

04/20/2
2



Transport Workers Union Local 514

Putting the Pieces Together to Retire

Mark Loeber
TWU Local 514 Retirement Counselor
7315 South Lewis Ave
Tulsa, OK

Agenda



- **Planning for Retirement::** How much do I need?
- Things to consider if retiring **before age 62**
- Things to consider if retiring **at ages 62-64**
- Things to consider if retiring **after 65**
- **Other things to consider::** *Other Income – Expenses
– Health Insurance – Fed & OK Income Taxes – Medicare
– Social Security Claiming– Survivor’s Benefit Planning –
Debt Repayment Strategies – Estate Planning*
- Next steps and Important Contact Numbers



What your TWU Local 514 TWU Retirement Counsellor does...

- Planning issues before age 60, 60 - 65 and 65+
- Budgeting for retirement, paying off debt, and
- Understanding Medicare
- Social Security claiming decisions, spousal and survivor's benefits
- Working and claiming Social Security & AA Pension benefits
- Things to consider when selecting your AA Pension Benefit option
- Income taxes: before and during retirement
- Inflation Risk to AA Pension, 401(k) Longevity and Withdrawal Risks
- Completing your Pension Benefit Election Packet
- Surviving Spouse's Needs

Expenses



Transport Workers Union Local 514

Monthly Budget Worksheet

INCOME:

Salary (after deductions) _____
 Spouse salary (after deductions) _____
 Investment income _____
 Financial aid _____
 Gifts _____
 Other _____
Total Fixed Income **\$0**

FIXED EXPENSES:

Tuition & fees _____
 Books & supplies _____
 Regular savings _____
 Rent/mortgage _____
 Utilities _____
 Telephone (base rate) _____
 Taxes (federal, state) _____
 Vehicle payments _____
 Other transportation _____
 Credit card payments _____
 Personal loans _____
 Educational loans _____
 Insurance (life and health) _____
 Home/renter insurance _____
 Auto insurance _____
 Auto registration/taxes _____
 Other _____
Total Fixed Expenses **\$0**

VARIABLE OR FLEXIBLE EXPENSES:

Food/household supplies _____
 Dining Out _____
 Clothes _____
 Laundry/dry cleaning _____
 Gas, oil, auto maintenance _____
 Parking _____
 Medical/dental/eye care _____
 Entertainment _____
 Travel/vacation _____
 Pets, supplies, food _____
 Records & books _____
 Personal care _____
 Subscriptions _____
 Cable TV and Internet _____
 Phone _____
 Gifts _____
 Charity/contributions _____
 Savings for interviews/relocation _____
 USMLE _____
 Other _____
Total Variable Expenses **\$0**
Total Fixed Expenses + **\$0**
Total Monthly Expenses = **\$0**
Total Income **\$0**
Less Total Expenses **\$0**
Total Discretionary Income = **\$0**
 (or Deficit)



Income



Which Pension Option is right for me?

Working a drawing
Social Security

Rental
Property

Other
Pensions

Spouse's
Retirement
Benefits

Married/Divorced

AA Pension
Benefit
Election?

