comparable coverage from the employer," Kaplan said.

**More information:** The article, "Financial Planning for the Non-Retiree," is available online.

Provided by University of Illinois at Urbana-Champaign

Citation: Retirement expert says financial planning important for non-retirees, too (2013, October 22) retrieved 26 April 2024 from https://phys.org/news/2013-10-expert-financial-important-non-retirees.html

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