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Transport Workers Union Local 514

Putting Your Retirement Plan Together

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Which Pension Option should I Choose?



- **Retirement Issues:** Before age 60; Between 60 - 65; After age 65
- **Getting out of debt:** how to do it and special situations (401k loans)
- **Medicare:** HSAs, RHRAs, Original Medicare & Med Advantage
- **Income Related Monthly Adjustment Amount (IRMAA):** Medicare B&D
- **Social Security:** when to claim; spousal benefits; taxation of benefits; working and claiming benefits; early penalty & delayed credits; survivor's benefits
- **Federal & State Tax Withholding:** Social Security, Pension & Distributions
- **Retirement Accts:** IRA & 401(k) – withdrawals <55, 55 to 59½, RBD & RMDs
- **Selecting your AA Pension Benefit Option:** Double Dip, Leveling, Survivor
- **AA Pension:** Surviving Spouse; Special Needs Adult Child/Grandchild(ren)
- **Completing your Pension Benefit Election Packet:** On-line Packet
- **Beneficiary Designations:** life insurance, 401(k) and IRAs



Other Considerations: Estate Planning

- **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
- **Coordinating Beneficiary Designations:** life insurance & 401(k) & IRAs
- **SECURE ACT 2020 and 2022:** RBD, RMDs, EDB, NEDB, NDB

Budget



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Monthly Budget Worksheet

INCOME:

Salary (after deductions) _____
Spouse salary (after deductions) _____
Investment income _____
Financial aid _____
Gifts _____
Other _____

Total Fixed Income _____

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 _____

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 _____

Total Fixed Expenses + _____

Total Monthly Expenses = _____

Total Income _____

Less Total Expenses _____

Total Discretionary Income = _____

(or Deficit) _____

- Lifestyle Income
- Emergency Fund
- Fun Money
- Inflation
- H&W age 65 LE?
- 24 year retirement





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Other Things to Consider



- *Strategies on Paying off Debt*
- *401(k) Special Rules:: Pre & Post 59 ½ Issues*
- *Estate Planning:: Incapacity/Disability, Probate, Children w/ Special Needs, Second Marriage*



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

Example:

► 401(k) Loans

► Mortgage Debt

401(k) Loan	\$ 18,000
401(k) Monthly Payment	\$ 450
401(k) Annual Loan Payments (\$450 x 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	
$\\$5,400 / [\\$18,000 + \\$2,700 = \\$20,700] =$	30.00%
401(k) Balance After Defaulting Loan (Paying off Debt)	\$ 82,000



Get out of Debt:: Mortgage Debt

Example:

► 401(k) Loans

► Mortgage Debt

Home Mortgage Balance	\$ 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 $\\$7,800 / \\$68,235$	11.43%
401(k) Balance After Paying off Debt	\$ 31,765



Early retirement & 401(k): Special Rules to Consider

STOP:
Evaluate
If
You
Should
NOT
Rollover
Your
401(k)

A withdrawal from IRA when the Owner is **YOUNGER THAN 59 ½**:

- **It is subject to Federal & State taxes, PLUS a 10% Excise Tax**
- If you anticipate needing money from your 401(k) account then, it may be prudent to leave some or all of it in the 401(k) for emergencies, paying-off debt or other purposes.

EXCEPTION: Amounts withdrawn from employer's retirement plan AVOID THE 10% EXCISE TAX (3 tests):

- If withdrawal comes from the employer's 401(k) plan, and
- You separate, terminate employment, from your employer, and
- You are chronologically age 55, or older (not the year you turn 55)



Early retirement 401(k): Special Rules to Consider

**After Age 59 ½,
Distributions
from IRAs,
401(k) plans,
and other
qualified plans**

- There is “No” 10% federal excise tax
- Generally, 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.



