

Speaker 1: This is Financial Detox, helping you retire with confidence featuring Jason Labrum, certified financial planner and founder of IDA Wealth: intelligence driven advisors. For over 20 years, Jason has shown people how to steer clear of toxic advice, achieve financial peace of mind, and manage their wealth for maximum impact.

Speaker 1: Join Jason and co-host Alex Klingensmith as they simplify the complex, share industry secrets, and provide proven strategies designed to take you from financial insecurity to financial independence. This is Financial Detox.

Jason Labrum: Hi, welcome to financial detox. This is Jason Labrum and I'm your host in studio today with a very special show coming to you. We have as always, Alex Klingensmith, the best co-host in the universe.

Alex K.: The only co-host, but thank you.

Jason Labrum: That's right. I meant of all co-hosts of all shows of all the universe.

Alex K.: Thank you.

Jason Labrum: Big statement, right?

Alex K.: Pretty big.

Jason Labrum: We have a special guest today, a good friend of mine. I think I've known Brian for maybe 20 years. I mean, it was like back in the beginning days of the business for me. So Brian MacArthur, who is the president of Bridal Insurance and his team, and he work exclusively with financial advisors to navigate clients through their Medicare enrollment under the watchful eye and in partnership with the client's financial advisor. And I don't think if show listener, if you're listening to this show and you're 63, 64 in that age and you're struggling, maybe even 65 with the Medicare choices? Don't think you have to go through your advisor to get to Brian.

Jason Labrum: You can go direct to Brian. We'll give his contact info at the end or just reach out to us at Financial Detox. But this is a critical issue and it's not critical until it is, right Brian? I mean Medicare, everybody knows about it and hears about it, but then all the sudden, one day you start getting loads of mail and you have to make some decisions and it's borderline bewildering. It's like trying to understand the share classes of mutual funds as a regular investor. So, I think you're going to help break all this down for us today and welcome to the show.

Brian M.: Oh, thanks.

Alex K.: Welcome, Brian.

Brian M.: Thanks for having me. I was here Alex, when Jason called you the best co-host ever. So yeah, there was another.

Jason Labrum: There was a witness.

Alex K.: And someone might hear that on the show, maybe.

Brian M.: Thousands of witnesses.

Alex K.: So next time Jason's mad, I'm like, hold on. I need you to play something back.

Jason Labrum: How much vacation are you taking? Listen dude.

Alex K.: I'm the best co-host ever.

Jason Labrum: No, I'm just kidding.

Brian M.: In my previous career, I was a regional vice president. The only two people who ever took notice was my grandmother and my mother-in-law. That was your moment, right there.

Jason Labrum: Hey, for three years we only had two listeners to the Financial Detox show and it was my mom and my wife and my wife works for us, so she had to do it. And my mom said it was terrible.

Jason Labrum: So, anyway. Tell us about Medicare. Welcome to the show. Tell us about kind of what a client should look for because this may be one of the biggest decisions that people make is how to do this. Or maybe one of the most frustrating or confusing decisions that people have to make when it comes to Medicare. And then we'll wrap it into a bunch of other topics and concepts as well.

Brian M.: Sure. And all the above, right? So I always say this is probably the most overlooked part of the financial planning process as far as the advisor taking a leadership role and guiding clients through this. You guys do, which is very, very notable. I also joke around that they keep this just complicated enough that I always know I'll have a job tomorrow, which is an awful thing to feel grateful for.

Jason Labrum: Job security. Gratitude.

Brian M.: Yeah. And a big part of it is one, it's messy, it's complicated, it changes all the time. The best marketing material on Medicare is still just okay on a good day, so again, probably promotes job security on my end, but it's also a deadline driven event, so it's not important. And then suddenly when it's important, it's super important.

Brian M.: And it's confusing. There's a couple different dynamics that really promote the confusion. I always like to point out that actually Medicare is really, really great news. In almost every case, people's benefits are getting way better than they used to, and way less expensive in real dollars.

Alex K.: Than what they may be had in their working careers as a health care plan.

Brian M.: Right. Take it with a little bit of a grain of salt because if you're a W2 employee, maybe you're paying \$200 a month out of your paycheck for an okay plan, your employer-

Alex K.: Or six.

Brian M.: Sorry, I didn't set new expectations here.

Alex K.: Depends on the level of subsidization of the company you're with.

