

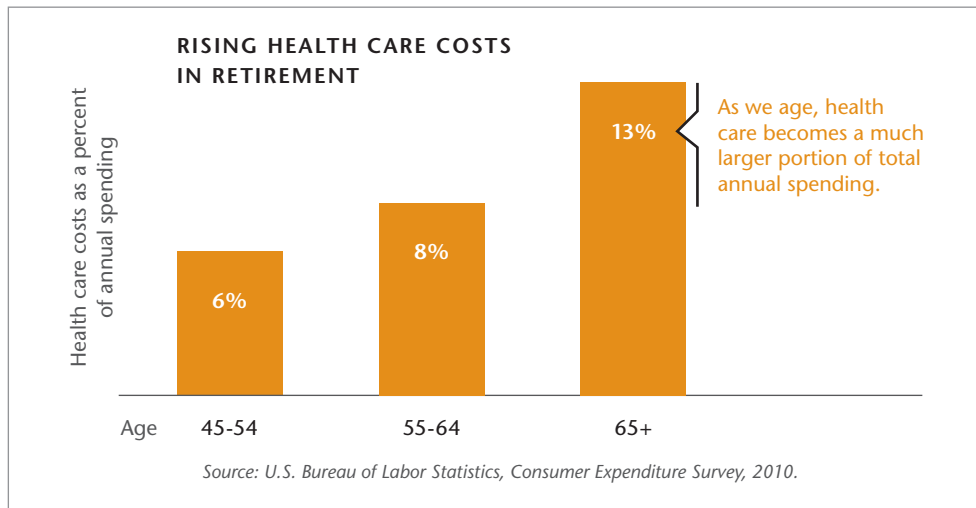


Investor Guide

Finding Your Way with Medicare

Health Care Costs on the Rise

Do you know how much health care will cost during retirement? Health care can be one of the biggest expenses in retirement and one you may be underestimating. In fact as of 2010, a person aged 65 or over can expect health care to make up about 13% of their annual spending.



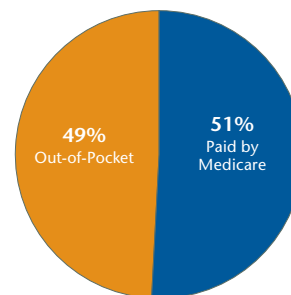
Paying for Health Care in Retirement

Fortunately, Medicare pays for over half¹ of retirees' health care expenses. But making the most of this valuable program involves several requirements, options, and deadlines. To make the right choices for your situation, you need to fully understand Medicare and the decisions it involves.

PAYING FOR HEALTH CARE IN RETIREMENT

Medicare vs. Out-of-Pocket Costs

Source: Employee Benefit Research Institute.



Retirees' most commonly selected retirement threat is reduced Medicare benefits.² That's ahead of reductions in Social Security, market volatility, and insufficient retirement savings.

¹ Employee Benefit Research Institute, 2012.

² Principal Financial Well-Being IndexSM, fourth quarter 2013.

Where to Get Started

Medicare can be overwhelming with all its options, plans, and decisions. It's important to understand these decisions so that you make the best choices for your situation. This guide will help. **You will learn answers to these questions:**

- ? What are the different parts of Medicare, and how do they work?
- ? How much does Medicare cost?
- ? Who is eligible?
- ? What is Medigap insurance?
- ? How do I enroll in Medicare?

Follow these Simple Steps

To get started on the path to understanding Medicare, follow these simple steps. Your financial professional can also provide additional guidance.

STEP ONE

Understand Medicare

STEP TWO

Consider Your
Options & Costs

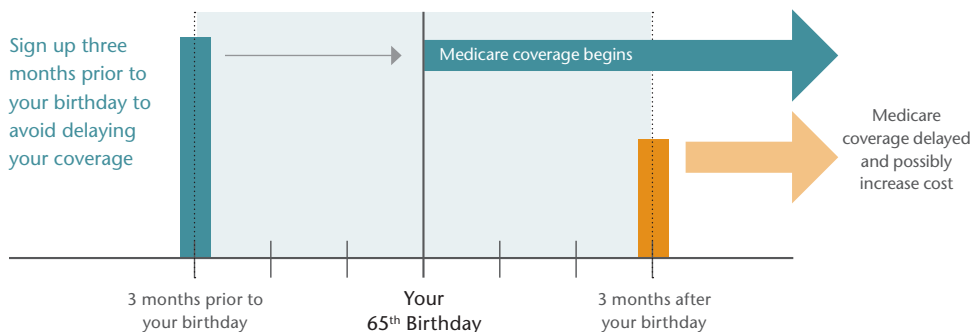
STEP THREE

Create a Plan

When to Enroll?

You are eligible for Medicare when you turn 65. You do not have to be retired or collecting Social Security to receive Medicare benefits. It is recommended that you sign up three months prior to your birthday to avoid delaying your coverage. You are still eligible to sign up three months after your birthday, but your coverage will be delayed.

