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Truth, Knowledge, Experience *4th Quarter 2020*

Hi Everyone,

The new year brought with it a frenzy of news regarding chat room investors, "meme" stocks and mighty Hedge Funds. The Reddit army upset the market with their short squeeze on a number of struggling companies.

Their efforts turned the market on its' head and left Hedge Fund managers scrambling. It will be interesting to see if the retail investor continues to upset the traditional powers on Wall Street in 2021.

Stay safe,
Matthew Geremia

In This Issue:

Your Guide to Medicare Planning

Presented by Stephen Geremia

Did you know that the total projected lifetime health care costs (excluding long-term care) for the average 65-year-old couple retiring this year are expected to be $295,000 in today's dollars? This figure highlights how important it is for you to start planning to manage your health care expenses in retirement.

For many people, Medicare becomes the primary source of health care coverage in retirement. This guide to Medicare planning will help answer the many questions you may have about Medicare, including who is eligible, what services are covered, and how to avoid potential penalties and surcharges.

What Does Medicare Cover?

Let's start by defining the letters that make up the Medicare alphabet soup and what they mean in terms of coverage.

Part A: Generally covers inpatient hospital services
Part B: Usually covers doctor visits, outpatient services, and durable medical equipment
Part C: Known as Medicare Advantage; an alternative to original Medicare Parts A and B plus D (This plan typically offers drug coverage, plus vision and dental care. Individuals must first enroll in original Medicare to be eligible for Part C Medicare Advantage. The cost of the plan may be the same as original Medicare, but there could be additional charges, depending on the plan selected.)
Part D: Prescription coverage

Now that we've covered the building blocks, let's move on to eligibility and enrollment.

Who Is Eligible for Medicare?

Individuals who are 65 or older are eligible for Medicare. Medicare requires enrollment at particular triggering events and at specific times throughout the year. If you are receiving retirement benefits under the social security program, you will be automatically enrolled in Medicare Part B at age 65. If you are covered under a larger group health plan (20 or more employees), you can opt out of Part B and Part D coverage without a penalty.

A specific triggering event (e.g., when you lose group employer coverage) requires that you enroll during the special enrollment period. Enrolling within eight months of a triggering event will help avoid Part B penalties but may not prevent coverage gaps. You should start the enrollment process at least three months before a triggering event occurs to avoid gaps in coverage or the risk of missing a penalty deadline.

A key factor in determining a Medicare penalty is whether you have "creditable coverage." Let's take a closer look.

What Is Creditable Coverage?

COBRA coverage, group employer plans for businesses with fewer than 20 employees, and retiree health plans may *not* be considered creditable coverage for Medicare Part B. With one of these plans, you would not avoid the Part B enrollment penalty. Medicare would be the primary payer for health services, while these plans are secondary. These plans, however, may qualify as creditable coverage to avoid the Part D enrollment penalty. Here's a breakdown of those penalties:

- **Part B:** Individuals pay a surcharge of 10 percent of their Part B standard premium for each 12-month period they fail to enroll.

Part D: The penalty is 1 percent of the "national base beneficiary premium" per month. In 2021, the national base beneficiary premium is $33.06 per month. This 1 percent penalty is applied to the total number of months an individual is without creditable coverage. This surcharge is added to the Part D premiums.

Please note: You should verify that your current insurance is considered creditable coverage for Medicare purposes to avoid these permanent surcharges.

**** The impact of Environmental, Social Governance or ESG has become a major risk factor for investors. Please stay tuned for the date of our first web seminar in which we will discuss the risks to investors. ~ Steve ****

What Is Supplemental Coverage?
If you are covered under original Medicare Parts A and B plus D, you might consider purchasing Medigap coverage. Medigap, also known as Medicare Supplement Insurance, offers supplemental coverage for expenses that traditional Medicare doesn't cover, including vision, dental, medical coverage during international travel, and copays.

Medigap plans (e.g., Plans A through D or Plans G, K, L, M, and N) are federally mandated to provide specific core coverage and are regulated under state law to offer additional supplemental coverage. The coverages and costs will vary between plans.

Please note: Effective January 1, 2020, Medigap Plans C and F are generally no longer available for new enrollees.

Who Pays First?
The coordination of claim payments between Medicare and other health insurance coverage can directly affect your health care costs. *Your Guide to Who Pays First* outlines the coordination of benefits for Medicare-eligible individuals. Let's review some common scenarios and how Medicare coordinates payments.

Employer health plans. If an employer has fewer than 20 employees, Medicare may be the primary payer and the employer coverage is secondary. So, if you are 65 and covered under a smaller employer plan through your spouse's employer or are still working and covered under this type of employer plan, you should verify with the provider whether the plan is creditable to avoid a penalty for Part B and/or Part D. If the plan is not considered creditable coverage for either Part B and/or Part D, you should enroll in Medicare.

If the employer has 20 or more employees, the employer plan is the primary payer and Medicare is the secondary payer.

TRICARE. If you are 65 and inactive duty military covered under TRICARE, Medicare is the primary payer for Medicare-covered services and TRICARE is generally secondary (unless services are received in a military hospital).

There are special rules for TRICARE-insured military members who are enrolled in specific plan types. Generally, if you are retired, you should enroll in Part B to remain eligible for TRICARE (including drug coverage).

Federal employee health benefits (FEHB) plan. If you are 65 and covered under an FEHB plan and are an active employee, the FEHB plan is the primary payer and Medicare is secondary. Once you are no longer an active employee, the FEHB plan for Part B is not considered creditable coverage. At that point, Medicare is the primary payer. On the other hand, FEHB may be creditable coverage to avoid the Part D prescription plan penalty. FEHB may also serve as your supplemental gap plan.

