

Financial Planning Mistakes and Health Insurance

#DontDoThese
#AskJae



MAXIMIZE YOUR MEDICARE CHANNEL



ABOUT ME

GH2 Benefits, owned and operated by Jae Oh, is a full provider of the widest range of financial products and services.

Licensed and Certified:

- Certified Financial Planner
- Chartered Life Underwriter
- Chartered Financial Consultant
- Licensed insurance producer (multiple states)

Published Author:

- *Maximize Your Medicare* (Allworth Press)

Nationally-recognized Medicare Expert:

- USA Today.com
- Retirement Daily (thestreet.com)
- Fox Radio News contributor
- NPR Affiliates nationwide
- Expert contributor to medicareresources.org

Founder and Chairman: Great Humanity Healthcare Foundation Created to provide financial relief to insured persons that are overburdened by medical debt.

Education:

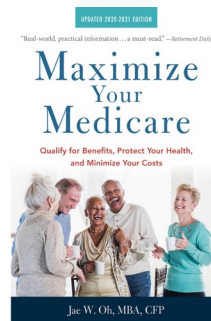
- Master's Degree in Business Administration (MBA), Univ of Chicago
- Bachelors of Arts (BA) in Economics and Political Science, Univ of Michigan



Jae W. Oh, MBA, CFP®, CLU® ChFC®
Managing Principal of GH2 Benefits, LLC

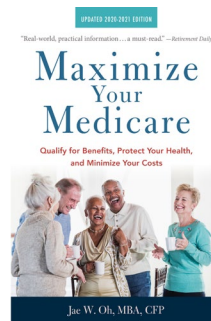
[maximizeyourmedicare.com](https://www.maximizeyourmedicare.com)

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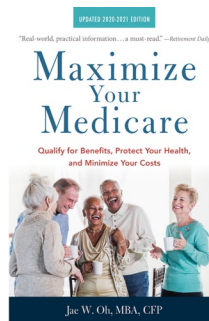
Why You Should Watch This Video

HSA
Roth IRA
Social Security
Required Minimum Distributions
Mutual Funds



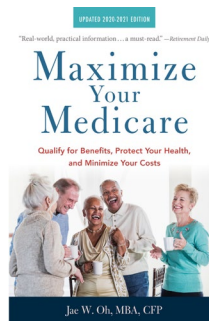
Health Savings Account

- **What is an HSA?**
 - Separate bank account, you are the owner
 - Think of “Health-related IRA”
- **Tax deduction limit**
\$3550/individual,
\$7100/couple, \$1000 extra if
55+
- **Must have a specific set of health insurance: HDHP**
- **What can you do with it?**
 - Pay for health-related expenses on a pre-tax basis
 - Debit card can be used, etc
 - Includes health insurance premiums, including Medicare, Part D, Medicare Advantage, Medigap
 - Long-term care insurance premium



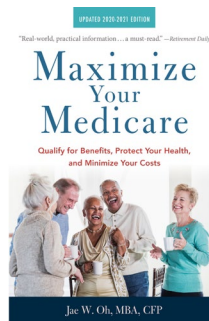
HSA Medicare Problem

- **YOU cannot contribute to an HSA and be enrolled in Medicare Part A**
 - Tax violation
- **The contribution limit is based on months, *not* the entire year**
 - Example: If your Medicare begins on October 1, you can contribute **9/12ths** of the annual limit
- **HSA, work beyond 65 and then retire? LOOK OUT**
- **Your Medicare Part A date will be set to *6 months prior***
- **Example: 67 yr old, and retire with Part B to begin on April 1, 2020**
 - Part A Coverage Date will be **November 1, 2019**
 - **Maximum contribution = 10/12ths of \$3550. Tax violation, with no way to fix**



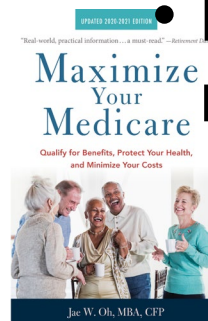
Roth IRA Conversion

- **What is a Roth IRA Conversion**
 - Convert from traditional IRA to a Roth IRA
 - Basic idea is to pay tax now, in order to reduce tax later, when you think that the tax rate will be higher
 - Roth IRA distributions are tax-free (federal, and most states)
- **Gloss over “pay tax now” concept**
- **Example: \$14,000 Roth IRA conversion**
- **Pay tax today**
 - May trigger IRMAA in the future because the \$14000 is income
 - May eliminate the APTC for health insurance premiums
 - If you don't qualify, you have to pay back the entire year's worth that you have received in APTC, not just the period after the conversion



