

Retiring Early?

A Healthcare Subsidy Could Help

By Steven T. SWINDLER, CFP®
Senior Financial Advisor



If you're thinking about retiring early, that is, before age 65, but losing your healthcare coverage plan is giving you pause, there might be a solution for you. Under the current healthcare system as determined by the Affordable Care Act — frequently referred to as Obamacare — you can get help from the federal government in the form of a subsidy if your retirement taxable income will be between 100 and 400 percent of the current poverty line.

Consider the following example: The husband is approaching 65 and wants to retire at that age. He will qualify for Medicare, so moving from his employer's plan to Medicare should be a smooth and painless transition. However, his wife, who has been covered on his employer plan as a spouse, is still a few years away from Medicare age. As such, she'll need her own coverage for her pre-Medicare years.

According to their financial plan and based on available income from Social Security and other savings, the couple will have a retirement income of about \$5,000 a month. Given that their home is paid for and they have modest expenses, \$5,000 will serve as a comfortable monthly income. But a search for private insurance through the Health Insurance Marketplace or Exchange (see www.healthcare.gov) revealed the most basic of plans, including minimal coverage and a high deductible, will cost about \$1,000 a month. The dream of retiring at age 65 did not appear to be a reality.

Until we met with them, did the math and learned they could qualify for a federal subsidy. The subsidy effectively reduces their out-of-pocket cost for private insurance to about \$300 a month. (Or they could pay a bit more for a higher quality plan.)

The subsidy is available in one of two ways: as a direct payment monthly to your insurance provider or as a tax credit at the end of the year. In our example case — and most cases — the direct payment to the insurer is preferable to paying the monthly premiums in full and waiting for their income tax refund to be reimbursed.

The current (2018) income ranges qualifying for the subsidy are (less income than the minimums qualify for coverage under Medicaid):

- \$12,060 to \$48,240 for a single individual
- \$16,240 to \$64,960 for a couple
- \$24,600 to \$98,400 for a family of four

The new allowed income levels are published at the end of the year, so if you are applying for a subsidy in 2020, the income levels released for 2019 will apply.

There are some restrictions, that is, you must apply for private coverage through the Exchange. People getting coverage through Medicaid or Medicare do not qualify for subsidies.

To take advantage of the subsidy, you need to get to know your numbers. For example, your taxable income will include social security payments and distributions from pre-tax savings plans, like an employer's 401K or your IRA. HBKS® financial advisors collaborate with the tax professionals of our partner firm, HBK, to determine if you qualify for health insurance subsidy and to help you ensure you generate the retirement income you need in the most tax-advantaged way.

The historical and current information contained in this document is a summary of information obtained from or prepared by other sources. It has not been independently verified, but was obtained from sources believed to be reliable. HBKS® Wealth Advisors does not guarantee the accuracy of this information and does not assume liability for any errors in information obtained from or prepared by these other sources.

HBKS® Wealth Advisors is not a legal or accounting firm, and does not render legal, accounting or tax advice. Nothing within this document can be relied on as legal, accounting or tax advice. You should contact an attorney or CPA if you wish to receive legal, accounting or tax advice.



Steven T. Swindler, CFP®

Senior Financial Advisor, HBKS® Wealth Advisors

Steven Swindler is a senior financial advisor in the Stuart, Florida, office of HBKS® Wealth Advisors. He began his career in 2002 working for the Schramm Company, P.A. and the Schramm Investment Company, LLC, founded by principal and senior financial advisor, Stephen Schramm. The firm merged with HBKS® in 2004.

Steven specializes in providing comprehensive financial services to individuals, families and small businesses. As a senior manager for the firm partner HBK CPAs & Consultants, Mr. Swindler handles tax and consulting matters for select individuals and business engagements.

Mr. Swindler earned a Bachelor of Arts degree in business administration from the University of Florida and is a CERTIFIED FINANCIAL PLANNER™. He serves as the treasurer of the Martin Interagency Network for Disasters, Inc., the Treasurer for Martin County Gator Club and the Treasurer for the Martin County Healthy Start Coalition.

Insurance products are offered through HBK Sorce Insurance LLC. Investment advisory services are offered through HBK Sorce Advisory LLC, doing business as HBKS Wealth Advisors. NOT FDIC INSURED - NOT BANK GUARANTEED - MAY LOSE VALUE, INCLUDING LOSS OF PRINCIPAL - NOT INSURED BY ANY STATE OR FEDERAL AGENCY.