The Owl on with life

A newsletter for wise people growing older

november 2015

The goal of this newsletter is to encourage people who are growing older to keep on with the business of living. The experience of growing older should focus on achieving and maintaining a quality of life that is enjoyable and desirable.

The Michigan legislature passed the ABLE Act in November. ABLE stands for *Achieving a Better Life Experience*, and the act is intended for persons with a disability to access to funds that will improve the quality of their life without jeopardizing the funding that provides for their basic needs of housing, food, and clothing. More on this important legislation in the next issue of The OWL.

OTHER LEGISLATIVE NEWS

Effective November 2, two important changes in the way social security benefits become available.

The first change is the loss of “file and suspend” strategy. This strategy allowed a spouse to file for social security benefits at full retirement age (FRA) and then suspend the benefits to continue working and allow his or her retirement benefit to grow. At the time the working spouse filed, the other spouse could begin to claim a social security benefit based *(cont. on page 2)*

IT IS OPEN ENROLLMENT TIME

You have until December 7 to make changes in your Medicare health plan.

It is wise to sit down with your Medicare health plan documents and review whether the current plans meet your needs or not. Medicare Part A is your hospitalization plan and you pay no premium for Part A, but you have co-pays. Medicare Part B is your outpatient plan and you pay a monthly premium, co-pays, and an annual deductible. Part B covers doctor visits and other outpatient services. There are supplemental plans called Medicare Part C. They may be referred to as advantage plans or Medigap plans. Advantage plans provide additional services or benefits beyond Part A and Part B. Medigap plans fill some of the gaps created by Medicare Part A and B which do not cover dental costs, vision costs, or hearing aids to name just a few. Drug coverage is available under Medicare Part D. Some Medicare Part C plans cover drugs and some do not, so looking at each Part C and Part D plan is important. A supplemental policy (Part C) will provide additional services, but it comes with an additional monthly premium (as do drug plans). And some supplemental plans allow you to stay with your existing physician while other plans move you into a Health Maintenance Organization (HMO) or Preferred Provider Organization (PPO) where your current physician may be an out-of-network provider. You pay higher costs to stay with an out-of-network provider. In addition, not all physicians accept payment from all of the supplemental programs. If you enjoy travel, you may be aware that Medicare Part A and B do not generally cover the cost of medical care outside of the United States. If travel is on your agenda, you may wish to investigate an advantage plan or Medigap plan that provides coverage outside the US. For more information, visit www.medicare.gov or call 1-800-MEDICARE.

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Joint Accounts

No matter whether you are young or old, single or married, pinching pennies or living comfortably, you have or will encounter the dilemma of owning a joint account with someone else. As you grow older, live alone, or experience health issues, your thoughts turn to a joint checking account *just in case*. Who will manage my financial affairs if I become unexpectedly ill and cannot get around for several weeks? If an account is in your name alone, and you die, who will receive that money? Joint accounts are often referred to as a convenience account because it is easy to set up and convenient for the parties on the account. But is a joint account always the best idea?

A joint account generally means the assets in the account are available to all the parties on the account. Maybe the only money in the account is from your social security check, but all the co-owners can withdraw from that account as if the money belonged to each one. Another problem is that creditors can attach a claim to any account that the debtor has his or name on. You could lose your money to a co-owner's creditors.

Because of the risk of mischief (as my lawyer friend Jill calls it!), a fiduciary agent under a durable power of attorney (DPOA) cannot open a joint account unless the document specifically grants the agent that power. The fiduciary agent can have *signature* powers to make deposits and write checks, but cannot own the account or mix the agent's funds with the person's funds. You can see, though, that mischief can still occur when the agent has the checkbook to an account, even if he or she isn't an owner. Banks are keener to question checks coming through the bank written out in various amounts to the fiduciary agent. Such activities may prompt the bank to notify you or the authorities to verify what is going on.

What are the alternatives? Besides choosing a trustworthy fiduciary agent, you have a couple of options. First, a statutory joint account is one which allows others to have their signature on the account, but not own the account. You as the sole owner designate who receives any funds in the account upon your death. That solves the dilemma of what happens to your money at death, unlike a joint account where the monies pass directly to the other owner on the account. Likewise, you can set up a payment on death (POD) account or transfer on death (TOD) account so that bank accounts, brokerage accounts, and stocks can be designated to a person upon your death. The person is not the owner of the account and cannot access the account. You may still need someone to be a signature on your account to make deposits and pay bills, but remember, a fiduciary agent should not be a joint owner of your accounts.

You have given them powers under the DPOA to act on your behalf. If a potential fiduciary agent pressures you to add their name to accounts, it may be a red flag to look for another agent. Be sure that your DPOA does not give your agent more powers than you are comfortable with.

The digital age makes this discussion more relevant. It's easier to handle financial affairs on-line with direct deposit and automatic bill-pay. But when help is needed, it often means sharing passwords.

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on the working spouse's record. That spouse usually received about 50% of the social security benefit owed to the working spouse at the time of filing. This sought-after advantage allowed one spouse to continue working while the other spouse claims a social security benefit of 50% of the working spouse's benefit. A clause in the bill states that couples who file and suspend within 180 days of November 2 may be grandfathered in.

Another strategy lost permitted Spouse A at full retirement age (FRA) to make a restricted application for social security benefits on Spouse B's benefit while delaying Spouse A's own claim for a period of time. The additional period of time allowed the Spouse A's social security benefit to increase while he or she was claiming and benefitting from Spouse B's record. At age 70, Spouse A could convert to his or her benefit that had now increased by the additional time. The bill does not contain a grandfather clause for those who will be effected by this change.