MEDICARE ENROLLMENT TIMELINE



STEP ONE

Understanding Medicare

Let's start with the basics—what exactly is Medicare? The chart below provides an overview of the four parts of Medicare. Talk with your financial professional about how to get more information about each plan.

PLAN	Medicare Part A	Medicare Part B	Medicare Advantage (Medicare Part C)	Medigap (Replaces Medicare Part C)	Medicare Part D
OVERVIEW	Medicare Part A is hospital insurance and helps cover the cost of inpatient care	Medicare Part B is medical insurance to cover medically necessary services like visits to the doctor and outpatient care	Medicare Part C, sometimes called Medicare Advantage, is medical and hospital insurance provided by private companies	Medigap is Medicare supplemental insurance provided by private insurance companies	Medicare Part D is prescription drug coverage
COVERAGE	<ul style="list-style-type: none"> – Hospital stays up to 60 days and partial coverage beyond 60 days – Skilled nursing and hospice 	<ul style="list-style-type: none"> – Outpatient care – Nursing home care 	<ul style="list-style-type: none"> – Combines Medicare Part A and B³ – Prescription drug coverage may be included – Individuals can select their own provider (PPO or HMO) 	<ul style="list-style-type: none"> – Pays deductibles and co-pays Medicare Parts A and B – Individuals can select their own provider (PPO or HMO) 	Pays for generic and brand name prescription drugs
PROVIDER	U.S. Government	U.S. Government	Private health insurance companies	Private health insurance companies	Private health insurance companies
PLAN EXPENSES	None	\$104.90 - \$335.70 per month based on income	Varies by state – all individuals pay same price	Varies by carrier and health status ⁴	Varies by state and prescriptions used
ADDITIONAL EXPENSES	Individual pays for all or partial care after 60 days	20% co-payment for some services	Co-pay for most services		Partial costs for medications during donut hole ⁵
DEDUCTIBLE	\$1,216	\$147	Varies	Varies	Varies

The content is based upon reliable source material and is believed to be correct as of the time of creation; however, it is subject to change at any time without warning. The purpose is educational.

Medicare Parts A and B provide the lowest up-front costs, but also can create the most gaps. Medicare Parts A, B, D, and Medigap together will create the highest up-front costs, but together will provide the fullest coverage with the least amount of gaps.

³ Requires using a provider in network.

⁴ Individual pays more based on chronic health conditions.

⁵ Individual exits the initial coverage of prescription-drug plan, the beneficiary is financially responsible for a higher cost of prescription drugs until he or she reaches the catastrophic-coverage threshold.

STEP TWO

Consider Your Options & Costs

Now that you understand some Medicare basics, an important factor is the cost of each plan.

How Much will Medicare Cost?

Medicare Part A

You usually don't pay a monthly premium for Medicare Part A coverage if you or your spouse paid Medicare taxes while working. This is sometimes called "premium-free Part A."

Medicare Part B

Premiums for Medicare Part B vary depending on your household income. Remember, deadlines are one of the most important things to know and can impact your cost. If you don't enroll when you're first eligible, premiums will increase 10% for each full 12 months until you do enroll.

File Individual Tax Return	File Joint Tax Return	Your Monthly Payment
\$85,000 or less	\$170,000 or less	\$104.90
\$85,001 – \$107,000	\$170,001 – \$214,000	\$146.90
\$107,001 – \$160,000	\$214,001 – \$320,000	\$209.80
\$160,001 – \$214,000	\$320,001 – \$428,000	\$272.70
Above \$214,000	Above \$428,000	\$335.70

Important Note: Keep in mind that if you choose to enroll in Parts A and B, you may also want Medigap coverage.

Medicare Part C

Medicare Advantage plans are provided by private companies, and can vary quite a bit from one plan to another. By law, they must at least be equivalent to regular Parts A and B coverage. But some Medicare Advantage plans provide greater coverage than Parts A and B.

Carefully compare how each Medicare Advantage plan stacks up to the costs and benefits of original Medicare. The Medicare Plan Finder at [medicare.gov](https://www.medicare.gov) can help.

Medicare Part D

Cost for Medicare Part D will depend on which plan you choose, and may incur an additional charge depending upon your income.