Social Security Retirement Benefits



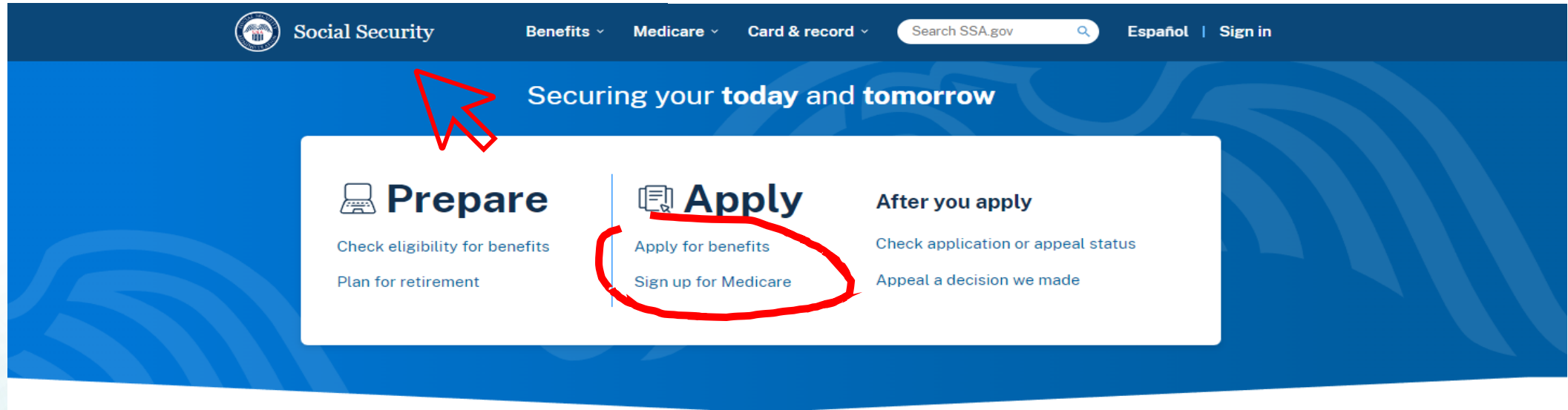
On-line Enrollment: <https://www.ssa.gov/>

Call: Bartlesville - 1-877-836-1557 Tulsa 1-866-931-7106 MD 1-800-772-1213

To Enroll in Social Security



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Manage benefits & information



Documents

- Get benefit verification letter
- Get tax form (1099/1042s)



Number & card

- Replace card
- Request number for the first time
- Report stolen number



Payment

- Update direct deposit
- Repay overpaid benefits
- Request to withhold taxes
- View benefit payment schedule



Record

- Change name
- Update contact information
- Update incorrect birthday
- Update sex identification

