Retiring Early?

Your Guide to Healthcare Coverage, Life Insurance, and Faith-Based Financial Planning

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Once your primary career is finished and the resignation party is in the rearview mirror, you'll probably feel ready to start enjoying your retirement – whether that means hitting the "relax" button or starting an all-new creative or professional endeavor.

But there are a few important things you'll need to tidy up to truly enjoy your golden years (especially if you're retiring early). For example:

- How will you navigate healthcare and life insurance now that you're no longer covered by your employer's plan?
- Do you really need life insurance after you retire?
- What about incorporating your faith into your retirement plan?

Whether you want to retire at 45, 55, or 65, you will have to make big decisions that can impact you financially for better or worse – but you don't have to find the answers on your own!

Click here to listen to "Pros and Cons of Early Retirement"

In this comprehensive guide, we're diving into everything you need to know to make these critical decisions and create a two-comma retirement you can feel confident in.

Part 1:

Understanding Healthcare Coverage in an Early Retirement

You've saved diligently and worked hard for that early retirement – but without access to employer-sponsored health insurance and a decade (or more) between you and **Medicare eligibility** if you're leaving the workforce early earlier than 65, you're left financially vulnerable to unexpected medical costs.

We often refer to this scenario as a "gap" in coverage. Luckily, there are a few ways you can bridge that gap and keep yourself (and your family) covered:

1. Consider COBRA. The **Consolidated Omnibus Budget Reconciliation Act**, often called COBRA, offers temporary continuation of employer-sponsored health insurance under certain circumstances, including retirement. If your employer has 20 or more employees and offers group health insurance, you can likely elect COBRA coverage when you retire. However, keep in mind that you'll be paying the entire premium yourself, and the maximum time allowed is 18 months. COBRA is intended to help you retain coverage while you search for new insurance, and is not meant to be a long-term solution.

2. Explore the Public Marketplace. Since the **Affordable Care Act** (or ACA) was adopted in 2010 and offers a "shopping center" of health insurance options. Plans **through the "Marketplace"** are offered by private insurance companies and are guaranteed to cover essential health benefits. You also can't be denied coverage due to pre-existing conditions, and the cost and plans available to you are largely dependent on your income, with discounts offered in the form of tax credits.

3. Get Familiar with Private Options. You don't have to go through the Marketplace to find a private health insurance plan – you can go straight to the source (i.e., the insurance companies themselves). However, note that they can deny coverage due to pre-existing conditions and often come with higher costs than plans offered through ACA – so it's crucial to compare costs, coverage details, and network limitations before deciding.

Related: "Retiring in 2024: Financial, Legal, Healthcare and Lifestyle Considerations"

Beyond Age 65: Medicare Coverage and Eligibility

To become eligible for Medicare, you need to **meet certain requirements**: You must be either 65 years of age, have End-Stage Renal Disease requiring dialysis, or qualify for **Social Security Disability Insurance**.

However, if you're retiring at age 55, chances are you won't be eligible for Medicare for at least another decade – so you'll need to find alternative coverage (like the options we listed above) in the meantime.

But let's explore what happens after you hit that 65 year milestone. Once you qualify for Medicare, you will have access to **four key parts** of the program:

- **Part A** covers hospital-related costs like in-patient care, hospice, blood transfusions and more. Medicare Part A doesn't usually have a premium, although there may be deductibles for certain services provided – and there are several things that don't qualify at all (like hearing aids, for example).

- **Part B** covers general medical care, such as outpatient doctor's visits, blood tests, ambulances, wheelchairs, and more. As of 2023, most people pay around $165 a month in premiums for Part B coverage.

  **Note that Medicare Parts A and B are often referred to as "Original Medicare."*

- **Part C**, also known as Medicare Advantage, is an alternative to Parts A and B that offers coverage through private companies, but with plans approved by Medicare. They often include additional benefits such as vision, dental and hearing coverage, but you'll need to use doctors and hospitals that are in the plan's network (which can be challenging).

- **Part D** is a prescription coverage program that complements your Part A, B, or C plan. Each Part D plan is different and may have a premium as well as a deductible.

If you're enjoying an early retirement, waiting ten years for Medicare may seem like a long time, but it will likely be here before you know it – and knowing which options are right for you can help save time and stress when that time does come.

Related: Everything You Need to Know About Medicare's 8-Minute Rule

Supplementing Medicare with Medigap

Although **nearly 65 million Americans** count on Medicare for their health insurance, it isn't always a perfect solution.

That's why there is also Medicare supplement insurance, **known as Medigap**, that can help fill in any missing pieces to your health insurance puzzle. Offered through private insurance carriers, Medigap helps pay for costs Original Medicare (Parts A and B) doesn't cover, such as deductibles, coinsurance, and copayments.

Your Medigap enrollment period automatically begins when you are 65 years or older and are signed up for Medicare Part B. From that time, you'll have six months to choose a plan and enroll in Medigap (without being denied coverage due to a pre-existing condition). After that, you'll likely pay higher costs and may have trouble qualifying at all.

Medigap plans are fairly standardized, and there are 10 main types of plans you can purchase. Any plans that start with the same letter carry the same basic benefits, and vary only by price.

You can click here to learn more about the types of plans available to you, which depends on where you live.

Additional Considerations

As you round out your health insurance coverage for your early retirement, it's wise to explore your **long-term care insurance (LTC) options**. These plans can help you pay for assisted living costs or nursing home care down the road, and you typically get more bang for your buck the earlier you get started.

