The Law Office of
Brown & Brown, P.C.
Estate, Trust, Tax and Long Term Care Planning

www.brownandbrownpc.com
1250 E. Sherwood Drive
Grand Junction, Colorado 81501
Phone: (970) 243-8250 ♦ Fax: (970) 241-1144

Baird B. Brown **Clara Brown Shaffer** **Shauna C. Clemmer** **Daniel F. Fitzgerald**

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Special Report

2023 Baby Boomer

Estate & Financial Planning

Survival Guide

If you were born between January 1, 1946 and December 31, 1964 you are a Baby Boomer. According to the US Census Bureau, US Baby Boomers ("Boomers") will remain the second-largest population group in 2022, comprised of 69.6 million people ages 58 to 76. In Colorado, we estimate there are around 1 million Boomers. Although aging, the Boomers seem to be somewhat resilient according to PRB (Population Reference Bureau) who say there will still be 61.3 million Boomers in the United States in 2029. Just doing the math, means a walloping 8.3 million Boomers will die within the next 6-7 years. Yikes. We see it in the obituaries every day.

Several years ago, we conducted a survey in our office. We suspect many of our findings hold true today. Here are a few of the findings we find of interest.

1. 73% of Boomers do have some estate planning documents which they previously executed. It could be a document such as a power of attorney, a will, a trust or payable on death designation. It does not mean they have comprehensive estate plans. According to AARP 60% of US adults do not have an estate plan. It has been noted, 42% of Boomers do not an estate plan, at all.

2. In our study, we found only 1/3 of Boomers who executed estate planning documents have reviewed them in the last five years, to determine if they meet their current

needs. This means 2/3 have not reviewed their estate planning documents within the last five years and likely need to do so.

3. It did not surprise us when we found 60% of Boomers want to distribute their estate to their heirs in trust or partly in trust and partly in cash. With the high divorce rates and the financial crisis forcing many of the children of Boomers into difficult financial situations, this should not be a surprise. Boomers want to ensure the inheritance they leave is protected for their children.

4. Boomers are not significantly different in the way they must address their estate planning from the way their parents planned their own estates. What is different is the world in which they live in today compared to the world their parents lived in. Today, Boomers are faced with planning issues such as partisan political bickering, large federal deficits and declining standard of living for the Boomer, their children and grandchildren which were not faced by the Boomer's parents. Planning for a Boomer in this day and age requires consideration of the aforementioned issues and how any estate plan they create meets the intended goal of the Boomer.

The following are some of the considerations the Boomer must take into account in planning his or her estate. The list is not exhaustive and there are other topics such as Veteran's Benefits, housing issues, financial exploitation, grandparent custody issues, philanthropy, reverse mortgages, and hospice and palliative care that should be considered. These and other issues remain to be addressed in other Special Reports. The issues discussed below are those which we believe are of primary importance.

Section I
Dying with a Will, without a Will or using a Trust as a Will Substitute

When a person dies, the assets he or she owns in *their own name* will pass either (1) to the person they name in their will or (2) in accordance with the laws in the state in which they live. Each state has a statutory provision which directs where the assets will pass (usually to their biological heirs) in the event the decedent does not have a will.

The rules surrounding distribution of the assets owned by the decedent at the time of death are set forth in the statutes (laws) of the state in which they live. The process of distributing the assets is often referred to as "probate," which is a court proceeding. Within a probate proceeding, the decedent’s assets can pass to the individuals named in the decedent’s will (dying testate) or pursuant to the statutes of the state of their residence when they die if they don’t have a will (dying intestate). The state statutes generally distribute the assets to the decedent’s blood relatives when an individual dies without a will and owns a "probate" asset. The statutes of each state vary. If you don't have a will, be sure you know the provisions in your state statutes which determine whom the estate assets will pass to on death.

A will is a type of document which directs how you want your assets distributed. It is important to have a will if you want your assets distributed other than what the state statute directs. A will trumps the intestacy laws and lets you control the distribution of the assets in your estate.