Social Security & Medicare

- Enroll up to 90 days prior to starting benefits

- If receiving SS, you are automatically enrolled in Medicare

The Claiming Age Decision

Hypothetical Example

Age 62

Before FRA, receive
permanent monthly reduction

Earliest Age to File

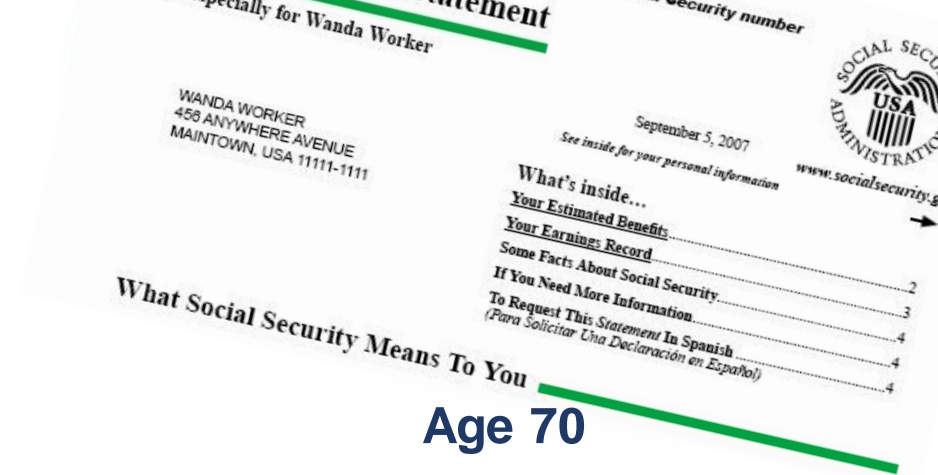
Age 66.4 months

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
1960
Age 62

Age 62

Age
66.10
months

Age 70

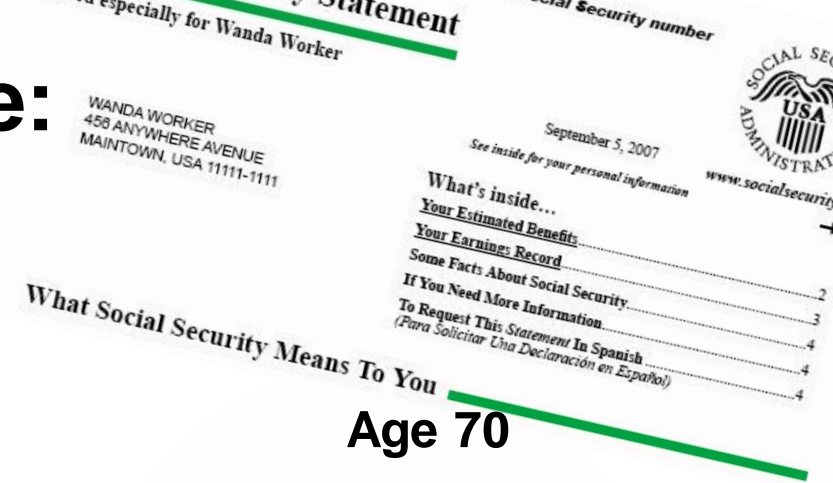
Files Early
Monthly Benefit:
\$1,400

Full Retirement Age
Monthly Benefit:
\$2,800

Delays Benefits
Monthly Benefit:
\$3,659

\$600/month reduction

\$859/month increase

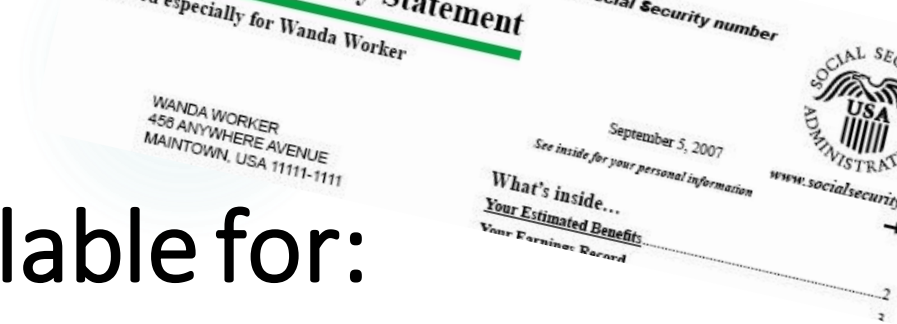


Assumes no cost of living adjustment.

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
(Your PIA is Your SS Benefit at Your Full Retirement Age)

Reduction: Your Spouse's benefit is reduced if
SS starts *before* their FRA

Example:

Your SS FRA Benefit is	\$2,800/month
Spouse's Benefit at their FRA	\$1,400/month
Spouse's Starts at age 62	\$ 980/month



Health Insurance After Separating from AA



Pre & Post Medicare Planning



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Health Insurance Options

- 1) COBRA (Separation from AA, 18 months at 102% of 'ER cost)
- 2) Retiree Medical
- 3) VA Benefits (Rx is 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)
- 9) Medicare A&B: Either Medicare Supplement OR MA

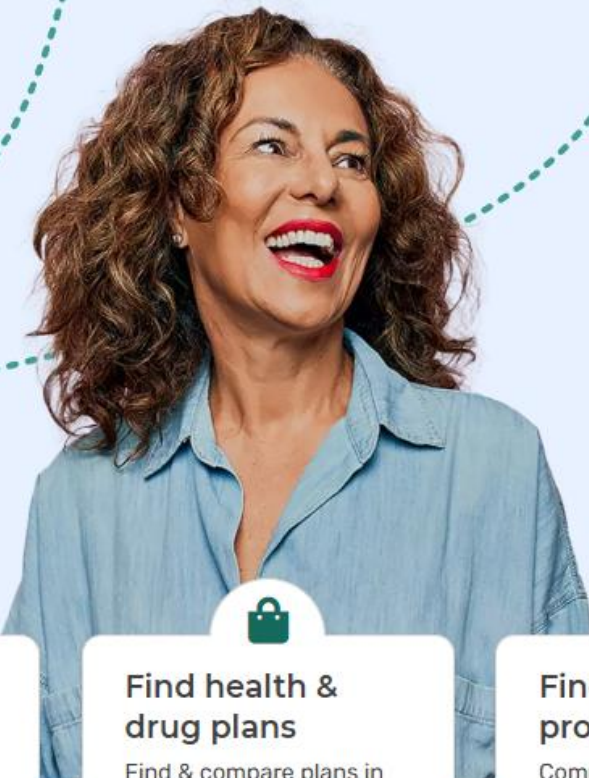
To Enroll in Medicare Parts A & B

Medicare is managed by:

Centers for Medicare &
Medicaid Services (CMS)


Alert

Learn how the [prescription drug law](#) impacts Medicare.



Welcome to Medicare


Get Started with Medicare



Log in or create an account

Access your information anytime, anywhere


Log in/Create Account



Find health & drug plans

Find & compare plans in your area


Find Plans Now



Find care providers

Compare hospitals, nursing homes, & more

Find Providers Near Me



Talk to someone

Contact Medicare & other helpful resources

Get Help

To Enroll in Medicare Parts A & B

Get started with Medicare

Medicare is health insurance for people 65 or older. You're first eligible to sign up for Medicare 3 months before you turn 65. You may be eligible to get Medicare earlier if you have a disability, End-Stage Renal Disease (ESRD), or ALS (also called Lou Gehrig's disease).

Follow these steps to learn about Medicare, how to sign up, and your coverage options. Learn about it at your own pace.



On-line Enrollment

www.medicare.gov/about-us

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

Step 1

Medicare basics

Start here. Learn the parts of Medicare, how it works, and what it costs.

Parts of Medicare

General Costs

How Medicare Works

Working Past 65

Step 2

Prepare to sign up

First, you'll sign up for Parts A and B. Find out when and how to sign up, and when coverage starts.