Additionally, if you're still working and enrolled in an employer-sponsored health plan, consider a Health Savings Account (HSA). HSAs allow tax-advantaged contributions for qualified medical expenses.

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Part 2:

Planning for Life Insurance in Retirement

Life insurance is a great way to ensure financial security for your loved ones in the event that you pass away. It's a type of policy that you pay into throughout your life, and your beneficiaries receive upon your death. Seems straightforward, right?

Here's the catch: Your life insurance needs will likely change once you retire.

Most likely, your children have grown and flown the coop, and are now making their own money – so replacing your income upon your death becomes less of a priority. There may, however, be other concerns you wish to plan for using life insurance:

- Your spouse, whose pension or Social Security could be lowered if they are widowed.
- Any outstanding mortgage(s) and other debts, which could financially burden your loved ones should it be passed on to them.
- The legacy and inheritance you wish to leave to the next generation, which may be accompanied by taxes that life insurance can help to alleviate.

Click here to listen to "Estate Planning Essentials: Key Elements to Consider When Creating an Estate Plan for Your Retirement Assets"

Uncovering Your Options: Types of Life Insurance for Retirees

There are a few kinds of life insurance you can choose from: term, whole life, and universal life.

Term life insurance offers coverage for a specific period and then expires, while **whole life insurance** "offers consistent premiums and guaranteed cash value accumulation." Whole life plans are permanent so long as you keep paying the premium, and essentially come with a little savings account attached.

Universal life insurance is similar to whole life insurance in that they're both permanent, but a universal plan will come with greater flexibility and lower guarantees. With a universal plan, you can often adjust the amount you pay or the death benefit over time, whereas a whole life plan is pretty static.

Click here to read "Navigating Retirement: Anticipating and Addressing 7 Key Financial Risks"

Integrating Life Insurance with your Retirement Plan

While retirement accounts like a 401(k) or Roth IRA are generally your first stop in your retirement savings journey, a life insurance plan with a cash value component can be a great addition to your toolbox.

For example, let's imagine you took out a universal life insurance plan, which you pay into on a monthly basis. Those premium payments build over time, making a small "savings" account within your policy. In the event that a financial emergency occurs during your retirement (like a costly health scare or sudden lack of income), you can **usually withdraw those payments** tax-free from your insurance account.

If you're retiring at 55 years old, that extra safety net could come in handy in the form of supplemental income!

Related: Manage Your Investment Risks with Diversification

Part 3:

Making Informed Decisions with A Faith-Based Approach to Your Finances

Planning for retirement is more than just crunching numbers and navigating complex financial products. For many people, including many of the folks we serve at PrairieView, their personal faith and beliefs strongly influences how they view money decisions.

With a faith-based approach to financial planning, you can better align your financial decisions with your core values while also attaining your Two Comma Life.

Let's explore how spirituality can act as a guiding light as you chart your course to an early retirement.

Spiritual and Financial Considerations in Balance

Many Christian faiths emphasize the importance of living a balanced life, free from excessive worry about material possessions. Retirement presents an opportunity to step away from the relentless pursuit of wealth and focus on **the things that truly matter**: family, faith, and giving back.

Click here to listen to "Finding Significance Through Service"

Let's explore five key ways you can use retirement planning to become more connected to your faith, finances, and community.

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5 Ways You Can Find Purpose and Faith in Retirement

1. Give to charities that align with your values. SmartAsset reports that households with written financial plans are significantly more likely to save 10% or more of their income for retirement, versus those that don't have a concrete, written plan in place. When you save diligently and consistently, you also have more opportunities (and funds) to support the causes closest to your heart.

2. Invest in stocks and companies that share your beliefs. A faith-based financial planner can help you evaluate companies and funds that have ethical and social practices you wish to support through your investments. For example, PrairieView Wealth offers faith-based investment options that can align your financial decisions with your spiritual beliefs.

3. Use your early retirement to spend more time helping others. Retirement frees you from the constraints of a full-time job, allowing you to dedicate more time to causes you're passionate about. Consider volunteering your skills and experience with organizations that align with your values – or even your church!

4. Mentor the next generation. Your children and grandchildren may accompany you to church on Sundays – but they're also likely taking notice of where you are spending your money and why. You can use financial planning as an opportunity to kickstart conversations about finances and religion, including how a proactive money mindset can be used to support both yourself and your church.

5. Leave a legacy. Retirement offers ample chances to plan how your resources can continue to make a difference beyond your lifetime. With the right planning in place, you can choose exactly where you want your assets to go – and ensure they get there smoothly.

For example, you may choose to include charitable bequests in your will or life insurance policy, or even set up a family foundation to manage your charitable giving (and involve future generations in supporting causes important to your family).

Click here to listen to "Health and Wellness in Retirement: How to Maintain Good Physical and Mental Health As You Age"

By incorporating insurance planning, healthcare coverage, and faith-based practices into your retirement plan, you can find peace, purpose, and a renewed sense of connection to something larger than yourself. A well-crafted retirement plan can also help ease you into your early retirement, support your two comma lifestyle, and protect your loved ones from life's "what ifs."

Make the Most of Your Early Retirement

If you're planning on retiring at 55 (or have already taken the plunge) it's important that you have a financial plan in place you can count on. And it's never too late – or too early – to get started.

Learn more about life insurance options, healthcare coverage options, and faith-based planning. **Click here to schedule a complimentary meeting** and discuss your specific needs with a trusted financial advisor here at PrairieView Wealth Partners.

Schedule a Complimentary Retirement Readiness Consultation Today

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