Single

Income Taxes

Social Security
Claiming

Other
Investments

Minor Dependents
or
Special Needs

Do you have Debt

Healthcare
Costs



Social Security Retirement Benefits



Enroll in Social Security



Transport Workers Union Local 514

On-line Enrollment <https://www.ssa.gov/>

Bartlesville - 1-877-836-1557

Tulsa 1-866-931-7106

MD 1-800-772-

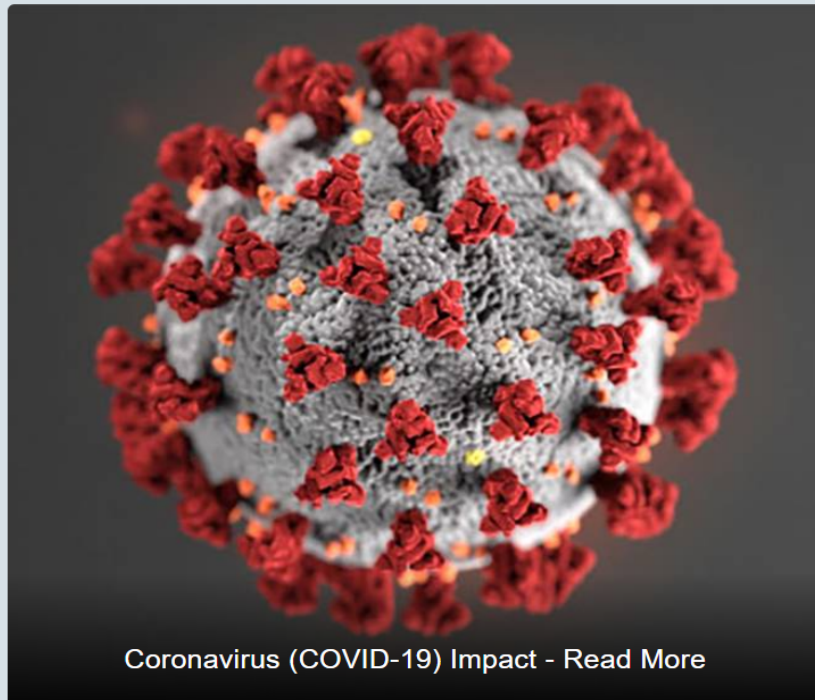
▲ Coronavirus (COVID-19) Updates ▲



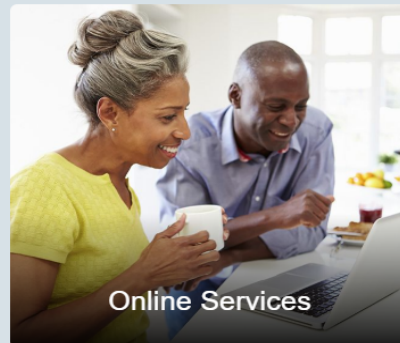
Social Security

SEARCH MENU LANGUAGES SIGN IN/UP

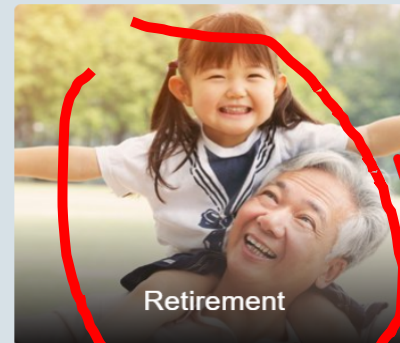
What should I do if I get a call claiming there's a problem with my Social Security number or account?



Coronavirus (COVID-19) Impact - Read More



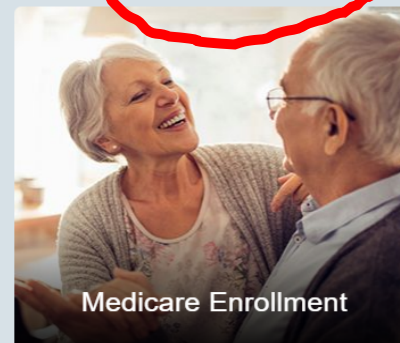
Online Services



Retirement



Disability



Medicare Enrollment



The Claiming Age Decision

Hypothetical Example

Age 62

Before FRA, receive permanent monthly reduction

Earliest Age to File

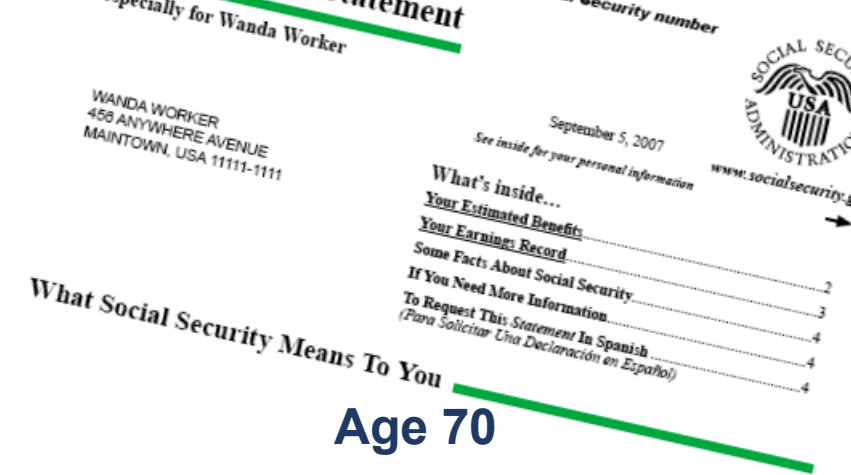
Age 66.2

Entitled to Delayed Retirement Credits (up to 8% increase/yr)

Full Retirement Age
Receive 100% of Benefit

Age 70

Maximum Age for Delayed Retirement Credits



Full Retirement Age (FRA): By Year of Birth



FRA: Age
at Which
You Are
Entitled
to 100% of
Retirement
Benefits

Year of Birth	Full Retirement Age (FRA)	Age 62 Benefit Reduction
1937 or earlier	65	20.00%
1938	65 and 2 months	20.83%
1939	65 and 4 months	21.67%
1940	65 and 6 months	22.50%
1941	65 and 8 months	23.33%
1942	65 and 10 months	24.17%
1943 - 1954	66	25.00%
1955	66 and 2 months	25.83%
1956	66 and 4 months	26.67%
1957	66 and 6 months	27.50%
1958	66 and 8 months	28.33%
1959	66 and 10 months	29.17%%
1960 and later	67	30.00%