Brian M.: Right, right.

Alex K.: And then you've got to retire though. Because some people are retiring around this age as well, right?

Brian M.: Right.

Alex K.: If you're fortunate enough to.

Brian M.: Exactly, but you know, a good example is a lot of times I'm speaking, let's just say it's a client of yours. It's a realtor. They're self-employed. They're coming to me at age 64 paying \$1,000 dollars a month for a crummy silver plan.

Brian M.: And candidly, I can go into it a little bit deeper later, but higher income makes Medicare more expensive. At the most expensive level, that realtor is still saving about 40% in premiums and getting a way better plan. It's really difficult for this not to be good news for you.

Jason Labrum: So you're saying that Medicare is a good government program, however it's broke, and so we hope it keeps going or do we expect the benefits to come down and change or do we just expect taxes and the cost to go up? How about that? Maybe that's a topic for a whole other show or another portion of the show, but basically what you're saying is it's a good thing. Medicare's awesome.

Brian M.: It'll probably save you money.

- Jason Labrum: We have this subsidy, and I can't even say it's a government subsidy because we've paid into it all of our working years, but it's working. I mean there's a program there that is a benefit to most people.
- Brian M.: Right. The other thing I'll share is that the worse that the Affordable Care Act gets, every year, it seems to get more expensive and do less for us. And even your group plan is an Affordable Care Act compliant plan. The worse it gets, the better Medicare looks.
- Brian M.: I've had two ladies in the last month who when I walked through Medicare, they actually decided to, they were paying individual health insurance premiums on their own and they're throwing themselves Medicare parties because I'm saving like, you know, \$800 a month by going on Medicare. They're throwing a party for themselves. It's really good news. So I always like to bring that up. That's the pot of gold at the end of the rainbow.
- Brian M.: But anyway, what kind of happens ... One, it's good news. Number two, all the options are really great. I mean, you have to navigate through it, but it's all going going to be good news.
- Brian M.: What I always like to point out to financial advisors and clients of yours that I speak to is everybody's eligible at age 65. You know that. That doesn't mean all your clients are enrolling at 65. Half of them are enrolling at 65; the other half work until it stops being fun. 65's not old anymore.
- Alex K.: So if they're still working, you probably aren't going to enroll in Medicare?
- Brian M.: No. But they still like hearing from me at age 64.
- Alex K.: Why would they stay on what their current benefits then and not enroll in Medicare even though-
- Jason Labrum: Good question.
- Brian M.: Yeah, it depends. There is circumstances in which, so as an employer, you can't force anybody to go onto Medicare. But I always tell employers, if you have people 65 and up-
- Alex K.: Throw them a party and tell them to go on Medicare. Yeah, you should be doing a presentation to all employees at every company, large company that are 64 years old then you're going to save the company a bunch of expense.
- Brian M.: Right. So without probably going into a bunch of details-
- Alex K.: Viasat, are you listening?

Brian M.: Right.

Jason Labrum: Well, hold on. Is it good for the employees though? That's the question, right?

Brian M.: Yeah. So typically what happens is you wind up-

Jason Labrum: Because to me, it sounds good.

Brian M.: So when I meet people approaching 65 and they say, hey, I'm still working on the employer plan. I say, you're in the driver's seat. Nobody can make you do anything. Okay? But let me walk through what Medicare looks like, how much it costs, and what the benefits are versus what it's like being on the employer plan. If you think you'd like to be on Medicare, you need to walk into your employer's office and volunteer to leave.

Jason Labrum: Not leave the employer.

Brian M.: Leave the employer plan.

Jason Labrum: Leave the employer's medical plan.

Brian M.: Right. But in those cases, because I've already talked to the business owner, I say, now if this employee decides to walk in, I'm going to tell you to pay 100% of their Medicare premiums, they're going to get better benefits. And typical businesses save about \$7,000 to \$8,000 in hard dollar costs for every one employee who decides to go on Medicare.

Jason Labrum: So, let me back this up. So there's no rule that says, when I'm working at age 65 if I'm still employed, there isn't any rule that says I cannot go on Medicare. I can go on Medicare?

Brian M.: Absolutely.

Jason Labrum: Okay. Even if I'm still working, even if I make \$1 million a year.

Brian M.: Right. The higher the income, if it's a W2 employee, the more inclined those people are to stay on the employer plan. I'm just want to be cautious of, I don't want to bore you to tears-

Jason Labrum: Because of how Medicare is taxed.