The probate process is not particularly complex in Colorado. Probate may involve court supervision (depending upon the complexities of the estate and possible fights amongst the heirs), requires the appointment of a personal representative and that notice be given to any creditors. Using a will, which guides the probate process, will ensure your estate assets will pass to whom you wish.

Remember, a will only controls probate assets and not the non-probate assets. Non-probate assets include property held in joint tenancy, which passes to the surviving joint tenant; property with a beneficiary designation, such as an IRA account or life insurance policy; and accounts with special beneficiary designation provisions.

When planning an estate, it is important to understand a will does not change beneficiary designations on the aforementioned types of non-probate assets. For example, if you have named a daughter as the beneficiary of a life insurance policy, but have indicated in your will you wish for the life insurance proceeds to pass to your son, the beneficiary provision, which is contractual by its nature, will have control over who will receive the life insurance proceeds. With a will plan, as with a trust plan explained below, it is important to coordinate all of your probate and non-probate assets.

With a trust type of estate plan, both the assets which would otherwise be subject to a probate proceeding and the non-probate assets are coordinated into a comprehensive estate plan. Assets held in a trust do not pass through the probate process, but instead are distributed in accordance with the terms of the trust. Individuals who use a trust as their primary estate planning vehicle do so for one of the following reasons: they want their heirs to avoid the probate process; they have property in multiple states and wish to avoid the necessity of multiple probates; they want an element of privacy in their estate plan and wish to provide for an alternative method of managing their assets other than relying on an agent in a financial power of attorney in the event they become disabled.

A trust is not a panacea, as it usually requires more up-front costs due to the titling of assets in the trust when it is set up, which could be higher than the probate cost. The trust will necessitate monitoring how your assets are held during your lifetime and requires diligence during the lifetime of the person creating the trust to ensure assets continue to be held in trust until the death of the trust creator. In Colorado, we usually refer to the trust creator as the "settlor." For a more detailed discussion of whether a trust or a will plan is best for you, visit the Learning Center on our website here and in the Learning Center go the Special Report entitled "*Will v. Trust*" The bottom line: The Boomer will likely not want to die intestate (without either a will or a trust).

Section II
Advance Directives

Boomers need to have advance directives in their arsenal of estate planning tools, whether they have a will or a trust estate plan. Advance directives allow the Boomer to appoint someone to act and make medical decisions on their behalf if they cannot make them. They also allow the Boomer to select someone to act on their behalf to file income tax returns, contact Social

Security and deal with Medicare should they not be capable of doing so. The medical and financial power of attorney are essential legal documents for any Boomer. Note: The financial power of attorney is not usually referred to as an advance directive, which is usually reserved for medical types of directives; however, in our office we consider them such because they are financial directives you should consider executing in "advance" of needing them.

Surprisingly, in our survey 60% of Boomers indicated they had a type of medical directive, while only 46% said they had a financial power of attorney. Why wouldn't the Boomers have executed them both? Our guess is they may have signed a medical directive on a visit to their physician, but have not visited their attorney yet.

For a Special Report on advance directives and their use please go again to our Learning Center on the website and visit the Special Report entitled Advance Directives.

The bottom line: Regardless of the type of estate plan you may have you need to have advance directives.

Section III
Outright v. In-trust Distributions to Heirs

Once a type of plan (will v. trust v. non-probate transfers) has been established, it is necessary to decide if the distribution will be outright to the beneficiary or whether it is to be held by a trustee for the heir-beneficiary. Leaving a distribution outright is quite simple. If $100,000 is to be distributed outright to an heir, the heir receives the distribution with no strings attached. The heir can spend the money how he or she wishes, a creditor of the heir can attach the inherited money and any appreciation in the value of the inherited asset can become marital property, if the heir is married, even if it is held as separate property of the heir.