Claiming Age Example: Meet Eric

Eric
Born in
1954
Age 60

Age 62

Age 66

Age 70

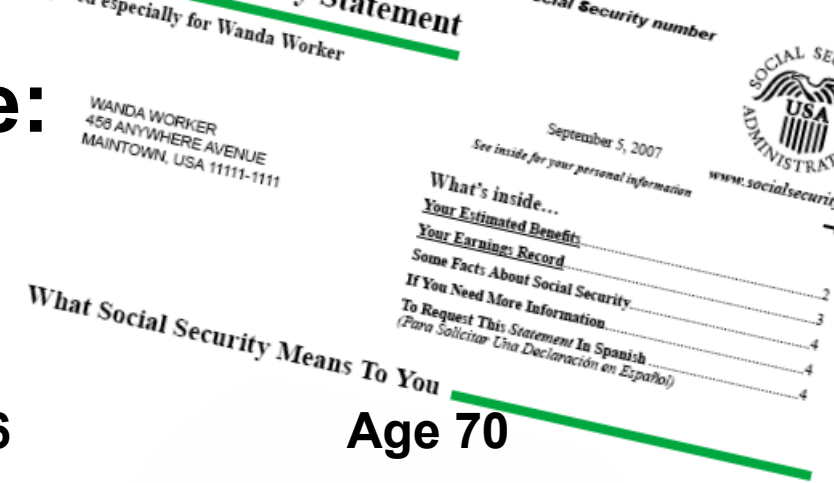
Files Early
Monthly Benefit:
\$1,500

Full Retirement Age
Monthly Benefit:
\$2,000

Delays Benefits
Monthly Benefit:
\$2,640

\$500/month reduction

\$640/month increase



Assumes no cost of living adjustment.

This hypothetical example is for illustrative purposes only and does not represent an actual client.



Benefits Available for: Spouse

Spousal benefit = 50% of your spouse's PIA

Reduction: Benefit is reduced if
you elect to receive it *before* your FRA



Health Insurance & Separating from AA



Pre & Post Medicare Planning



Health Insurance Options

- 1) COBRA (Post Separation)
- 2) Retiree Medical
- 3) VA Benefits (Rx vs Medicare A&B Credible Coverage)
- 4) Tricare
- 5) Co-op Plans
- 6) Indian Healthcare Benefits
- 7) Spouse's Employer
- 8) Affordable Care Act (Premium Credit is Income Based)

o Enroll in Medicare
Parts A & B



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On-line Enrollment <https://www.ssa.gov/>

Bartlesville - 1-877-836-1557

Tulsa 1-866-931-7106

MD 1-800-772-

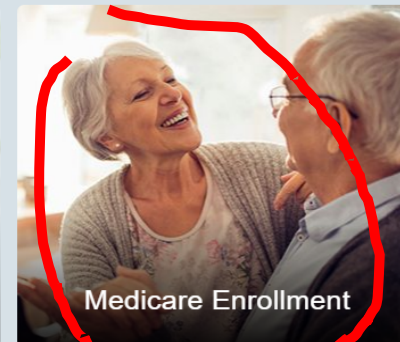
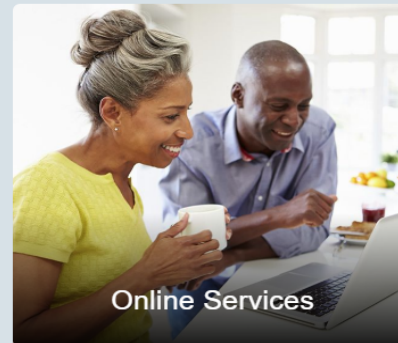
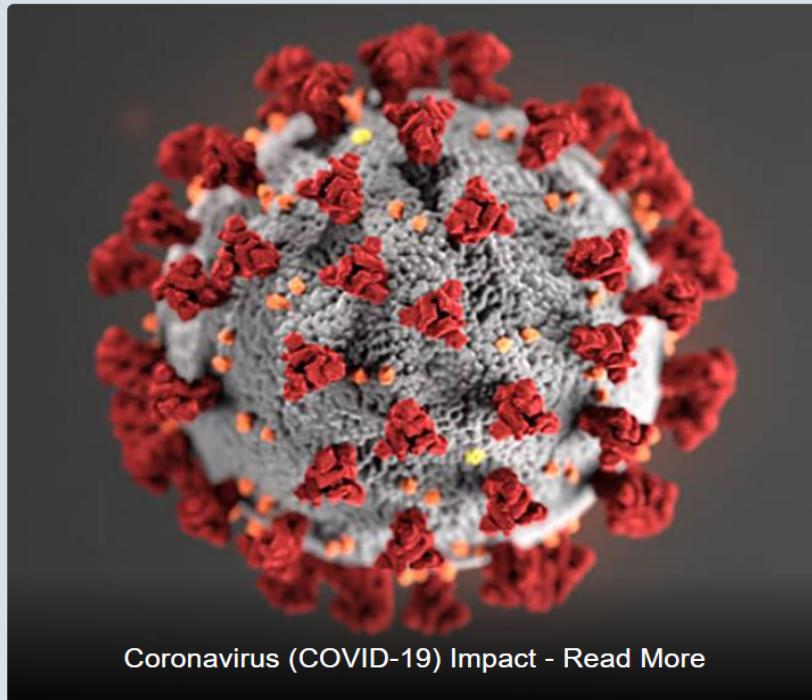
▲ Coronavirus (COVID-19) Updates ▲



Social Security

SEARCH MENU LANGUAGES SIGN IN/UP

What should I do if I get a call claiming there's a problem with my Social Security number or account?