File Individual Tax Return	File Joint Tax Return	Add the following amount to your monthly Part D premium:
\$85,000 or below	\$170,000 or below	\$0.00
\$85,001 – \$107,000	\$170,001 – \$214,000	\$12.10
\$107,001 – \$160,000	\$214,001 – \$320,000	\$31.10
\$160,001 – \$214,000	\$320,001 – \$428,000	\$50.20
Above \$214,000	Above \$428,000	\$69.30

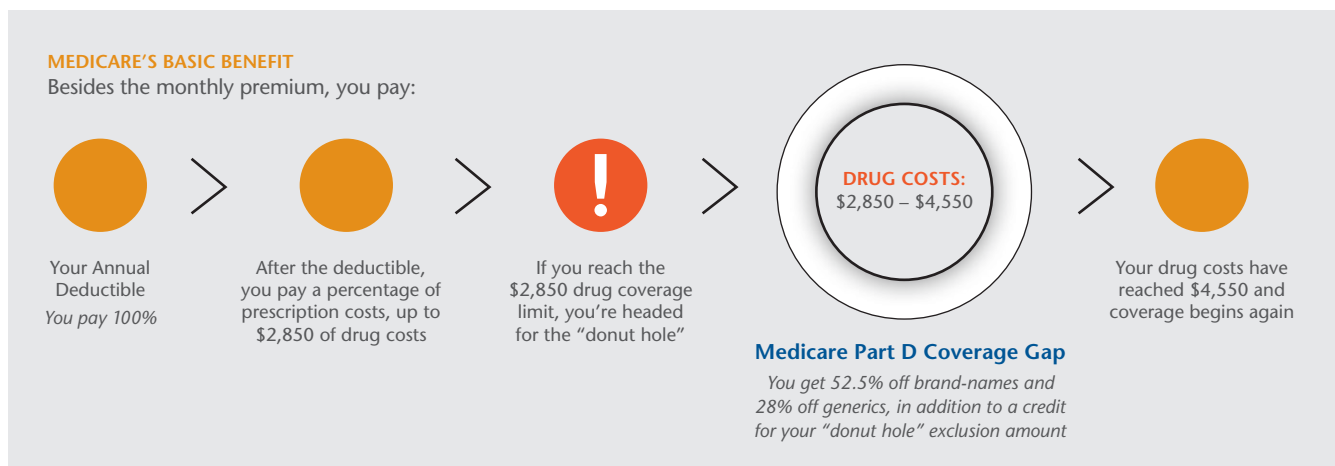
Do You Need Separate Prescription Drug Coverage?

Part D coverage can also be purchased through a stand-alone prescription drug plan offered by an outside provider, but costs will vary based on the plan you choose. You can change your plan during the Annual Coordinated Election Period (October 15 – December 7 each year). You may have to pay a penalty if you do not apply for coverage when first eligible.

Medicare Part D Coverage Gap

One thing you need to consider with Part D is what's called the "donut hole." The diagram below illustrates how individuals may be impacted by this coverage gap in most Part D programs. This means that after total retail costs for your prescriptions reach \$2,970 (for 2013), you will have to pay the full amount until you have paid a total of \$4,750 (for 2014).

At that point, catastrophic coverage will pick up most of the additional prescription drug costs. In 2014, there is assistance for individuals who reach the donut hole. You'll get a 52.5% discount on brand-name drugs and a 28% discount on generic drugs. You still receive credit for the full cost of brand-name drugs in meeting the donut hole exclusion amount.



What if You're Still Working?

If you or your spouse is still working and has insurance through your employer, contact your benefits administrator to find out how your insurance works with Medicare. Each situation is individual to the kind of health insurance you have.

If You Need to Change Your Coverage

There are certain times of year when you can make changes to the coverage you already have:

1. During certain open enrollment periods that happen every year from October 15 – December 7
2. Under certain circumstances that qualify you for a Special Enrollment Period (SEP), such as the following:
 - You move.
 - You are eligible for Medicaid.
 - You qualify for extra help with Medicare prescription drug costs.
 - You are getting care in an institution, such as a skilled nursing facility or long-term care hospital.

STEP THREE

Create a Plan

Once you know how Medicare works and understand your options, it's time to create a plan. This plan should include not only your decisions on Medicare but also how you will pay for out-of-pocket health care costs during retirement.

How to Enroll

When you are ready to enroll the Social Security Administration handles Medicare eligibility and enrollment. You can contact the Social Security Administration at **800-772-1213** to enroll in Medicare or to ask questions about whether you are eligible. You can also enroll online at [socialsecurity.gov](https://www.socialsecurity.gov).

Initial Enrollment Period	Age 65 (3 months before thru 3 months after)
General Enrollment Period	January 1 through March 31 each year
Open Enrollment Period	October 15 through December 7 each year
Special Enrollment Period	Extending up to eight months after your group coverage ends

Make sure you have the information you need to make this important decision. Still have questions about Medicare? These resources can help you gather additional information.



Call 1-800-MEDICARE



Visit [Medicare.gov](https://www.Medicare.gov)

Call your state's Senior Health Insurance Information Program (SHIIP).

Working Together

One of the best defenses you have to keep your health care costs in check is to remain healthy. Talk with your financial professional to develop a retirement income strategy that factors in medical coverage and the rising costs of health care. Ongoing conversations with your financial professional are important to adjust for any health situations or coverage changes.



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