

WEALTH OF KNOWLEDGE

NEWSLETTER COVERING THE WEALTH CONTINUUM

Medicare Basics for 2022

Medicare is the federal health insurance program that was signed into law in 1965. It was created for people over age 65 and certain young people with disabilities. Open enrollment for Medicare runs annually from October 15th to December 7th. During the enrollment period you have the opportunity to select your health care plans that will take effect on January 1st for the next calendar year.

Medicare begins the month you turn 65 or after being on disability for 2 years. Some people who are working can delay Medicare. If you are turning 65, Medicare becomes effective the first day of your birth month; if you turn 65 on the 1st of the month, it starts the month prior. If you are collecting Social Security, you will be automatically enrolled. If not, you have 7 months to apply: 3 months before your birthday, your birthday month or the 3 months following.

Medicare is made up of various parts.

- A and B are considered original, or government, Medicare. They come from Social Security Administration.
- Part A covers hospital services and is free for anyone who has worked ten years or more or whose spouse has worked ten years or more.
- Part B covers medical care and has a premium. Most people are paying \$148.50 a month in 2021, but this premium will go up in 2022. Singles who make more than \$88,000 and married couples who make more than \$176,000 will pay more for their Part B, based on a sliding scale.
- Part D helps cover prescription drugs and premiums, copayments, and coinsurance costs vary by plan.
- Medigap plans, Part D, and Part C plans are offered by private insurance companies, not by Medicare.

Medicare can get confusing if you're still working and covered by other plans.

- If you are still working and have employer group health insurance, and your employer has more than 20 employees, and the coverage is considered "creditable," it is your choice whether to take Medicare or not.
- If you have a qualified employer plan and would like to keep contributing to your HSA, you should not take any part of Medicare. You cannot contribute to an HSA on Medicare A or B.
- If you want to contribute to an HSA, you should also delay applying for Social Security benefits because once you do, you are automatically enrolled in Part A.

So now that you have applied for Medicare and received your red, white, and blue card, what's next? At this point, you want to understand your coverage and what deductibles and coinsurance you have, and if you need additional coverage. There are a few options that may be of interest to you.

Medigap plans do just as the name implies. They fill in all, or some, of the gaps left by Medicare. There are 10 different plans, each one covering different gaps in Medicare, labeled with letters A-N. Premiums vary between companies but plans are standardized and benefits remain the same.

Medigap plans do not have drug coverage, so you must also purchase a standalone prescription drug plan to avoid a penalty for not having drug coverage. It is important to note that the penalty applies for the rest of your life, so it is important to avoid incurring. Keep in mind that Medigap plans do not cover any expenses related to vision, dental or hearing, and most do not have additional benefits, such as fitness or transportation.

The second option is a Medicare Advantage Plan, called Part C. They are more like a box of benefits instead of a "Part" as they combine Parts A, B, and usually Part D into one plan. The premiums for Medicare Advantage plans range from \$0 per month to over \$200 per month. These plans are subsidized by the government, so don't assume that a low-priced plan is a bad plan. When you are on an Advantage Plan, you will have co-pays and co-insurance amounts for any medical services and these will vary by plan. Medicare Advantage plans may also give you extra perks, like vision, hearing, dental, a fitness membership, acupuncture, and meals after a hospital stay. Some plans have a Part B giveback, which means that they give you some of your Part B premium back. Extra benefits vary by plan and may cost a higher, or additional, premium.

Navigating supplemental plans can be challenging. They change annually and during the open enrollment period, you have an opportunity to revisit the plans. Any changes in your health, prescription drugs, or lifestyle may mean you want to adjust the type of plan you choose. Consulting with an expert on our team can help ensure you are enrolled in the plan that meets your needs.

Denise Kelly-Dohse, CFP® is a Vice President, Wealth Advisor. She may be reached at (585) 419-0670, ext. 50619 or by email at DKelly@CNBank.com.



Virtual Seminar — Protecting Yourself from Identity Theft

Join us for a complimentary, virtual seminar on how to protect your identity and what steps to take if you think you have been a victim of identity theft.

For more information or to register for a session convenient for you, visit CNBank.com/EducationalEvents.