The alternative to leaving assets to an heir outright is to leave the assets to a trust and the named trustee will manage the assets for the heir and make decisions regarding any distributions (how and when the distribution is to be spent), which are to be made to the heir in accordance with the distribution provisions. A trust is a very flexible estate planning tool. For a single trust, there can be multiple beneficiaries as well as trustees, and the person or persons creating the trust (the settlor) can dictate the type of distributions which are to be made from the trust. The trust can be established during the lifetime of the Settlor, (an inter-vivos trust) or it can arise at the death of an individual, i.e.- the Settlor, by the terms of their will or other estate planning instrument (a testamentary trust).

There are many different types of trusts which can be created through an individual's estate plan. These might include trusts you create for grandchildren, trusts to protect assets for beneficiaries with special needs, trusts to protect an inheritance from an heir's creditors and spouses, or trusts to hold a specific type of an asset, such as a residence or business, or for a variety of other reasons. Also, it is not required all of your heirs be treated equally. One heir can receive their distribution outright, while another heir can have their distribution held in trust.

If an heir is a minor child, it is necessary to leave the assets to a trust until the heir reaches the age of 18 at a minimum. This type of trust is commonly referred to a "contingent trust to minors." This can be included in a will or trust estate planning instrument. Some lawyers would argue every inheritance should be left in some type of trust. We take the position a trust as a recipient is likely appropriate in most cases, but not all.

For Special Reports in our Learning Center view *Asset Protection Trust*, *Pet Trusts* and *Outright v. In-trust Distributions to Heirs*.

The bottom line: You need to look long and hard as to the possible benefits of a trust to hold assets distributed to your heirs. The outright distribution has many inherent perils.

Section IV
Heirs with Special Needs

When deciding how to leave assets to an heir with a special need, perhaps a disability from birth or otherwise, consider the impact of leaving distributions to the heir outright. Doing so may disqualify the heir from public benefits if the allowed resource limit is exceeded. Instead, consider leaving assets to a Special Needs Trust (SNT) which is designed specifically for heirs with disabilities. The idea behind creating a SNT is to avoid having the trust assets considered available to the disabled trust beneficiary and therefore impacting their public benefits and to protect the SNT assets from unintended dissipation, which can arise from various causes.

Medicaid and SSI are needs-based public benefit programs which generally require the recipient to reduce their non-exempt assets below $2,000. An inheritance which pushes the child's resources above $2,000 would cause the public benefits to be discontinued, which could have adverse consequences to the heir's future benefits. When this happens it is possible to create through the Courts a "d4a" trust which allows the inherited asset to not be considered an available asset for purposes of qualification for benefits.

The bottom line; Know your potential estate beneficiaries and if they have a special need you should plan for it.

Section V
Planning for End of Life Assisted or Nursing Home Care

Boomers, by their nature, like to think of themselves as "forever young." It won't always be so. Boomers will age and be subject to the same frailties as those who have gone before them. A certain number of Boomers will, by necessity, spend time in an assisted or skilled nursing facility. We have many Boomer clients who are doing just that.

A rule of thumb we use: once a male individual turns age 65, he has a 1/3 chance of spending time in an assisted or skilled care facility. The average stay for a male is 9 months. According to the Colorado Department of Health Care Policy and Financing, the average cost of care in Colorado for skilled care is $9,186 per month in 2023 and for Mesa County, Colorado it is

$8,844. A male requiring a nine month stay in a skilled facility in Mesa County may spend about $80,000 in care costs. A stay in an assisted facility will cost less.

For a female, who reaches the age of 65, she has a 2/3 chance of spending time in a Mesa County nursing home with an average stay of 3 years. The expected cost for a female could be approximately $318,000. Again, assisted care may be less, but if the Boomer wants to spend time at home, at a skilled care level, the cost can be $12,000 to $20,000 per month or more in today's dollars.

It will be important for Boomers to plan how they will pay the cost of such care. There are generally five ways to pay for long-term care, as follows:

1. Private Pay. If an individual has sufficient savings, he or she can simply pay for their care. For many this seems like a novel thought as many believe it should be an entitlement-based program. Custodial long-term care is not an entitlement.

