TIPS FROM YOUR

Financial Coach

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An unlikely health insurance option for Early Retirees

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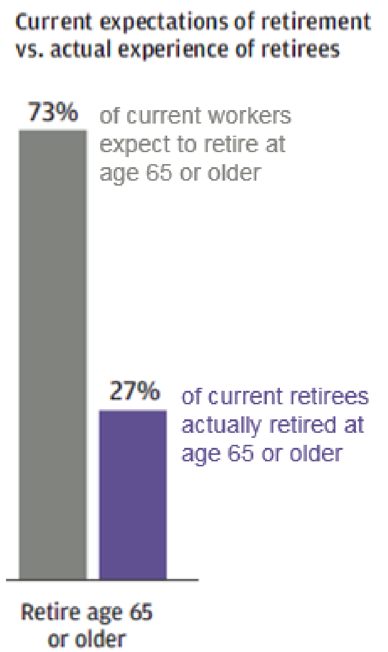
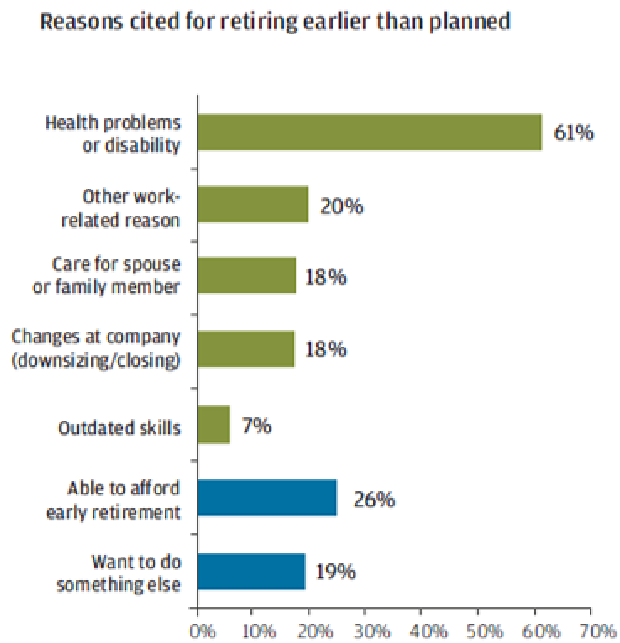
We all have our own unique goals and priorities, especially when it comes to how we envision our retirement years. Many people intend to continue working into their mid-sixties and beyond. The unfortunate reality of this ambition is oftentimes extended career plans are cut short by occurrences outside of our control.





Source: Employee Benefit Research Institute, Mathew Greenwald & Associates, Inc., 2014 Retirement Confidence Survey.

And of course, not everyone aspires to work full-time until Medicare eligibility at age 65. Some are anxious to hang up their metaphorical "tool belt" the moment they feel confident they can live the retirement lifestyle they've imagined.

One common concern for those who want to work longer and can't, and for those who want to retire sooner and can, is figuring out how to pay for health insurance, co-pays, deductibles, and other out of pocket medical-related costs. According to Fidelity, funding future medical expenses for a 65 year old couple throughout the rest of their lives would require a cash bucket of over $220,000; not including potential long-term care and nursing home costs[1].

Regardless of the circumstances that resulted in early retirement, one unlikely solution for many retirees has arose through the adoption of the Affordable Care Act, aka Obamacare. Obamacare offers cost savings and subsidies for individuals whose income falls between the federal poverty level and 4x the federal poverty level. This is a hard cutoff. If your income is only $1 over 4x the poverty level, you will not be eligible for a subsidy. These subsidies can be available to the middle class (or high net worth individuals), if they have temporarily low income and enough cash to support their lifestyle until age 65.

[1] Fidelity.com, "Fidelity Estimates Couples Retiring in 2013 Will Need $220,000 to Pay Medical Expenses Throughout Retirement" 5/15/2013.

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Do you qualify for Obamacare premium subsidies?

Step #1 Know and control income

The first step to unlocking these healthcare credits is to have income fall between 100% (or up to 138% for those states like Michigan that have expanded Medicaid) and 400% of federal poverty level. In this instance, "income" is defined as Adjusted Gross Income + tax-exempt interest + the non-taxable portion of Social Security.

Step #2 Buy through the exchange

The next step that you must take to gain access to these savings is to buy health insurance through the health care exchange at healthcare.gov. Only plans purchased through the exchange have the potential to qualify you for subsidies.

Step #3 Choose the right plan

The third step is to choose an insurance plan that is appropriate for your healthcare needs and that will also maximize your savings. The amount of your savings is dependent upon the *second lowest cost silver plan (SLCSP)* available in your area (aka: the benchmark plan).

How much will your subsidy to be?

The amount of your subsidy is determined by the following formula:

The percentage of income you are expected to pay towards healthcare premiums based on federal poverty levels − The cost of the benchmark plan in your area as determined by the health care exchange = Your Subsidy

To determine your subsidy amount:

- Find your income based on household size in the table below.
- Multiply your income by the corresponding maximum percentage of income you are expected to pay towards health insurance premiums.
- Subtract this amount from the benchmark plan premium in your area which can be found at https://www.healthcare.gov/tax-tool/#/year. This amount will vary based on your age, gender, whether you smoke, and the state and county you reside in.

Percent of Federal Poverty Level (FPL) for 2015

Household Size	100%	133%	150%	200%	250%	300%	400%
1	$11,770	$15,654	$17,655	$23,540	$29,425	$35,310	$47,080
2	$15,930	$21,187	$23,895	$31,860	$39,825	$47,790	$63,720
3	$20,090	$26,720	$30,135	$40,180	$50,225	$60,270	$80,360
4	$24,250	$32,253	$36,375	$48,500	$60,625	$72,750	$97,000
Add for each extra person	$4,160	$5,533	$6,240	$8,320	$10,400	$12,480	$16,640
Max % of Income for Premium Contributions	2%	3%	4%	6.3%	8.1%	9.5%	9.5%

Example:

The benchmark plan premium for a 55 year old, non-smoking couple living in Saginaw County is $896 per month or $10,752 per year. Assuming an income of $47,790, this couple would be expected to pay $4,540 per year (9.5%) of their income towards insurance premiums. This would make them eligible for a government subsidy of $6,212 per year! These cash savings can then be allocated towards other retirement expenses.

Regardless of your healthcare situation, your financial planners at Tri-Star are here to help you identify and evaluate all of your options. Please call us if you have any questions.