Brian M.: Right.

Jason Labrum: Hold tight. We're going to give you an example of this, and if you're 65 and you're still working, this may be something that you can do to not only benefit

yourself and reduce your cost, but something that you can do to benefit your employer, too. Kudos. You get some credit and everybody wins. All right, stay with us. This is Financial Detox and I'm Jason Labrum and we'll be back in just a moment.

Jason Labrum: Welcome back, it's Jason Labrum. Financial Detox in studio with Alex Klingensmith, of course. And we have a special guest, Brian MacArthur. Brian MacArthur's with Bridalwood Insurance. He is focused totally on helping you get the right Medicare plan. So when you come up on that beautiful age of 64, about to turn 65 is when you start getting mail and all kinds of choices and options and Brian is the guy who we work with here at the Intelligence Driven Advisor team and he has, I think I've referred you to, I don't know, handfuls, dozens of clients and every single time Brian, I have done that, the result or the response from the client has been overwhelmingly positive. "Thank you so much. That was awesome. Brian's great. Holy cow. I didn't know I could have figured this all out so quickly," blah blah blah. So thank you for that and thanks for being here today on the show.

Jason Labrum: You were about to give us an example of how kind of this works in an employer situation in case somebody is still employed at age 65 and there may be some reasons why you want to go to your employer and get on Medicare even when you're employed, because it could help your employer and it can help you.

Brian M.: Right. So, I'll give you a common example. Let's just say that the employee has a decent plan through work and then their employer takes \$300 a month, either out of their paycheck for health insurance.

Brian M.: Candidly, for most of us, just using an example, the very, very best Medicare option between Medicare Part B and a Medicare supplement Plan F and a drug plan runs about, let's just say \$350 a month.

Brian M.: Okay so it's better benefits for \$350 and the employee's usually paying \$300. Now usually what I say is, you know, 65 is not old. You haven't complained about your health. I don't know if I'd get excited about hopping off the company plan to pay \$350 instead of 300.

Brian M.: Let me tell you who really wins. It's your employer cause you're paying #300 a month out of your paycheck for an okay health plan. Your employer is probably paying another \$800, \$900, \$1,000 a month behind closed doors for health insurance. So you'RE expensive. They're never going to say, "You're old and expensive. Get off the company plan." That would be age discrimination.

Brian M.: But what you could do only if you want to, and it's up to you, is you could walk into your boss's office and say, Hey, I'm thinking about going onto Medicare. My benefits would get way better. I understand you'd save a lot of money if I volunteered to leave the company plan. Number one, you'd stop charging me

\$300 a month. Because no premiums. Number two, it's going to cost me about \$350 a month to be on Medicare. Would you put a \$350 stipend into my paycheck each month if I volunteer to leave the plan?

Brian M.: Typically the boss either already knows about it and is thrilled the employee came into the office and asked because it really needs to be initiated by the employee. Or two, they kind of know about it, but they haven't had a 65 year old in four years and the person who facilitated that has moved onto another company.

Brian M.: Or Three, their eyes perk up and they want to get dangerous on it really quickly. So think about that. The employee gets the best benefits imaginable, right? They get a \$300 a month net income pay raise because they're no longer paying insurance and the employer goes from paying \$1,000 hard dollar expenses to keep this employee happy to \$350.

Jason Labrum: So, would you be willing to talk to employers about that too? Obviously you can help the employer orchestrate that as well. I mean, if the employer goes, Oh, well sure Mr. or Mrs. Employee, that sounds great. I'm not sure what to do because we have employers and business owners listening to this show right now, can they call you so that they understand that?

Brian M.: Absolutely.

Alex K.: Like, a a workshop for the employees almost. Maybe you could educate them on what you just said in a group setting.

Brian M.: Right.

Alex K.: And they should probably start this, I would imagine before they're 65.

Jason Labrum: 64 is the year to start.

Alex K.: 64. When you turn 64, you start having these conversations.

Brian M.: Right. All the astute financial advisors engaging a client about Medicare at age 64. It's one year before they're eligible. Starting at age 64, clients start getting more mail than you can possibly imagine about Medicare. It comes from Medicare insurance agencies, insurance companies, insurance agents. It's insane. Whatever you think a lot of mail is over the course of a year, triple it.