2. Long Term Insurance. Insuring against the cost of long-term care is a good option for those who can afford the insurance premiums. The older a person is before the insurance is purchased, the more costly it is. Insurance is usually sold to those who are healthy, so waiting until you are in need of care is not usually an option. Insurance policies are becoming more "consumer friendly" as the new policies try to blend the advantages of a death benefit (with life insurance) with a long-term or assisted living care benefit.

   When considering whether to buy long term care insurance, keep this in mind: You buy insurance to cover the hazard of your house burning down, yet the chances of your spending time in a care facility are greater than your house burning down. It may make sense to insure against the peril of a stay in an assisted care or long-term care facility unless you plan to private pay for the care. After all, you would never think of not insuring your house against it being burned down.

   Another thought on long term care insurance: it is for the most part "inheritance" insurance. If you don't have insurance and must private-pay, the cost of the care will reduce any inheritance you may leave to your heirs. The heirs are the ones who will bear the burden of the long-term cost by a reduced inheritance.

   The exception to this rule is the situation where there is a couple. Couples are universally concerned with the possibility the survivor will run out of money and care costs of the first to die may reduce the resources available to the surviving spouse for his or her needs. If the resources available to the couple are not sufficient to pay for the cost of care for one or both of the individuals (potentially risking the quality of life for a surviving spouse) a long-term insurance policy may make some sense.

   Yet, another thought on long-term care insurance: We all know we are going to die. This is a sure bet as opposed to long-term care, which you never know if you are going to need it. You can buy life insurance to help fill in the financial hole of long-term care costs. Buying a life insurance policy is a sure bet, if you hold the policy until you die. Your estate can be reimbursed the cost of your long-term care. This is just something to think about.

3. Medicare. Generally, those individuals who are 65 years of age or older have their health care covered through the Medicare program. The benefits for assisted or long-term care under the Medicare program are limited. Relying on Medicare to pay for assisted or long-term care benefits is not advised as it simply does not pay for custodial long term care.

4. Veteran's Benefits. If a veteran has a "service connected" disability requiring skilled nursing care it is possible to have the care cost paid by the Veteran's administration. Otherwise, no benefits are available for direct assistance. There is a Veteran's administration referred to as "Aid and Attendance," which can provide monthly income assistance for needy veterans, but it is not designed directly to pay the cost of assisted or long-term care.

5. Medicaid. This is a federal/state funded program which provides direct financial assistance, to those who are in need, for the cost of long-term care and assisted living expenses. It is not a welfare program and can provide assistance to middle class families. For details on the benefits which can be received under the Medicaid program visit our website and review the Special Reports: *2022 Medicaid Planning Guide*, the *Myths of Medicaid* and the *2023 Operational Memo*, which is published by the Colorado Department of Health Care Policy and Financing and explains the current "numbers" for Medicaid eligibility in 2023.

Paying for assisted or long-term care costs is a big issue and must be addressed by Boomers. The federal government likely won't come to the rescue for the Boomers in time. For example, as part of Obamacare, the "Class Act" was passed to encourage individuals to participate in a government program which would accept contributions on a voluntary basis and ultimately provide long term care for participants. The program was abandoned in the fall of 2011. It was hoped the Class Act could evolve into a Medicare-like program for long term care, but it could not fly economically, so was tossed away.

Due to advances in science, Boomers may be living longer. However, it is imperative the Boomer recognizes longevity does not necessarily equate to quality of life. As they say, be careful what you wish for, as you may get it. Notwithstanding, it will be important to plan around the cost of those extra years and particularly so if they are not quality years.

Section VI
Social Security

To draw or not to draw the Social Security benefit is the question. The answer is really not all that easy. There are many wonderful resources on-line to help you make the decision. Try the Social Security website for information on what you might expect in the way of a benefit. Go here to the Social Security website to calculate your potential benefit.

To provide a more comprehensive retirement account calculator try out T.Rowe Price and its retirement calculator. It is a good way to get your arms around a very complex analysis. You do not need to be a client of T. Rowe Price to use their calculator. You can play what-if games and it will give you some idea if you are on the right track with your retirement investments or not.

