

How Medicare fits into a broader retirement strategy

Health care decisions play a major role in financial planning, especially in retirement. For many people, Medicare becomes a cornerstone of both their health coverage and income strategy. Understanding how your choices fit within your overall plan can help you make informed decisions and maintain financial confidence throughout retirement.



Understanding Medicare's building blocks

Medicare has four parts, each covering different aspects of care.

- **Part A (hospital insurance):** Covers inpatient hospital stays, skilled nursing, hospice and some home health care. Most people don't pay a premium for Part A because they've already contributed through payroll taxes.
- **Part B (medical insurance):** Covers doctor visits, lab work, outpatient care and preventive services. You pay a monthly premium, which may increase if your income exceeds certain thresholds.
- **Part D (prescription drug coverage):** Covers prescription medications, available either through a standalone plan or bundled in a Medicare Advantage plan.
- **Medicare advantage (Part C):** Combines hospital, medical and often prescription coverage through a private insurer.

Together, these parts provide a foundation for managing health costs in retirement—but there can still be gaps, which is where additional planning comes in.

Timing Medicare around retirement

Medicare eligibility begins at age 65, but not everyone retires then. How you coordinate your enrollment with your retirement date can affect both your coverage and your costs.

- **If you retire before 65:** You may need temporary coverage through COBRA, the ACA marketplace or a spouse's employer plan until Medicare begins.
- **If you work past 65:** You might be able to delay Part B and Part D without penalty if your employer coverage meets certain standards. Always confirm with your benefits administrator and Medicare to avoid late-enrollment penalties.

Coordinating your health coverage and income start dates helps you avoid gaps in insurance and unnecessary costs.

How Medicare connects to income planning

Medicare premiums are tied to income, so the way you draw from retirement accounts can affect what you pay.

- **Income-related adjustments (IRMAA):** Higher-income retirees may pay more for Parts B and D. These adjustments are based on your income from two years prior. You can appeal if your income has dropped significantly due to retirement or another life change.
- **Withdrawal strategy:** A mix of pre-tax, Roth and taxable accounts can provide flexibility to manage your taxable income each year.
- **Social security coordination:** The age you claim Social Security benefits can affect both your income level and Medicare premiums. Reviewing these decisions together can help create a smoother income plan.

The goal isn't just to reduce costs—it's to coordinate decisions so your health care and income strategies work in sync.

Planning for out-of-pocket and long-term costs

Even with Medicare, retirees often face significant out-of-pocket expenses. Understanding what's covered, and what isn't, helps you prepare.

- **Supplemental coverage:** Medigap plans work with Original Medicare (Parts A and B) to cover costs like deductibles and coinsurance. Medicare Advantage plans offer similar coverage through private insurers but may limit your provider network.
- **Prescription drugs:** Beginning in 2026, Medicare Part D will cap annual out-of-pocket drug costs at \$2,100 and allow costs to be automatically spread throughout the year. For retirees on high-cost medications, this change could improve predictability and affordability.
- **Dental, vision and hearing:** These are not covered by Original Medicare. Some Advantage plans include them, or you may need separate insurance.
- **Long-term care:** Medicare only covers short-term skilled nursing or rehabilitation—not custodial or assisted living care—so planning for these costs separately is important.

Building these expenses into your retirement cash-flow projections can help you avoid withdrawing from investments during market downturns to cover unexpected bills.

Evaluating your coverage each year

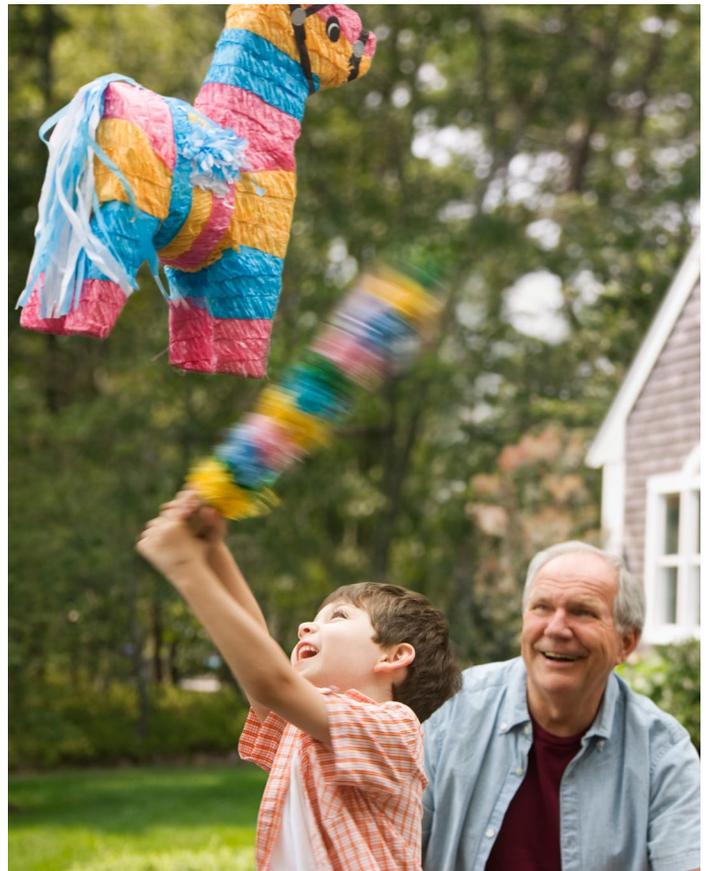
Medicare isn't a set-it-and-forget-it decision. Each fall, during the annual enrollment period, you can review and update your coverage.

Plans can change their premiums, benefits and provider networks each year, so it's important to confirm your current plan still meets your needs. Reviewing your "Annual Notice of Change" and comparing options helps you avoid surprises.

When reviewing your plan, consider:

- Whether your preferred doctors and hospitals are still covered
- How your prescriptions are listed under the plan's formulary
- Whether the plan's costs and benefits still align with your health and lifestyle priorities

Even if your prescriptions or providers haven't changed, an annual review ensures your plan continues to support your financial and health goals.



Making Medicare part of your bigger picture

Medicare decisions are deeply connected to your broader retirement strategy. Aligning coverage choices with income, tax and investment planning can help you create a more predictable and sustainable approach to retirement spending.

By reviewing your options regularly and coordinating health care choices with your financial advisor, you can help protect your long-term financial plan while maintaining access to the care you value most. Thoughtful planning today can lead to more confidence and flexibility in the years ahead.



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