

The Independent Investor

By Bill Schmick

Medicare premiums and your income

We all know that Medicare is not free. Once we enroll in Parts B and D, we start paying monthly premiums. What many consumers fail to realize is that how much you pay depends upon how much you make.

For most of us, this is a moot point. We assume that we will be retiring at 65 years of age (at the same time Medicare kicks in), but that assumption is no longer accurate. The reality is that Social Security, retirement, and Medicare can happen at different times in your life.

Take, for example, Social Security benefits. Every year the target date for full retirement creeps higher. It used to be 65, but for many it will edge up to almost 67 over the next few years. When that occurs, a worker will usually sign up for Medicare A, but delay enrolling in Parts B and D until after he or she retires and is no longer covered by his/her company's health insurance program.

What most applicants don't know until it is too late is that your monthly Medicare premiums will be based on your last two years' annual income—but the actual logistics of that can be confusing. Here's why.

Your reported income follows a governmental processing chain where once the IRS processes your tax returns, they pass that information on to Social Security, which, in turn, feeds the data to Medicare, which then determines your premiums based on those numbers.

Let's say you are applying for Medicare Parts B and D right now. It will take months before the IRS gives Social Security your 2017 tax returns, and even more time before that data gets to Medicare. Bottom line: there is a big-time lag between your current income and when it shows up in your Medicare premiums.

That means if you are retiring now and made less than \$85,000 (as a single taxpayer, or \$170,000 filing jointly) in the calendar year 2016, your premiums would qualify at the base rate of \$134/month for Part B and \$13/month for Part D.

Above that income level, your premiums increase to \$267.90 and \$33.60, if you make over \$85,000-\$107,000 (\$170,000-\$214,000 jointly). They jump again above \$133,500 or \$267,000 jointly. And again, and again, until you can be paying as much as \$428.60 and \$74.80 per month when your income exceeds \$160,000 or \$320,000 jointly. If your spouse is also retired and on Medicare, then double that premium amount. Those couples making above \$320,000/year, for example, will pay \$503.40 per month or \$6,040.80 a year.

Social Security determines what you pay each year, based on your modified adjusted gross income (MAGI) as reported to the IRS. MAGI would include things like wages, dividends, rental income, capital gains and non-taxable Social Security benefits. If you earn more (or less) the following year, Social Security will adjust your monthly premiums. They call it your income-related monthly adjusted amount. That premium will be deducted from your Social Security income check or, if you are not taking Social Security yet, it will be billed to you.

Theoretically, your premiums should be adjusted every year, with a lag. So, if you report a high-income number to the IRS for the two years prior to retirement, you can expect to pay a lot in Medicare premiums. What happens when your income drops, as it usually does once you retire?

You can petition for a Request for Reconsideration to reduce your Part B premium if you feel there is a compelling reason why you should not be paying a higher premium. The most common reason most petition is that income has dropped dramatically in retirement. Other reasons might include marriage, divorce or being widowed. The loss of income-producing property and changes or termination of a pension would also count.

Appeals work some of the time, but not all the time. It is a lengthy process and you still must pay your premiums while the petition makes its tortuous way through this process. It costs nothing to petition, however, and you might win in the end.

A much better approach, if you can manage it, is to reduce your income as much as possible two years prior to signing up for Medicare B and D. That is not always easy to pull off. You might reduce your hours and compensation, for example, if your employer is flexible; or, if your spouse works and has family health coverage, you could retire, delay Medicare coverage for two years and then apply. It comes down to what you can afford to give up now for future benefits in the years ahead.

Bill Schmick is registered as an investment advisor representative and portfolio manager with Berkshire Money Management (BMM), managing over \$200 million for investors in the Berkshires. Bill's forecasts and opinions are purely his own and do not necessarily represent the views of BMM, and none of his commentary is or should be considered investment advice. Direct your inquiries to Bill at 1-888-232-6072 or Bill@afewdollarsmore.com. Visit www.afewdollarsmore.com for more of Bill's insights.

ON THE GRILL

Smoked Whole Chicken

By John Clarke

One of our favorite meals is a smoked whole chicken. Food Lion and our other area grocers offer several choices, including the larger, plumper Perdue brand, an Oven Stuffer Roaster, but a whole chicken of about six pounds will offer you several wonderful meals and if you are a little more industrious, chicken salad to boot.

As you will recall from some of the earlier articles, we use a ceramic grill known as a Big Green Egg. This type of grill really allows you to control the temperature and smoky goodness. But all grills work and if you own a gas grill, you can prepare yours for indirect cooking by lighting the burners on only one side. A Weber style grill can work quite well, too, if you use a reverse sear insert or take the time to stack your briquettes around only one side.

Cooking enthusiasts and experts are having a little debate about the science of brining a bird, but it still is pretty useful and renders a chicken that has a nice, moist taste. You will need a container large enough to hold the bird so you can brine it for at least four hours, but overnight is optimal (a clean cooler will work as well). An internet search will yield a good brine recipe, but you can opt for salt (the key ingredient), broth, brown sugar, peppercorns, thyme, sage and rosemary to keep it simple. Biggreenegg.com has some good brining and injection recipes as well.

Following a soak of at least 4 hours, you will want to pull the bird and pat it down to dry it off. My wife, Anne, uses a food processor to make a mixture of softened butter, parsley, sage, rosemary and thyme to slide under the skin. Gently run your index finger under the skin to push in the butter and herbs as far down the body of the bird as you can, taking care not to break the skin. Sometimes with a whole chicken, the internal parts either get omitted or are incomplete. If you enjoy chicken livers, toss those parts in a pan on the stove and cook in Worcestershire sauce-seasoned water over low heat for a nice snack.

Absent a brine, salt and pepper the bird thoroughly as that will also be sufficient. I like to use silicone cooking bands to tie down the legs and hold the wings in tightly to the bird's carcass. You can find these at Ginny Gordon's in Morehead City or online at amazon.com. If you enjoy a rub, make one with olive oil and your favorite rub flavor—but take care that you don't end up with too much salt.

By now, you have worked with your grill and you are a team. You know more or less about where you need to set your dampers so that you can reach and hold 325 degrees (the perfect baking temperature for your bird). You will need a plate setter or deflector (disposable pans work, too, if you have a Weber style charcoal grill) to avoid having the heat directly under the chicken. Add water and some spices to the pan (include any butter and herb mix that may be left over), and position it under the bird to catch the drippings.

(Continued on page 26)