Tuesday, October 19th, 5-6pm
Thursday, October 21st, 12-1pm
Tuesday, October 26th, 5-6pm
Thursday, October 28th, 12-1pm



Repaying Your Student Loans

The time has come to pay back your student loans, now what? Dealing with student loan debt can be stressful and even frustrating for borrowers, however, now is the time to take control and alleviate that stress. First, create an inventory of your loans including loan type (private vs federal), balance, interest rate, payment amount, and repayment term. This can be done using your credit report through annualcreditreport.com for private loans or studentaid.gov for federal loans.

Once you have collected this information, you are able to develop a debt management strategy. First, determine how these payments fit into your budget. For those with extra funds, prioritize paying down the principal of the loan with the highest interest rate or pay extra on the loan with the lowest balance to increase future cashflow. Some may find it financially difficult to repay their student loans. In this case, federal loans offer options for repayment and possible forgiveness. Private loans have fewer options and protections, therefore, refinancing may be the only option to lower payments in these instances.

Types of federal loans include Direct Subsidized, Direct Unsubsidized, FFEL, Direct Plus, or Direct Consolidated. Federal loans have several repayment options. For those that can't afford standard repayment terms, choosing the right repayment plan is critical. Under

some Income-Driven Repayment Plans (IDR), remaining balances are forgiven, usually after 20 to 25 years or repayment. This forgiveness may be taxable and require additional planning. Public Service Loan Forgiveness (PSLF) is typically available for those in an IDR plan after 10 years or successful repayment and 10 years of service with a government or non-for-profit organization. PSLF requires the borrower to recertify their income annually. Direct Loans should only be refinanced if there is no opportunity for forgiveness.

The Coronavirus Aid, Relief, and Economic Security Act, (CARES Act) suspended payment, interest, and involuntary collection on Direct Loans. This provision, which is set to expire on January 31, 2022, increased cashflow for borrowers and allowed borrowers to receive credit towards their repayment plans. The paused payments count toward IDR forgiveness and PSLF as well as on time payments for those in Rehabilitation Plans. The CARES Act also suspended the income tax due on loan forgiveness amounts to 2025.

Resuming student loan payments may come with challenges. After 21 months, some loan servicers have exited the business. The remaining servicing companies are preparing for payments to resume and taking on new loans from exited servicers. An estimated 10 million

borrowers will need to transition to a new servicer or are entering repayment status for the first time. With this in mind, borrowers should be proactive as January approaches. Your servicer will be in touch regarding your payment due date, but ensuring that your servicer has your correct contact information is paramount, as your first payment needs to be made on time. Another wrinkle will be the annual income recertification for IDR plans. Typically, this is done annually, however the system may be taxed recertifying so many borrowers at once.

Debt management is an important part of any financial plan. While student loans come with their own challenges, understanding what debt you have and the options available will help you develop a plan that works for you. Our team can help incorporate a successful strategy into your financial plan.

Charles Cox, CFP® is a Vice President, Planning Advisor. He may be reached at (585) 419-0670, ext. 41033 or by email at CCox@CNBank.com.



Welcoming Phillip Brown to the CNB Wealth Management Team



Phillip W. Brown, J.D. joined CNB Wealth Management in June 2021 as Assistant Vice President, Trust Officer. He brings more than 5 years of experience in the financial services industry. Prior to his current role, Phillip was an Officer and Trust Senior Associate at Bank of America Private Bank.

Phillip is located at Basin Park Financial Center and may be reached at (585) 419-0670, ext. 50609 or at PBrown@CNBank.com.



Ask the Experts

**2021 Shows
Saturdays at 8:00pm**

November 27

Our professionals are featured on radio talk show, "Ask the Experts", to discuss a variety of financial topics. The show is broadcast on WHAM 1180 in the Western NY region, Saturdays at 8:00 pm. Those who reside outside of the region can listen online at wham1180.com.

CNC Shareholder Corner

If you would like to be notified by email of future CNC stock sales, please contact Kirsten Johnson, Shareholder Relations Specialist at (585) 394-4260, ext. 36067 or KJohnson@CNBank.com.

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