I thought you retired!
Working beyond retirement — today it's the rule, rather than the exception

For many teachers, counselors and other school staff, retirement isn’t the end of their work life — it’s just the beginning. With today’s longer life expectancies, retirees are finding that employment has a multitude of rewards. Some see it as a chance to use their skills and experience in a new way. For others, a post-retirement job is a financial necessity. Retirement savings plan losses, health insurance coverage, or changes in income needs can all be driving factors as retirees re-enter the workforce.

If you’re contemplating some kind of post-retirement work, you’re not alone. AARP recently surveyed a group of workers aged 45 – 74 and found that over two-thirds of them are either currently working or plan to work in their retirement years. And fortunately, age is becoming less of a barrier for the older worker. More businesses have begun to recognize that the experience and work ethic many older workers bring to the job is worth its weight in gold.

Yet many retirees still face the challenge of starting a job search. Assessing your situation is step one.

What do I need? Whether it’s health insurance, expanding your social circle, or collecting a paycheck, take some time to think about your main reasons for working. Your reasons will have some impact on the kind of job you seek. If you’re working solely for financial gain (i.e., to pay for health insurance or cover expenses), your compensation package will undoubtedly be a major factor in the job you accept. If work will chiefly be an outlet for you to flex your mental muscles and have a little fun, then approach your job search with that in mind.

What do I want to do? For some people the answer is obvious. Maybe you have a passion for photography or woodworking and have been waiting for the chance to follow that dream.

For others, finding the right job can be frustrating — particularly if you haven’t been in the job market for awhile. Here are some suggestions to get you started:

- Be flexible. Explore a variety of options. Sometimes the right job for you comes in an unexpected place. Don’t be afraid to try something new.
- Do your homework. Learn all you can about job areas you might be interested in. Browse the Internet, go to the library, or check out the offerings at your local technical college or extension and follow up on things that are of interest.
- Network. Let people know you’re interested in working. The more people aware that you’re looking, the better your chances of finding something. Brainstorm job prospects and solicit the advice of colleagues or friends in your search.

How working affects Social Security payments

While work can be a fulfilling addition to retirement, there may be consequences to working after starting Social Security payments, depending on your age.

Social Security beneficiaries between the ages of 62 and 65 lose $1 in benefits for every $2 they earn over $11,520* in 2003. There’s one exception: At the start of the year you turn 65, you will lose $1 in benefits for every $3 you earn above $30,720*. This applies only to the money you earn prior to turning 65.

Once you’re over 65, you can earn as much as you like and still collect the Social Security benefits due to you.

*amount adjusts annually.
Source: Social Security Administration
Covering the cost of long term care
Medicaid is an option, but not an attractive one

Long term care is a big concern for many people. And for good reason. The average annual cost of nursing home care is over $50,000 depending on where you live — and that cost is on the rise.

Preparing for the possibility that you may need long term care can have a big impact on your financial future. Not preparing? Here’s how that can play out.

Who pays for long term care?
Typically, you do. Neither Medicare nor your health insurance is designed to cover long term care, so if you need it (43% of people 65 and older will), you will be responsible for paying the cost from your income and assets. Medicaid — the government-funded health insurance for the financially needy — will step in to pay for your care, but it’s no freebie. The Medicaid dollars spent on your care can be recovered from your estate (see below).

How Medicaid works
If you’re single, and need long term care

Estate Recovery
Under Wisconsin law, Medicaid dollars spent on long term care services (i.e., nursing home, home care, etc.) are recoverable assets. That means the state can place a lien on the property of the individual using Medicaid to pay for long term care and, after the individual, and his/her spouse have passed away, and no dependent children live in the home, can recover those assets from the estate. For more information, go to www.dhfs.state.wi.us/Medicaid1/recpubs/erp.htm.

If couple’s combined countable assets are — Community spouse may keep —

| $0 — $50,000 | A ll of assets |
| $50,001 — $100,000 | $50,000 |
| $100,001 — $181,320* | 1/2 of assets |
| Over $181,320* | $90,660* |

*amount adjusts annually

Medicaid is helping to pay for your long term care costs, you’re allowed a monthly personal needs allowance of $40. Any remaining income must be used to pay for your care.

If you’re married, the spouse needing long term care must meet the same asset requirements as a single unmarried person (i.e., no more than $2,000) to qualify for Medicaid benefits. However, the incapacitated spouse may transfer assets and income to the other spouse (often referred to as the community spouse) within certain limits and still qualify for Medicaid benefits. This legal provision, known as spousal impoverishment protection, keeps the community spouse from having to use up all the couple’s savings to pay for long term care and allows him or her to retain the couple’s home, car, and a certain amount of their assets. The incapacitated spouse can also transfer enough income to bring the community spouse’s total income up to a maximum of $2,266.50 a month (this amount, adjusted annually, is dependent on a number of factors including shelter costs and whether dependent family members are living with the community spouse).

Avoiding Medicaid
Long term care insurance can help you finance long term care expenses. If you have a group policy like the Trust’s — almost always your most economical option for coverage — check with your school district to see if, and how long, you can continue the plan when you retire. If you don’t have group coverage, check into an individual long term care policy by calling the WEA Member Benefit Trust at (800) 279-4010.

Here’s an example
Meet George and Janet. After a long struggle with Parkinson’s disease, George entered a nursing home. He and his wife, Janet, have $25,000 in a savings account, $35,000 in IRAs, and $70,000 in other investments — a total of $130,000. In addition, they own their own home — worth $90,000 — and a car worth $12,000. George’s monthly income is $1,500; Janet’s monthly income is $1,000.