Enroll in Medicare Parts A & B



Transport Workers Union Local 514

On-line Enrollment www.medicare.gov/about-us

Medicare is managed by: Centers for Medicare & Medicaid Services (CMS)

The screenshot shows the Medicare.gov website interface. At the top, there are navigation links for "Español", "Print", "About Us", "Glossary", "CMS.gov", and "MyMedicare.gov Login". The main header features the "Medicare.gov" logo and a search bar. Below the logo is a row of navigation buttons: "Sign Up / Change Plans", "Your Medicare Costs", "What Medicare Covers", "Drug Coverage (Part D)", "Supplements & Other Insurance", "Claims & Appeals", "Manage Your Health", and "Forms, Help, & Resources". A breadcrumb trail reads "Home → Sign up/change plans → Get started with Medicare". The main heading is "Get started with Medicare". The text explains that users have a choice in how to get Medicare coverage and provides three steps. Step 1 is "Sign up for Medicare through Social Security". A red arrow points to this step. A "Note" box states: "Sign up for Medicare online or contact Social Security. Social Security will review your records to see if you qualify for Medicare." A "Related Resources" box lists: "Apply for Medicare online", "Log into MyMedicare.gov", and "Medicare & You: understanding your Medicare choices". A "Find someone to talk to" section includes a dropdown menu for "Select your state..." and a "Go" button. The URL "https://www.medicare.gov" is visible in the bottom left corner.

Español | A A A | Print

About Us | Glossary | CMS.gov | MyMedicare.gov Login

Medicare.gov
The Official U.S. Government Site for Medicare

Search Medicare Search

Sign Up / Change Plans | Your Medicare Costs | What Medicare Covers | Drug Coverage (Part D) | Supplements & Other Insurance | Claims & Appeals | Manage Your Health | Forms, Help, & Resources

Home → Sign up/change plans → Get started with Medicare Share

Get started with Medicare

As you get started with Medicare, you have a choice in how you get your Medicare coverage. And, there are some important decisions for you to make. Follow these 3 steps to help you get started:

- 1. Sign up for Medicare through Social Security**

If you're over 65 (or turning 65 in the next 3 months) and not already getting benefits from Social Security, you need to sign up to get Medicare Part A (Hospital Insurance) and Part B (Medical Insurance). You won't get Medicare automatically.

Note

Sign up for Medicare online or contact Social Security. Social Security will review your records to see if you qualify for Medicare.

▶ [What do I need to know before signing up for Medicare?](#)

Related Resources

- ◆ Apply for Medicare online
- ◆ Log into MyMedicare.gov
- ◆ Medicare & You: understanding your Medicare choices

Find someone to talk to

Select your state... ▼

Go

https://www.medicare.gov



Contact Medicare

Phone

1-800-MEDICARE (1-800-633-4227)

For specific billing questions and questions about your [claims](#), medical records, or expenses, [log into MyMedicare.gov](#), or call us at 1-800-MEDICARE.

If you want Medicare to be able to give your personal information to someone other than you, you need to fill out an "[Authorization to Disclose Personal Health Information](#)." Get this form in [Spanish](#).