Brian M.: So what you know, what we do with you guys is we have you reach out to the 64 year olds and say, "Hey, it's Alex. Can I ask you a question I already know the answer to. How much mail are you getting about Medicare?" I always say pause when you ask that question cause the clients laugh almost every time.

Alex K.: You and I have had this conversation. And I was like, oh man.

Brian M.: Yeah. And then at that point you usually say, "Hey, you can throw it out. At Intelligence Driven Advisors. We do want you to have help with Medicare. We do not want you dealing with strangers," and the bar is-

Alex K.: Stranger danger.

Brian M.: Clients are not ... They have zero expectation you guys can help them with Medicare, they're so appreciative because you're engaging them at the height of their confusion and just handling one more thing within the financial plan. You guys do a great job of that.

Alex K.: Thank you. What other considerations should someone who just turned 64, like let's say they're married and have kids. And so those are considerations on this decision as well in terms of leaving their plan if they were to. How do you address those kinds of things?

Brian M.: Good question. So back to that employee situation. If they have a spouse, you know, let's just say it's a male at age 64 turning 65 his wife is 61 he's probably going to want to stay on that employer plan. You know, Medicare would be good news for him, but he would have to pay full price for a 62 year old spouse.

Alex K.: They can't just let him leave and keep the family somehow?

Brian M.: Usually not, you know, maybe in a closely held organization but the better assumption is that, no.

Alex K.: What about this one? I'm going to just reach out here on this one, but if the company really is saving, you know, or paying for a family, then that's more like 10 or \$12,000 a year, I think maybe? I'm just ball parking that; I don't do healthcare, really. But does that seem like a fair number?

Brian M.: Out of the employee side or employer?

Alex K.: Just total between both sides? Maybe \$10,000, \$12,000 a year, maybe even more?

Brian M.: It would probably be more.

Alex K.: Would you be able to go as an employee and go to the organization and say, I would like better benefits for me and I'm willing to move off the plan and maybe you feel like giving me a compensation increase because of this particular decision.

Jason Labrum: Well, I think that's what we just did.

Brian M.: Yeah, you just go in and ask the employers say, "Hey, it'll cost me \$350 a month to be on the-"

Alex K.: I'm talking about family version where it's like \$12,000 a year. And no, I don't want to stipend for my Medicare. I want a stipend for the remaining portion, the difference. Have you ever heard of a story-

Jason Labrum: Medicare only covers individual.

Brian M.: Right.

Jason Labrum: It doesn't cover the family. I'm confused by your question. Help us out.

Alex K.: I'm a 64 year old man. I have a 60 year old wife. I have three kids. We're all in the group plan. The company's paying \$15,000 a year for our health insurance. I don't really know that, but if I did a little bit of research, I could probably figure it out on, you know, one of these websites, right?

Alex K.: I go in there and I say, I want to be on Medicare. The remaining difference would be X amount of dollars. Would you be willing to give me part of that? Maybe; I don't know.

Brian M.: In that example, a 65 year old's, probably their kids are all over 26 which means they're probably not covered. But so it's usually, you know, employee and employee and spouse.

Brian M.: But to your example, I think there's plenty of examples where employers will incentivize employees to take group benefits from the employee spouse's company. So if you can push them on to-

Alex K.: Right.

Jason Labrum: Right. Talking to Brian MacArthur, Bridalwood insurance, and Brian is an expert when it comes to Medicare. So we've been having a fruitful discussion about Medicare and even talking about how maybe you could help your employer and help yourself, get yourself a pay raise and save your employer some money, if you're 65 years old, by going on to Medicare, even though you're employed and have health coverage there. So, some great options there.

Jason Labrum: I want to invite you to reach out to us because this requires some discussion. You can't absorb all this over a 30 minute show, but you can reach out to us at 877-707-8889. Once again, that's 877-707-8889. FinancialDetox.com and we will introduce you to Brian and let you get walked through and Brian is the most

straight forward. Just a great guy who understands his business in and out, who will help you make good decisions and can maybe even talk to you if you're an employer and you run a plan, maybe there's a strategy here to help educate your employees up to this, which could possibly save you thousands and thousands, tens of thousands of dollars a month, depending on how many employees you have.

Jason Labrum: So good stuff. All good stuff. Thanks Brian for all your input here and Alex joining in. But one of the things I think that's important for people to recognize is the tax aspect of Medicare and Social Security as well.