Section VII
Estate Taxes

This is as unpredictable as most other aspects of estate planning. In 2012, Congress fixed the unified exemption at $5,000,000, with adjustments for inflation. In 2023 the estate tax exemption per person is a whopping $12,920,000. For a couple it is twice this amount, as each spouse receives an exemption. For a couple, with proper planning they can protect $25,840,000 if they both die in 2023. This is a huge exemption and results in very few individuals having to pay estate tax.

The current high estate tax exemption (i.e.- $12,920,000 per individual) is currently scheduled to be reduced for those dying in 2026 and thereafter. What the rate of estate tax will be for those dying in 2026 and thereafter is a bit of a mystery, but is expected to be in the range of $6,000,000 to $7,000,000. The amount of the estate tax exemption, assuming Congress does not extend the current high exemption amount is dependent upon the rate of inflation from 2017 (when the estate tax exemption was $5,490,000) to 2026.

Another recent change is the concept called “portability.” The American Taxpayer Relief Act of 2012 made permanent the option of portability of unused estate tax exclusion from a deceased spouse to the surviving spouse. This means a surviving spouse has the option of using all or a portion of the deceased spouse’s estate and gift tax exclusion if the required election of portability is made, as discussed below. This could result in the surviving spouse having a total estate and gift tax exclusion of $25,840,000 (based on the 2023 exclusion amount of $12,920,000 per individual), assuming no estate or gift tax exclusion were to be used either during the deceased spouse’s lifetime or upon his or her death. The applicable exclusion amount which would be available to the surviving spouse upon his or her death as a result of “porting” the deceased spouse’s exclusion would be equal to the couple’s combined exclusion amounts (assuming the first to die uses none of his or her exclusion amount).

For example, if the surviving spouse were to choose to “port” the deceased spouse’s unused exemption (at the death of the first spouse through filing an election on the first to dies estate tax return), which for purposes of this example is $12,920,000 at the deceased spouse’s death, and if at the time of the surviving spouse’s death (after 2026) the exclusion is $7,000,000 (and assuming the surviving spouse has not used any of the deceased spouse’s or the surviving spouse’s exclusion through lifetime gifts) the surviving spouse’s total exemption at death would be $19,920,000 ($7,000,000 of the surviving spouse’s exclusion and $12,920,000 of the deceased spouse’s “ported” exclusion). In this example, the value of the surviving spouse’s gross estate would have to be more than $19,920,000 for an estate tax to be owed by the surviving spouse’s estate.

Note that Colorado does not have an inheritance tax. Some states do, so be careful in deciding where you want to live at the end of your life.

No-one (and we mean no-one) knows what the estate tax will be for those dying in the future. There is talk of eliminating the estate tax altogether, but with a partisan Congress this is unlikely. Congress can pass legislation to change the tax at any time, so this number is not cut in stone.

What should a person do? There are options. If you have sufficient wealth that you are concerned about paying estate taxes at your death, there are a variety of tax planning strategies that can reduce or eliminate estate taxes altogether. It is important to work with a qualified estate planning attorney in concert with your tax planner to be sure the right plan is put in place for your family and your assets.

We recommend you keep an eye out for congressional action on estate taxes.

Section VIII
Blended Families

This is one of the most difficult planning challenges. Where there is a married couple with a blended family of his kids and her kids, there are many issues which must be addressed. Do I leave everything to my surviving spouse and hope they do the right thing regarding the heirs of the first spouse to die? What if they don't? Will my heirs be disinherited? Can I have my inheritance left to a trust for the benefit of my surviving spouse and upon his (or her) death will it then pass to my heirs? How do I balance the advantages of allowing my spouse to roll over a retirement account with the need to ensure it goes to my heirs after my spouse dies?

Relying on a surviving spouse "to do the right thing" sounds good, but seldom works out for the heirs of the first spouse to die. In the case of a blended family, if you want your wealth, regardless of its size, to pass to your heirs consider an estate plan using trusts to hold assets for the surviving spouse, allowing them to pass to your heirs (in most cases your children) upon the death of the surviving spouse.