TTY

1-877-486-2048

Mailing address

*Medicare Contact Center Operations
PO Box 1270
Lawrence, KS 66044*

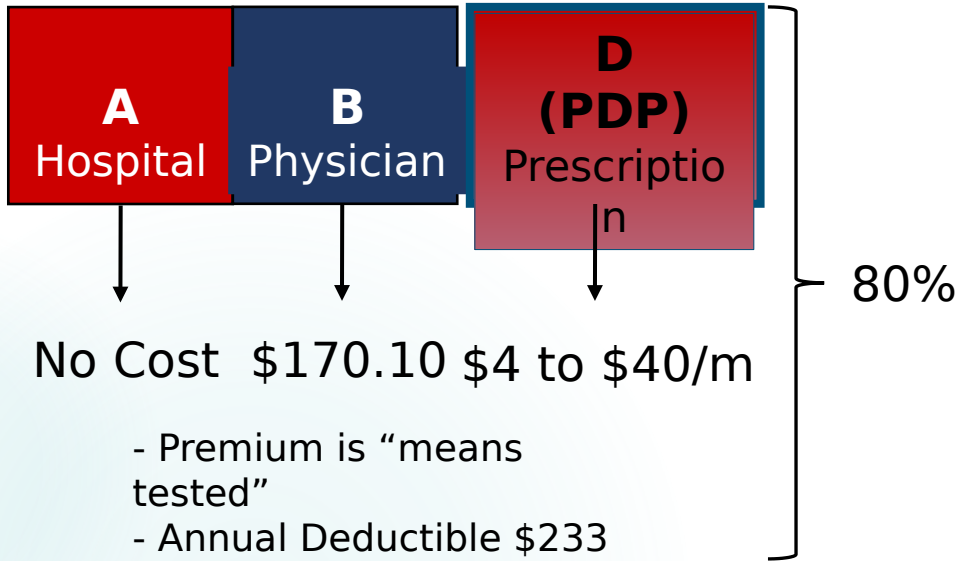
A Note About Medicare

- Regardless of retirement age, Medicare benefits start at age 65 (subject to exceptions)
- Eligible the first day of month you turn age 65
- If you are already receiving Social Security benefits in the month you attain age 65, you are automatically enrolled in Medicare
- You may be eligible for Medicare sooner if you are disabled or have permanent kidney failure
- If you are not currently receiving Social Security benefits, you must enroll to receive Medicare benefits. You should apply three months before reaching age 65
- There are four parts to Medicare



Two Medicare Delivery Options

Original Medicare



"GAP"

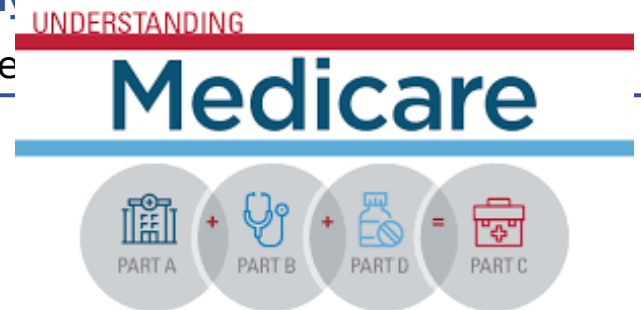


Cost (Age & Plan Based ~ \$117/m)

Medicare Advantage Plan

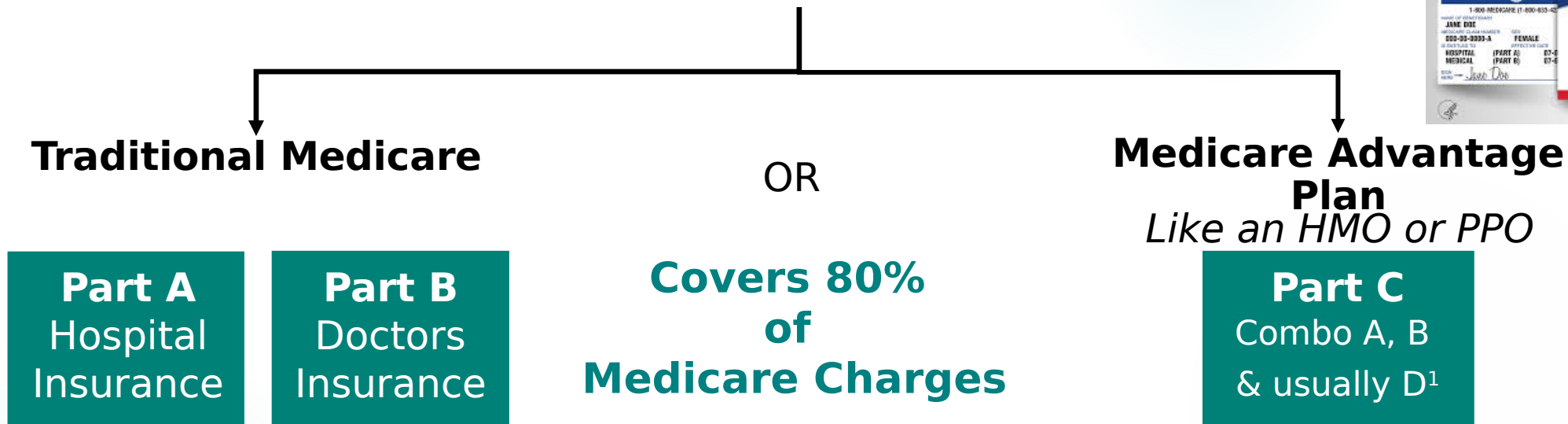
Part C
"All in 1 Plan"

- **\$0 Premium** (may offer premium plans to lower deductibles)
- **Still in Part A & B** (You pay Part B Premium of \$170.10)
- **Includes Rx** benefits aka Formulary
- Prescription Drug (Must use Plan's Rx Drug Card (no PDP allowed))
- **Vision & Dental** Generally Included
- These are **"Network Plans"**
- **Deductibles & Co-Pay**
- To return to Original Me





Decision 1: How do you want to get coverage?



Decision 2: Do you need to add prescription drug coverage?




Decision 3: Do you need to add supplemental coverage?

Medicare Supplement

Covers the 20% Gap of Medicare Charges

¹Most plans cover but you may be able to add coverage in some plan types if not already included.