When to Sign Up

How to Sign Up

When Coverage Starts

Ready to Sign Up

Step 3

Get more coverage

Then, review your options for more coverage, when and how to get it, and browse plans.

Coverage Options

Joining a Plan

Buying a Medigap Policy

Find Plans

Step 4

Using Medicare

When you're ready, find out how to get services and ways we can help you.

Your Medicare Card

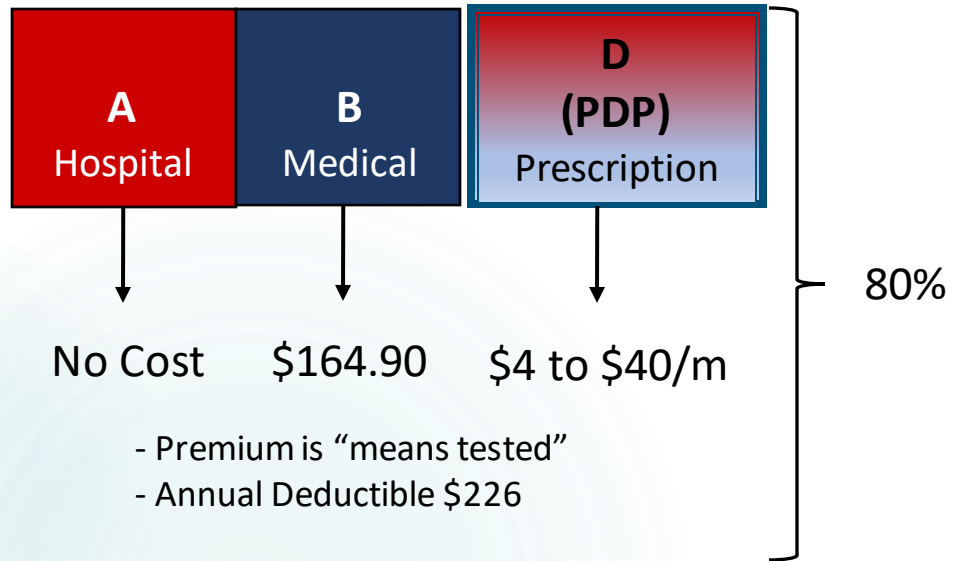
How to Get Services

5 Tips for Using Medicare

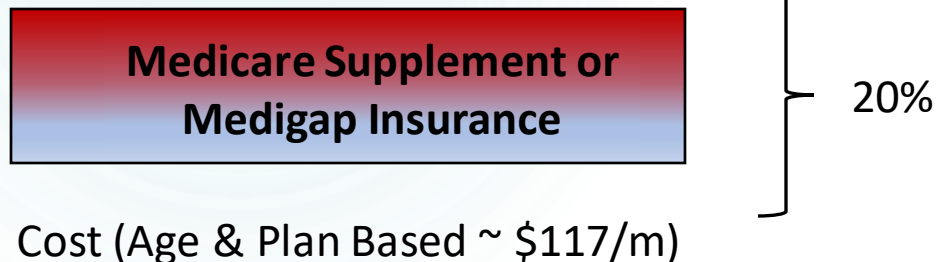
Helpful Tools

Two Medicare Delivery Options

Original Medicare



"GAP"



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 \$164.90)
- **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-Pays** (In-Network or Out-of-Network)
- To return to Original Medicare, *must* medically qualify

UNDERSTANDING

Medicare



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 Your Benefit

Combined income; Single or Head of Household



0% 50% 85%

Combined income; Married, filing jointly



0% 50% 85%

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
Amt Subject to Fed Income Tax	85%
Federal Tax Bracket	12%
Taxes Due	\$ 102

Prevent identity theft—protect your Social Security number

Your Social Security Statement

Prepared especially for Wanda Worker



September 5, 2007

See inside for your personal information

WANDA WORKER
456 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>	

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?



Age 62

FRA

FRA
up to birthday month

After FRA

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
SS Benefit Reduced 25% for Claiming Early	\$13,875
2023 - Jane earns	\$35,000
Social Security Earnings Limit	(\$21,240)
Excess earnings	\$13,760
Benefit reduced by ½ of the excess	\$6,880 = \$13,760/\$2
Annual SS benefit reduced to.....	<u>\$6,955</u> (\$13,875 - \$6,880)

Two reductions: Claimed Early & Exceeded Earnings Limit

*Retirement is assumed to happen on January 1.





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Pension Benefit Options



Choosing Your Best Option



Pension Benefit Options

*Understanding
Your
Pension Benefit
Options*

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



- **On-Line Pension Packet at Fidelity**

- Have your Username & Password with you
- Driver's License/Passport/Birth Certificate
- Divorce Decree(s)
- Death Certificate

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

Call 918-491-0079

**“Your TWU Local 514 Retirement Counselor is
here for *YOU!*”**