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Protecting A Lifetime Of Memories

Where Your Retirement Dreams Become Reality...



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Taxes on Retirement Income

When planning your retirement there is more to maximizing your income than just having the "highest" rate of return. More than likely, the biggest factor that will affect your income is (everyone's favorite thing!) TAXES! Imagine that, the number one income killer throughout your life is the same one in retirement. There are a number of different tax situations your money can be in and they will determine how 'all' of your income is taxed in retirement... **How much of your money you will get to spend!**

The first kind of income that you will probably have in retirement is 'Tax-Deferred.' This is money you save throughout your life in a 401k, IRA, 403b, etc... (With Restrictions) The money is put in before being taxed and you defer all of the taxes until retirement. By putting off paying the taxes until later, hopefully you will build a larger nest egg. Unfortunately, as you pull money out for income, you will have to pay taxes on ALL of the income.

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Understanding Medicare Pt. 2

Last month I wrote about the basics of Medicare, and what your different options are. This month, I am going to continue that topic and explain in more detail the differences between Medicare Supplements (Medigap) and Medicare Advantage plans. It is important to note that both plans are designed to provide better protection than that of original Medicare and that in order to qualify you must have Medicare Parts A & B.

Medicare Advantage is an "all in one" alternative to original Medicare offered by Medicare-approved private companies that must follow rules set by Medicare. These plans will essentially take over your Part A & B. This means you will file your claims with your Medicare Advantage insurance carrier, not original Medicare. These "bundled" plans offer a greater variety of coverage, will usually include part D, and may or may not offer extra benefits such as vision, hearing, and/or dental. The cost varies by plan, but these plans are usually offered at low or no monthly cost. Some plans charge a monthly premium in addition to what you pay for part B, while others will help pay all or part of your part B premium. An important thing to consider about these plans though is your coverage area. In most cases you'll need to use doctors who are in the plan's network (for non-emergency or non-urgent care). You also may need to get a referral to see a specialist. So, if you are a frequent traveler, be careful when choosing this type of policy.

Medicare Supplements or "Medigaps" are plans focused on covering some or all of the remaining costs left by original Medicare such as copayments, coinsurance, and deductibles. Every Medigap policy must follow federal and state laws designed to protect you, and they must be clearly identified as "Medicare Supplement Insurance."

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Interesting Facts:

- The dial tone of a normal telephone is in the key of "F".
- There are 293 ways to make change for a dollar.
- The first Jack-O-Lanterns were actually made from turnips, not pumpkins.
- Halloween dates back to the first century B.C. from the Celtic festival for the dead called "Samhain."
- Samhain is also responsible for the creation of the word, "bonfire". During the festival, the Celts would burn fires with animal bones in them (bone fire) to ward off evil spirits and to ensure the sun would return after the winter.

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*Are you unnecessarily paying income taxes on your
social security call now for your **FREE** report
"How to Stop the Taxation of Your Social Security Income"
Call now while supplies last.*

"I wish it didn't happen to me...So do all who live to see such times. But that is not for them to decide. All we have to decide is what to do with the time that is given us."
-J.R.R. Tolkien

Halloween Safety Tips...

Just remember...

S.A.F.E H.A.L.L.O.W.E.E.N.

Swords, knives, and similar costume accessories should be short, soft, and flexible.

Avoid trick-or-treating alone.

Walk in groups or with a trusted adult.

Fasten reflective tape to costumes and bags to help drivers see you.

Examine all treats for choking hazards and tampering before eating them

Hold a flashlight while trick-or-treating to help you see and others see you.

Always test make-up in a small area first. Remove it before bedtime to prevent possible skin and eye irritation.

Look both ways before crossing the street

Lower your risk for serious eye injury by not wearing decorative contact lenses.

Only walk on sidewalks whenever possible, or on the far edge of the road facing traffic to stay safe.

Wear well-fitting masks, costumes, and shoes to avoid blocked vision, trips, and falls.

Eat only factory-wrapped treats. Enter homes only if you're with a trusted adult.

Never walk near lit candles or luminaries. Be sure to wear flame-resistant costumes.

Taxes on Retirement Income

The next kind of income is 'Interest Gained.' This is money that is gaining interest and is taxed each year. This money could be in CD's or savings accounts. The taxes are paid "as earned." Each year, you pay taxes on the interest gained in that year. Another, vehicle in this category is non-qualified annuities. You earn interest each year. However, you only pay taxes on the interest as you take it out.

Another type of income is 'Tax Free Income.' This comes from putting your money in 'Tax Free' bonds. You put your money away after income taxes and you generally don't pay taxes on the income.

The common problem, with each of the incomes mentioned above, is that ALL of these incomes count against you in determining the taxation of your social security income. If you are filing an individual tax return and have over \$25,000 of income, up to 50% of your social security income will be taxed. Over \$34,000, 85% is taxed. (Married filing joint... \$32,000 and \$44,000)

One of the better incomes is what I call, 'Never Taxed Income.' This income can be obtained by using a Roth IRA. Note: This can be in any investment vehicle, (Stocks, CD's, Annuities etc...) This is money you put away after taxes. (With Restrictions) The money grows tax deferred, but when you pull it out it is still not taxed. 'Never Taxed Income' does not count against you for taxation of your social security income.

The last and best kind of income is 'Legally Unreported Income.' It has the best of all worlds. It is similar to 'Never Taxed Income,' in that you don't pay taxes on the income and it doesn't count in determining how much of your social security income will be taxed. However, it has several distinct advantages over all the other retirement income options, as defined in the little known IRS Code 7702. To find out more about maximizing your spendable retirement income, call my office today!

Understanding Medicare Pt. 2

Insurance companies can sell you only a "standardized" policy identified in most states by letters. Medigap covers you for a monthly premium in addition to what you pay for your other parts, but will result in lower or no out of pocket costs. A good thing about Medigap policies, is that they usually will cover you at any Medicare accepted doctor/facility in the United States (or sometimes abroad). An important thing to remember about Medigaps is that they do not offer drug coverage, so you will need to enroll in that separately.

All in all, both Medicare Supplements and Medicare Advantage offer great protection for health care costs over original Medicare. However, each one has its own benefits, perks and drawbacks. Therefore, it is important to weigh all the differences to determine which one will work best for your own situation. Remember, you are only allowed to enroll in one or the other. In either case though, these are not all-encompassing policies. There may or may not be other coverages you will need. For a full in-depth guide on Medicare download the "Medicare & You Handbook" off the Medicare.gov website. Of course, you can also call my office and I will help in any way I can.