Income-Related Monthly Adjustment Amount (IRMAA) 2022

Filing Individual	Filing Jointly	Filing Separate	Part B Premium	Part D Surcharge
\$91,000 or less	\$182,000 or less	\$91,000 or less	\$170.10 	Your plan premium
\$91,000+ to \$114,000	\$182,000+ to \$228,000	Not Applicable	\$238.10	Plan premium + \$12.40
\$114,000+ to \$142,000	\$228,000+ to \$284,000	Not Applicable	\$340.20	Plan premium + \$32.10
\$142,000+ to \$170,000	\$284,000+ to \$340,000	Not Applicable	\$442.30	Plan premium + \$51.70
\$170,000+ to \$500,000	\$340,000+ to \$750,000	\$91,000+ to \$409,000	\$544.30	Plan premium + \$71.30
\$500,000 and above	\$750,000 and above	\$409,000 and above	\$578.30	Plan premium + \$77.90



Federal & State Income Taxes in Retirement



**AA Pension
&
Social Security
Withholding Taxes**



Taxing Pension & Social Security Income Benefits



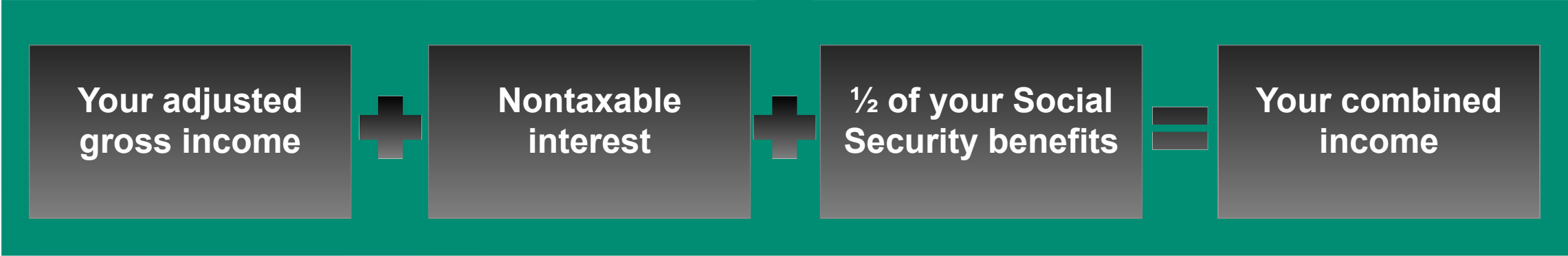
- > Oklahoma is a **Pension Benefit Income** friendly state.
 - the first \$10,000 of pension income is exempt.
- > Oklahoma is a **Social Security Income** friendly state.
 - 100% of Social Security income is exempt.

Income Taxes and Social Security



As much as 85% of your Social Security benefits may to be subject to income taxes?

What is combined income?



Note: These percentages are the amount of Social Security benefit included in income, not the tax rate on the Social Security benefit. Social Security Administration, Benefits Planner: Income Taxes and Your Social Security Benefits, 2018

Income Taxes and Your Benefit

Prevent identity theft—protect your Social Security number



Your Social Security Statement

Prepared especially for Wanda Worker

September 5, 2007

www.socialsecurity.gov

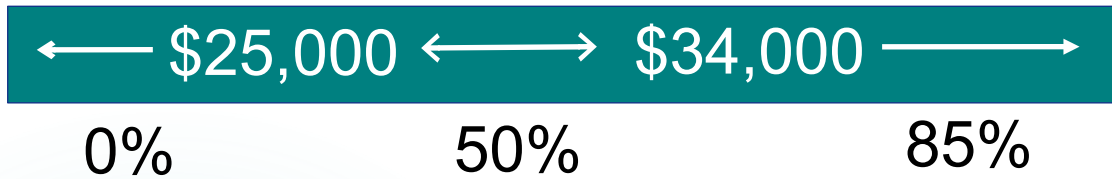
See inside for your personal information →

WANDA WORKER
458 ANYWHERE AVENUE
MAINTOWN, USA 11111-1111

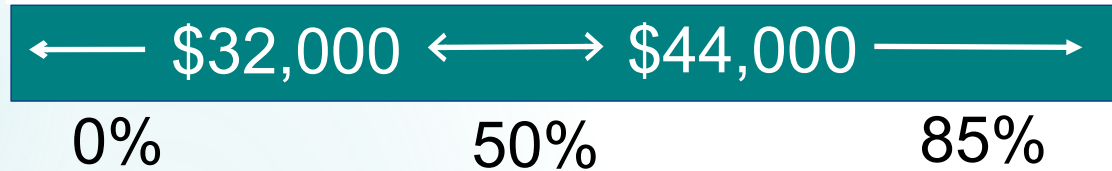
What's inside...

Your Estimated Benefits	2
Your Earnings Record	3
Some Facts About Social Security	4
If You Need More Information	4
To Request This Statement In Spanish	4
<i>(Para Solicitar Una Declaración en Español)</i>	

Combined income; Single or Head of Household



Combined income; Married, filing jointly



Note: These percentages are the amount of Social Security benefit included in income, not the tax rate on the Social Security benefit.