Even if you decide to leave your estate to a trust to protect the assets passing to your surviving spouse and later to your heirs (children), be mindful of the fact a surviving spouse has certain statutory rights which can be exercised to defeat your estate plan. The right to take an alternative estate plan depends in part upon the length of the marriage and careful planning should be considered to avoid this from happening.

Planning options include pre- and post-nuptial agreements. In such an agreement a prospective husband and wife reach an agreement on the division of their assets and income if they should divorce in the future and upon the death of one of the spouses. Such an agreement avoids the Court having to rule on the division of assets in the event of a divorce. If a couple decides to live together rather than marry, there is the option of a co-habitation agreement. These types of agreements can handle a variety of issues and are important for Boomers to consider if the relationship with their significant other involves a blended family.

A common law marriage, which in Colorado requires very few facts to evidence its existence, can also throw the administration of an estate into chaos. If a couple is living together, but not married, it is important to document their intent "not" to be married through common law marriage to avoid this arising after the death of one of parties. This does not have to be in a formal cohabitation agreement, although this would be preferred, but can be set forth in a simple written statement indicating any marriage between the co-habitating parties will be through a formal marriage proceeding complete with a marriage license.

Another option for spouses in a blended family involves the use of a marital trust. This type of trust is set up as follows: upon the death of one of the two spouses, the first spouse to die will often leave all or a portion of their estate to a trust, with the beneficiary of the trust being the surviving spouse. The surviving spouse is usually entitled to the income from the trust and often entitled to a distribution of principal, subject to a distribution standard set forth in the trust. Upon the death of the surviving spouse, the assets held by the marital trust are distributed to the heirs of the first spouse to die. By utilizing a trust, the first spouse to die can be assured some of the assets they own at his or her death have a chance of being preserved for the benefit of their heirs.

Under Colorado law, absent a marital agreement, a surviving spouse has the option of choosing the estate plan set forth in the estate plan of the first-to-die or the surviving spouse can "elect" against the estate of the first spouse to die. The surviving spouse has nine months to choose which estate plan he or she may want.

The right of the surviving spouse to disrupt the estate plan of the first spouse to die can be waived by the surviving spouse through a marital agreement, either a pre- or post-nuptial agreement. Such agreements are very powerful tools when planning for blended families and should be considered in most every instance.

Section IX
Planning for Grandchildren

It is hard not to plan for grandchildren. Most grandparents love their grandchildren more than anything else in the world, in some cases more than their own children. However, providing for those grandchildren through an estate plan is the exception rather than the rule.

We find most grandparents provide in their estate plan for the distribution of their estate to pass to their children. Very few grandparents provide for direct distribution to the grandchildren.

Instead, they rely upon their children to make provisions for their own grandchildren. Many grandparents will provide for a token distribution to the grandchildren upon their death. Most often we see a specific bequest in the amount of $1,000 to perhaps $10,000 per grandchild.

Notwithstanding, there are a multitude of ways for grandparents to help their grandchildren. During the grandparent’s lifetime, gifts can be made to the grandchildren to assist them with payment of their educational expenses. If the grandparent does not anticipate having a taxable estate, gifts of assets can be made to one or more grandchildren in amounts up to the exclusion amount. In 2023, a taxable estate is one worth over $12,920,000.

Many clients believe they cannot give more than the annual exclusion amount, which in 2023 is $17,000 per donee (grandchild). This is not the case! You can gift the entirety of your estate, although the gift may be subject to gift taxes. The annual gift tax exclusion amount is important for those individuals who have a taxable estate, as using the annual gift tax exclusion amount does not require the use of any of the larger exemption amount of $12,920,000.

For grandparents with a taxable estate, this means gifts by grandparents can be made in the amount of $34,000 per grandchild (one $17,000 annual gift tax exclusion per grandparent per grandchild) without incurring a gift tax or using any of the grandparent's lifetime gift exclusion.