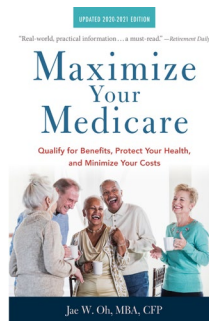
Social Security & RMDs

- **Social Security**
 - Deferring Social Security until later can make sense if your income comes close to IRMAA
 - Note: not all Social Security income is taxed, you don't just add the benefit amount
- Not the same thing if you require the funds for food
- **RMD Deferral May Make Sense**
 - CAREs Act allows you to not take a distribution in 2020
 - Defer the income tax by not taking an RMD
 - Again >>> possibly avoiding IRMAA, when the amount of RMDs is large
- Not the same thing if you require the funds for food



Mutual Fund Distributions

- **Mutual Fund distributions are difficult to manage**
 - One reason that mutual fund industry is shrinking, the idea that the funds are in a “black box”
 - You don’t know until Q4
- **Qualified Dividends and Non-Qualified Dividends make it more challenging**
- **Capital Gains distributions create problems**
 - Taxable income increases
 - IRMAA and APTC can be affected, in the same way as in the other examples



Common Message

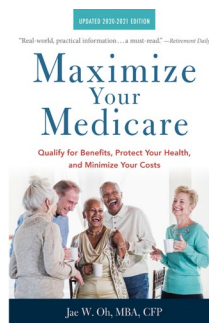
- **The Easy**

- Translate so you can understand the payout of a single exercise correctly
- Explain jargon so you understand the payout (when, how much)

- **Get you the best price because that helps you get the best payout ratio for your money**

- **Highest Value**

- Combination matters more than any single piece
- Maximize the value of the household, including ALL of the pieces, not just a single piece
- **Fragmented information invites very costly errors**



When You Listen to Soundbites

- **Suze Orman (June 20, 2020)**

02220 15:36:00 MWUPDATE: Suze Orman "You have to be crazy" to put your money in this investment

'Do you really think that tax brackets aren't going to have to go up five, 10, 15 years from now in order to pay for all the debt that we're carrying?'

That's personal-finance celebrity Suze Orman offering some advice on the "Pivot" podcast (<https://podcasts.apple.com/us/podcast/pivot/id1073226719>) this week about what investors should be doing during the coronavirus pandemic.

With traditional IRAs or 401(k)s, savers get the tax break immediately upon the contribution, allowing their investments to grow tax-free, and then have to pay the taxes upon withdrawal. But there are better ways to save for retirement, considering the current climate, Orman explained.

"With a Roth, you pay taxes today, and in the long run, when you take it out, it's tax-free," she said. "Why? Do you really think that tax brackets aren't going to have to go up five, 10, 15 years from now in order to pay for all the debt that we're carrying? Of course they're going to have to."

Bottom line: Take advantage of "the lowest tax brackets" we're likely to see for a long time.

As for where to put the cash, Orman said she sees a sideways stock market for a while, with investors essentially forced to partake, in light of the alternatives.

"Are they going to put it in a 10-year Treasury at 0.76%? The possibility of negative interest rates?" she said. "You have to be crazy, if you ask me, to be in bonds at this point in time."

For most people, her suggestion is just to stick with the Vanguard Total Stock Market ETF (VTI). Don't even consider individual stocks, she said, unless you're super rich.

The broad market has been holding up nicely this week, though the Dow Jones Industrial Average was down slightly Wednesday, giving back gains from earlier in the session.

-Shawn Langlois; 415-439-6400; AskNews@DowJones.com

(END) Dow Jones Newswires
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- **You Omitted a HUGE, COSTLY Fact for Some**
- **Glossed over the fact “you have to pay taxes now....”**
- **You didn’t point out that you should check the details in this video.**