Example: (MFJ and > \$44,000 Combined Income)



Monthly Social Security	\$1,000
Subject to Fed Income Tax	85%
Annual Tax Bracket	12%
Taxes Due	\$ 102

What Social Security Means To You

This *Social Security Statement* can help you plan for your financial future. It provides estimates of your Social Security benefits under current law and updates your latest reported earnings.

Please read this *Statement* carefully. If you see a mistake, please let us know. That's important because your benefits will be based on our record of your lifetime earnings. We recommend you keep a copy of your *Statement* with your financial records.

Social Security is for people of all ages...

We're more than a retirement program. Social Security also can provide benefits if you become disabled and help support your family after you die.

Work to build a secure future...

Social Security is the largest source of income for most elderly Americans today, but Social Security was never intended to be your only source of income when you retire. You also will need other savings, investments, pensions or retirement accounts to make sure you have enough money to live comfortably when you retire.

Saving and investing wisely are important not only for you and your family, but for the entire country. If you want to learn more about how and why to save, you should visit www.mymoney.gov, a federal government website dedicated to teaching all Americans the basics of financial management.

About Social Security's future...
Social Security is a compact between generations. For decades, America has kept the promise of security for its workers and their families. Now, however, the Social Security system is facing serious financial problems, and action is needed soon to make sure the system will be sound when today's younger workers are ready for retirement.

In 2017 we will begin paying more in benefits than we collect in taxes. Without changes, by 2041 the Social Security Trust Fund will be exhausted* and there will be enough money to pay only about 75 cents for each dollar of scheduled benefits. We need to resolve these issues soon to make sure Social Security continues to provide a foundation of protection for future generations.

Social Security on the Net...

Visit www.socialsecurity.gov on the Internet to learn more about Social Security. You can read our publications, use the *Social Security Benefit Calculators* to calculate future benefits or use our easy online forms to apply for benefits.

Michael J. Astrue
Commissioner

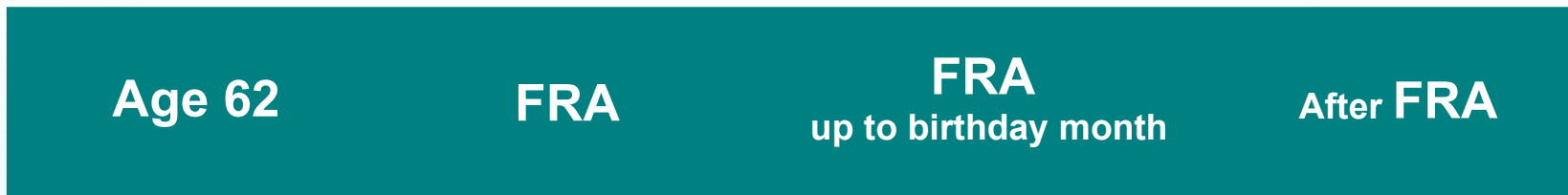
* These estimates are based on the intermediate assumptions from the Social Security Trustees' Annual Report to the Congress.



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Working While Receiving Benefits

Social Security retirement benefits may be reduced if you work in retirement?



Reduced \$1
for every \$2
> \$19,560



Reduced \$1
for every \$3
> \$51,960



No
reduction



*Any reduction in Social Security income in early retirement (due to working) will result in positive adjustment to your monthly benefit when you reach your full retirement age.

Working While Receiving Benefits

Hypothetical Example - Meet Jane

Jane is 62 and elects to file for Social Security Benefits *early*.*

Her full retirement age (FRA) is 66.

FRA Annual Benefit - 100% at age 66	\$18,500
Reduced for Claiming Early - 25% Reduction	\$13,875
2022 - Jane earns	\$35,000
Social Security Earnings Limit	(\$19,560)
Excess earnings	\$15,440
Benefit reduced by ½ of the excess	\$7,720 = \$15,440/\$2
Annual SS benefit reduced to	\$6,155 = \$13,875 - \$7,720

Two reductions: **Claimed Early & Exceeded Earnings Limit**

*Retirement is assumed to happen on January 1.





Pension Benefit Options



Choosing Your Best Option



Pension Benefit Options

- 1) Lifetime Annuity
- 2) Joint and Survivor Annuity
- 3) Level Income Annuity
- 4) Period Certain Annuity

*Understanding
Your
Pension Benefit
Options*



1) Single Life Only Annuity

- ▶ Provides highest monthly income,
- ▶ Paid for the lifetime of the *Retiree only*,
- ▶ Benefit ceases upon the death of Retiree,
- ▶ Spouse **MUST** sign a Waiver of Consent.



2) Joint and Survivor Annuity

- ▶ Paid for the lifetime of the Retiree,
- ▶ At the death of a retiree, it continues income to a surviving beneficiary,
- ▶ The cost to provide the Survivor's pension benefit is a permanent reduction in the Single Life pension benefit (cost is based on age of Retiree and Survivor's age),
- ▶ Benefit cannot be changed after the benefit starts,
- ▶ You can choose the Survivor's benefit based upon the your personal needs ... (50%, 66^{2/3}%, 75%, and 100% options),
- ▶ Death of Survivor before Retiree
 - Pension Benefit remains the same,
 - Cannot add a new Beneficiary.