Jason Labrum: We've done a few seminars and events on taxes and and how you can construct an investment strategy that yields a much higher after tax return if you implement a few things. And that matters not only from overall after tax investment returns, but it also matters when it comes to the taxability of Medicare and Social Security, right?

Alex K.: Right.

Jason Labrum: So is it true that when we are paying Medicare, we get taxed on our Medicare. So you pay a supplement or additional Medicare cost, and that's based upon the income you earn. So the higher income you earn, the more quote-unquote "tax" you pay on your Medicare benefit. Is that correct?

Brian M.: Right. So, I'll give you an example. Part A, I would say it's free, but that's this ingenuous, because we all paid for it our whole lives out of our paycheck. But there's no monthly premium for Part A. When somebody's doing a full Medicare enrollment, they're going to enroll in Part B.

Brian M.: Part B costs the average American \$135.50 cents a month, but it can, does and will go higher, based on their income. Now most of your clients are usually professionals. They're good savers, and even if they were good savers from modest income, a lot of times your clients, their highest income years in their whole career are in the last year or two working. They're exercising options, they're selling a practice, taking deferred comp and it spikes the income.

Brian M.: So, just to give you an example, a married couple who can keep their modified adjusted gross income under \$170,000 which is still a lot of money in retirement, pays that minimum Part B premium of \$135.50 but the income tiers are pretty narrow.

Brian M.: If that married couple has modified adjusted gross income over \$320,000 which is about the max, their Part B premium goes to \$500 a month.

Jason Labrum: Whoa.

Brian M.: And you know the difference as far as managing liquidity events and things, the end of career events where you know, money's coming towards you if there's not a big difference in a lot of cases between 170 and not a lot has to happen in your career to go from 170 to 320, right? So it's just important that I uncover that every single time. I want to hit people in the eyes with reality and just send them into Medicare with eyes wide open.

Brian M.: Honestly, a lot of times, even at that high Part B premium, \$500 a month? It's still really good news. But back to your point Jason, is what I also point out with people is that once you get to about 320,000, you're capped.

Brian M.: So I always tell them, hey, go back and talk to Jason and Alex about this. There's more to consider than just what I'm telling you. But to the extent that you have some malleability or some autonomy on how and when you're going to harvest gains and do things that increase your modified adjusted gross income. In the years that a married couple is going to make over 320 they may as well make 3.2 million for Medicare purposes.

Alex K.: Well, what you're saying is right on point with the events that we did at the beginning when the Tax Cut and Jobs Acts first came out and, and actually made this situation even worse for people that are higher income earning. We looked at the law.

Alex K.: You're talking about the one and two year horizon, right? The modeling and the planning we do is for your whole lifetime. And so, I don't think we've done this and shown clients that if you do certain strategies around the short term, you know, to Roth conversion to prevent RMD in the future. Medicare, once you're on it, does it ever go away?

Brian M.: Well, the premiums are there forever. However, what I will tell you is that Social Security who administers Medicare is always looking at two calendar years prior at your modified adjusted gross income. So even if your client is going on Medicare now and they have super high Medicare Part B premiums of \$500 a month, every year they're going to look-

Alex K.: It'll adjust annually, based on the part two.

Jason Labrum: But it adjusts annually based upon the past two years.

Alex K.: That's right. Two calendar years.

Brian M.: It never goes away.

Alex K.: I know we're running out of time. This is an interesting topic Brian. It really is. It's so confusing that my take away is I'm just going to keep sending them to you.

Jason Labrum: And Brian is available to help. I want to give Brian's contact info too to make it easy for you. So, 858-753-7000. 858-753-7000. Why didn't we get a cool number like that? Our number's like eights, that doesn't work. Your number's cool. 858-753-7000. That's Brian MacArthur, Bridalwood insurance. If you have any thoughts, questions or concerns around Medicare or looking for a guide to take you through that process so that they make it easy, understandable and effective for you, Brian is your man and the Financial Detox team here at Intelligence Drive Advisors can help you take a bigger, holistic look at your entire financial plan and investment strategy so that not only your taxes are lower, you pay less tax on Medicare and Social Security, but you have the right investment strategy in place because you deserve to pursue better. And that's what we do here at IDA is help you pursue better. As always, we want to thank you for listening. I'm Jason Labrum; it's Financial Detox and we'll catch you next week.

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