Not including their home or car, George and Janet have $130,000 in assets. At this asset level (see table), Janet is allowed to keep half of the couple’s assets — $65,000 — plus their home and car. The remaining $65,000 is considered an asset available to be used to pay for George’s care. Since his assets are greater than $2,000, George does not qualify for Medicaid upon entering the nursing home.

George’s nursing home costs $60,000 a year which is paid from his $65,000 in assets. In just over a year, he will have spent his assets down to a level where he qualifies for Medicaid. Because Janet’s income from her own Social Security benefits, pension, or investments is $1,000 per month, George is able to transfer up to $1,266.50 of his income to Janet, bringing her total monthly income up to $2,266.50.
Look before you leap
What retirees should know before leaving an employer-sponsored group health plan

Newly retired, Jane finds herself having to cover the cost of her health insurance. Like any good consumer, she decides to try to find the best coverage at the best price. She finds a plan that has a lower monthly premium than her group plan, but it doesn’t cover everything — most notably, prescription drugs. Because she isn’t taking any prescriptions, she decides to make the switch. Two years later, Jane develops a serious health problem. Her new health plan doesn’t cover the prescriptions she must take. She’d like to return to her former group health plan, but finds that she can’t resume coverage.

It’s become a more common scenario: retirees leave their group health plan in an attempt to save money, but end up wishing they hadn’t. If you’re retired and thinking about changing health coverage, you should be aware of the consequences. The most important of these is this: If you leave your employer-sponsored group health plan, you will generally not be able to rejoin that plan, AND it may limit your eligibility for other health plans (see adjacent story on WEA-MedPlus).

There are some basic questions you need to answer before making a switch.

1) Do I need coverage for dependents? If your spouse or kids still need coverage (and are eligible), be sure any plan you consider offers you that option.

2) Does the non-group plan provide the same level of coverage? Sometimes plans look similar, but the coverage they provide is very different. Most Medicare supplemental policies don’t cover prescription drugs while good group plans (like the Trust’s) do. Even if you don’t take prescription drugs now, like Jane, you may need that coverage later.

Timing also becomes a factor in switching coverage. Here’s why:

If you retire before turning 65 . . . by law, you and your dependents can continue your group health coverage for at least 18 months as long as you, or your former school district, pay the premiums. Some group plans, like the Trust’s, allow qualified retirees to keep the plan indefinitely (with the Trust plan, this option is open as long as the district stays with the Trust).

If your school district does not pay any portion of your health coverage after you retire, you will be responsible for covering the cost. At this point, sticking with your group plan is probably your best option. Group plans will almost always be your most economical choice for comprehensive coverage, and often provide options for covering dependents.

Once you reach 65 . . . it’s a whole new ball game. Now you’re eligible for Medicare — the health insurance program subsidized by the federal government. Medicare generally covers 80% of your approved health costs. It does not, however, cover ALL health services (prescription drugs, for example) and there are deductibles and copayments, so there are still expenses that you’ll want to have coverage for. Your choices for coverage include remaining in your group plan, enrolling in an alternate plan like the Trust’s WEA-MedPlus, or a Medicare supplement plan.

Here’s where it gets tricky: If you’re married, chances are you and your spouse will not turn 65 at the same time. If you have an employer-sponsored group plan covering the two of you prior to one of you turning 65, it may be best to maintain that plan at least until both of you are 65 and eligible for Medicare. If the spouse who turns 65 leaves the group plan for some other coverage (Medicare supplement, etc.), he will not be able to get back onto the group plan or into an alternate health plan like WEA-MedPlus — even after you turn 65.

The bottom line is this: If you’re retired and considering a switch in health coverage, make sure you’re aware of the consequences. For more information, contact a Trust customer service representative by calling (800) 279-4000.

WEA-MedPlus eligibility

WEA-MedPlus is a health plan offered by the WEA Trust for public school retirees aged 65 or older. Its coverage is similar to our group health plan, but it has strict eligibility requirements. To qualify, you must:

◆ be age 65 or older
◆ be enrolled in Medicare Parts A & B
◆ be covered by an employer-sponsored health plan at the time you retire
◆ have no dependent children for whom you want coverage

In addition, school district retirees NOT currently covered by a Trust group health plan, must also be:

◆ age 65, but not yet 66
◆ a member of WEAC-Retired

For more information, contact a Trust customer service representative by calling (800) 279-4000.
Unfortunately, there’s no single right answer here. You can begin collecting benefits as early as age 62. But if you do, your benefits will be reduced to account for the longer period over which you’ll be paid.

You can collect full benefits at age 65 if you were born before 1938. The full retirement age inches up for everyone else — up to age 67 for those born in 1960 or later.

Or, you can wait to start collecting benefits until you turn 70. If you wait, your monthly benefit will go up significantly for each year beyond your full retirement age that you put off receiving benefits.

So which option is best for you? Generally, I find that starting Social Security payments early is a good bet for many people. It often allows you to keep the money you already have growing tax-deferred in your retirement accounts, while you live on Social Security and pension benefits.

However, here are a few reasons to delay collecting Social Security:

**Life expectancy.** You can’t outlive your Social Security benefits (or take them with you), so taking them early may or may not be in your best interest depending on how long you live. Regardless of when you begin taking Social Security payments, your cumulative benefit amounts will be roughly the same between your 77th and 78th birthdays. After that, you would begin collecting more the later you started Social Security payments. So if you expect to live longer than age 78, starting your Social Security payments at full retirement age or later will net you more money in the long run.

**Still working?** If you want to keep working, collecting benefits before you reach your full retirement age probably doesn’t make sense, especially if you have considerable earnings. That’s because your Social Security benefits are reduced if you earn above a ceiling that is adjusted each year (see box on cover).