3) Level Income Annuity

- ▶ Must be combined with another pension option,
- ▶ Monthly pension is **INCREASED** until age 62, OR Social Security Normal Retirement Age (SSNRA),
- ▶ You can “Double Dip”, and receive Social Security and your pension benefit during this period, but...
- ▶ Your monthly pension **DECREASES** after age 62 or SSNRA,



4) Period Certain Annuity

- ▶ Paid for the lifetime of the Retiree,
- ▶ Provides a possible survivor benefit for the balance of the guaranteed period,
- ▶ Beneficiary can be anyone with Spousal consent,
- ▶ Beneficiary can be changed after pension begins,
- ▶ Income Guaranteed for the longer of the life of the Retiree or the term of 120, 180 or 240 months.



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Comparing your options

Last Date of Work: 05/31/Year

Benefit Start Date:

06/01/Year

Pension **MUST** begin on first of the month

AA Pension Estimate

Benefit Option	Monthly Income to...		
	Employee	Spouse	Dependent
Lifetime Only	\$2,000	\$0	\$0
Joint & 50%	\$1,700	\$ 850	\$0
Joint & 100%	\$1,375	\$1,375	\$0
Income to SSNRA 66.4	\$2,800		
Social Security 66.4	+ \$1,600	\$1,000	\$0
Income After SSNRA	\$1,200	\$ 850	
Period Certain 15 yrs.	\$1,725	\$0	\$1,725
	Greater of Lifetime or		Balance of Term

Assumes using Jt&50%



Other Things to Consider



- *Strategies on Paying off Debt*
- *401(k) Special Rules:: Pre & Post 59 ½ Issues*
- *Estate Planning:: Disability, Probate, Special Needs, Documents*



Get out of Debt:: 401(k) Loan Debt

- ▶ 401(k) Loans
- ▶ Mortgage Debt

Example:

401(k) Loan	\$ 18,000	
Monthly Payment	\$ 450	
Annual 401(k) Loan Payments	$\$450 \times 12 =$	\$ 5,400
401(k) Current Balance	\$100,000	
“Default” Loan Taxable Distribution		\$ 18,000
Taxes Due: Fed 12% - OK 3%		\$ 2,700
Equivalent Rate of Return if Invested ($\$5,400/\$20,700$)		26.10%
401(k) Balance After Paying off Debt		\$ 88,000





Get out of Debt:: Mortgage Debt

- ▶ 401(k) Loans
- ▶ Mortgage Debt

Example:

House (Mortgage) Debt	\$ 58,000	
Monthly Principal & Interest Payment	\$ 650	
Annual House Payments $\$650 \times 12 =$	\$ 7,800	
401(k) Current Balance	\$100,000	
Taxable Distribution (Fed 12% - OK 3%)	\$ 68,235	
Equivalent Rate of Return if Invested $(\$7,800/\$68,235)$	11.43%	
401(k) Balance After Paying off Debt	\$ 31,765	





Early retirement 401(k) special rule considerations

Age 55 or older & Separated from service
(No longer an employee of the company)

No 10% federal additional excise tax for amounts received from employer's retirement plan if from a:

- 401(k) plan
- Profit-sharing plan
- ~~Defined benefit plan - lump-sum, only if AA Pension is <\$5,000~~

10% federal additional tax **does apply** (unless there is a different exception) even if separated from service for amounts received from:

- Traditional IRAs:
- **EVALUATE IF YOU SHOULD ROLLOVER YOUR 401(k) TO AN IRA**



Early retirement 401(k) special rule considerations

**Age 59 ½ and after
Distributions from
IRAs,
403(b)
plans, and
other
qualified
plans**

- > No 10% federal additional tax
- > Generally, these distributions are taxable
- > Applies to distributions after age 59½ from:
 - Traditional IRAs
 - SEP IRAs
 - SIMPLE IRAs
 - 401(k) plans
 - Profit-sharing plans
 - Defined benefit plans
 - 403(b) plans

This is NOT intended to be an exhaustive list.



Estate Planning considerations

- **Guardianship of you::** Durable Financial Power of Attorney
- **Guardianship of minors::** minors or special needs dependents
- **Basic Healthcare Decision::** Healthcare Power of Attorney
- **Advance Healthcare::** Advanced Directive
- **Avoiding Probate** - Wills vs Trusts
- **Required Minimum Distribution Rules (RMDs)**
- Coordinating **Beneficiary Designations** - life insurance & Retirement Accts



- **Order your Pension Packet**

Order it from JetNet, OR

Call AA HR Dept. **1-800-447-2000 #1, #3, #4**

It is good for 180 Days from the day you call.

- **If you want an appointment with Mark**

Call 918-491-0079

Thank you. We are here for you!