For those with a taxable estate, this can be a very effective planning tool which provides for removing assets and the appreciation on the gifted assets, from the estate, which would otherwise be subject to estate tax when the donor dies.

Grandparents can establish a trust in which their estate can pass to their grandchildren upon their death. These trusts can also receive gifts by grandparents, whether utilizing the $17,000 annual exclusion or a higher valued gift, during the grandparents' lifetime. The terms of the trust can provide for distributions to the grandchildren for their educational needs or other purposes which the grandparents feel is important.

529 plans are also a popular mechanism in which gifts by grandparents can be made for the benefit of a grandchild. Such plans are designed to allow the amount gifted to avoid taxation on any gain during the terms of the trust. Upon the grandchild attaining college age distributions can be made to the grandchild.

Section X
Charitable Bequests

In our survey, 60% of Boomers desired to leave a distribution to a charity. Many Boomers include in their estate plan distributions to charities. This is not difficult to do. A provision can be included in either a will or a trust providing for the distribution to the charity. For example, a will provision could provide the amount of $1,000 is to be distributed to the ABC charity. Upon death, the personal representative (the individual handling the estate) will make such a specific distribution to the charity.

Such charitable distributions can be made outright or in trust. Distributions to charities can be made during lifetime or at death. Distributions to charities can yield either income or estate tax benefits depending upon the timing of the gift.

Some Boomers are making charitable distributions to private foundations they create to serve a specific purpose. Others are making gifts to community foundations who will receive the designated amounts and administer the gift in accordance with the wishes of the Boomer.

Section XI
Medicare

As most people know, Medicare is the Federally subsidized health insurance plan for individuals over the age of 65. Prior to turning age 65, working individuals contribute to the funding of this program through payroll deductions. Joining the Medicare program at age 65 is not optional, but is mandatory except in certain special situations. One of those situations is those covered under other types of government health insurance programs, such as Tri- Care, which by some counts has enrolled 9.6 million members who are in the military.

A few important items to know about Medicare.

1. So much information can be found on-line regarding Medicare. The federal program is operated by the Center for Medicare and Medicaid Services. (CMS) At this website you can find the 2023 "numbers" for benefits available under CMS. Go here for the 2023 numbers for Medicare Parts A & B Premiums and Deductibles; 2023 Medicare Part D Income-Related Monthly Adjustment Amounts.

2. There are three different components to Medicare: Part A (generally covering your stay in a hospital, skilled nursing care, hospice and home health care); Part B (generally covering hospital visits and other health care related services) and Part D (a prescription drug coverage).

3. Part A, Hospital coverage, is generally free provided the recipient paid into the Medicare system during their working years. If an individual did not pay into the Medicare system prior to age 65 (approximately 1% of the current recipients) they can still receive Medicare benefits provided they pay a monthly premium of up to $506 in 2023. This premium is adjusted annually based on a cost-of-living adjustment.

4. Part B, "Medical Insurance" helps pay the cost of doctor visits, outpatient care, durable medical equipment and home health care. The 2023 standard premium per month is $164.90, which can be adjusted based on the recipients income.

5. Part D is the Prescription Drug coverage, which has received substantial press coverage since it started on January 1, 2006. You can enroll for this coverage when you first sign up for Medicare or afterwards annually between October 15th and December 7th. There are two different plans from which you can choose: Medicare Prescription Drug Plans and Medicare Advantage Plans. The plans have deductibles and co-payments which need to be taken into account and there are a variety of plans to choose from. If you visit the Medicare website at www.medicare.gov, you will find a substantial amount of information on how these plans work.

6. You must sign up to receive the Medicare benefits and can do so at your local Social Security office starting three months prior to your 65th birthday.

7. With Medicare there are deductibles and co-payments depending upon the services to be provided. Consequently, many enrollees also purchase a Medicare supplement insurance policy. These supplemental policies fill in the gaps in coverage which are not covered by the basic policy benefits.

8. Benefits under Medicare can also provide health insurance coverage for individuals under the age of 65 who have certain disabilities or those with permanent kidney failure who require a transplant of dialysis.