Retiree employer health plan. Medicare is the primary payer and the retiree health plan is secondary when you are 65 and covered under a retiree employer health plan.

Once you are no longer an active employee, the retiree health plan for Part B is not considered creditable coverage. Medicare is the primary payer. This plan may be creditable coverage to avoid the Part D prescription plan penalty and may serve as your supplemental gap plan.

What About Health Savings Accounts?
Once you enroll in any part of Medicare, including Part A, you can no longer contribute to a health savings account. If you are considering collecting social security benefits, in general, you should stop making contributions six months before enrolling in Medicare to avoid a potential health savings account contribution penalty.

What Is the Cost for Medicare?
Medicare premiums are means tested. The higher your modified adjusted gross income (MAGI), the higher your monthly premium costs. If you have a higher MAGI, you will pay a surcharge, known as the income-related monthly adjustment amount (IRMAA).

In the case of IRMAA for Medicare, your MAGI is generally your adjusted gross income, which includes all taxable income (e.g., retirement account distributions, capital gains, and interest), plus dividends from tax-free bonds, interest from savings bonds used to pay higher education tuition and fees, and foreign earned income excluded from gross income. For 2021, the premium cost will be based on your 2019 MAGI.

Hold harmless rule. This rule protects current social security beneficiaries from increasing Medicare costs in a year when there is no or a very low cost-of-living adjustment. When this rule applies, the cost of any increase in premiums for Medicare are absorbed by a smaller group of recipients: new enrollees and current beneficiaries subject to IRMAA.

- In 2021, the standard Part B cost is $148.50 per person per month. The top Part B IRMAA threshold for a married couple filing jointly is a MAGI of $750,000 or greater. The monthly premium, including the IRMAA surcharge per person, for these enrollees is estimated to be $504.90 per month.
- In 2021, the top Part D IRMAA threshold for a married couple filing jointly is a MAGI of $750,000 or greater. In addition to the monthly premium, an IRMAA surcharge per person for enrollees is $77.10 per month.

You can appeal the IRMAA surcharge amount for specific life-changing events, which include death, divorce, loss of pension, loss of income-producing property, work stoppage, or an error in the determination records. Further information on the appeal process is available on the U.S. Department of Health & Human Services website.

Need Additional Information?
If have any questions about the information shared in this guide, please contact me. Medicare planning is a complex topic, and I am happy to talk through the available options and help guide you to appropriate decisions.

Understanding the New Stimulus Bill

Presented by Stephen Geremia

On December 27, 2020, President Trump signed the Consolidated Appropriations Act, 2021, into law (hereinafter referred to as "the Act"), with large portions of the bill acting as an economic stimulus for individuals and businesses affected by the COVID-19 pandemic. The legislation (the second major congressional response to the COVID-19 pandemic) is intended to provide immediate and ongoing economic relief to individuals and businesses affected by the crisis. At more than 5,000 pages, the bill contains provisions relating to a broad variety of topics. This summary is intended to address only the critical provisions for individuals and small businesses.

Direct Payments to Individuals

Much like the Coronavirus Aid, Relief, and Economic Security (CARES) Act, individuals and families with incomes below certain thresholds can expect to receive a stimulus check (or direct deposit) from the government, albeit for a lesser amount than under the CARES Act.

Filing Status	Adjusted Gross Income (AGI) Less Than . . .	Payment Amount
Individual	$75,000	$600
Head of household	$112,500	$600
Married filing jointly	$150,000	$1,200

In addition, families would receive an extra $600 per child younger than 17.

Taxpayers with AGI above established thresholds will see their payment amount reduced by 5 percent of the income exceeding the threshold ($5 for every $100 in income), which means certain individuals will receive a reduced stimulus check or may not receive one at all.

The determination of income for the threshold will be based on the taxpayer's 2019 income tax return. If individuals would be entitled to a higher payment if 2020 AGI figures were used, they can claim a "recovery rebate credit" on their 2020 tax returns.

The timing of the checks is not definitive, but government officials have expressed their intent to have payments sent as soon as administratively possible.

Expansion of Unemployment Benefits

Unemployed individuals, including those who typically aren't otherwise entitled to unemployment compensation under state law (e.g., self-employed) and self-certify that they have been adversely affected by the COVID-19 pandemic, may receive unemployment compensation for an additional period of up to 11 weeks. Such authorized payment to self-employed individuals was originally authorized under the CARES Act and was set to expire on December 26, 2020.

In addition to any weekly unemployment compensation available under state law, unemployed individuals are entitled to an additional $300 per week for a period lasting until March 14, 2021, termed Federal Pandemic Unemployment Compensation. This amount was available to unemployed individuals at an amount of $600 per week under the CARES Act, but that expired on July 31, 2020.

Loans to Distressed Small Businesses

The previously available Paycheck Protection Program (PPP) will receive $284 billion in additional funding. Small businesses (defined as those employing 500 or fewer employees) will be eligible for forgivable, government-backed small business loans under the PPP. The same basic eligibility standards previously adopted for the PPP will remain applicable for first-time borrowers. Businesses that have already received a PPP loan may apply for a second loan; however, such borrowers will be subject to more stringent qualifications and reduced maximum available loan amounts.

Moratorium on Evictions

Landlords are prohibited from initiating eviction proceedings against tenants until after January 31, 2021; however, to qualify for the eviction moratorium, the renter must be under certain income thresholds and be able to substantiate certain adverse economic circumstances. The Act also provides funding to states to help certain renters in need of emergency assistance.

Unlike the CARES Act, this Act did not appear to provide specific aid to homeowners facing foreclosure; however, government agencies may continue to enact and extend foreclosure moratoriums and forbearance programs related to properties with federally backed loans.

"Rule No.1: Never lose money. Rule No. 2: Never forget Rule No.1"
~ Warren Buffet

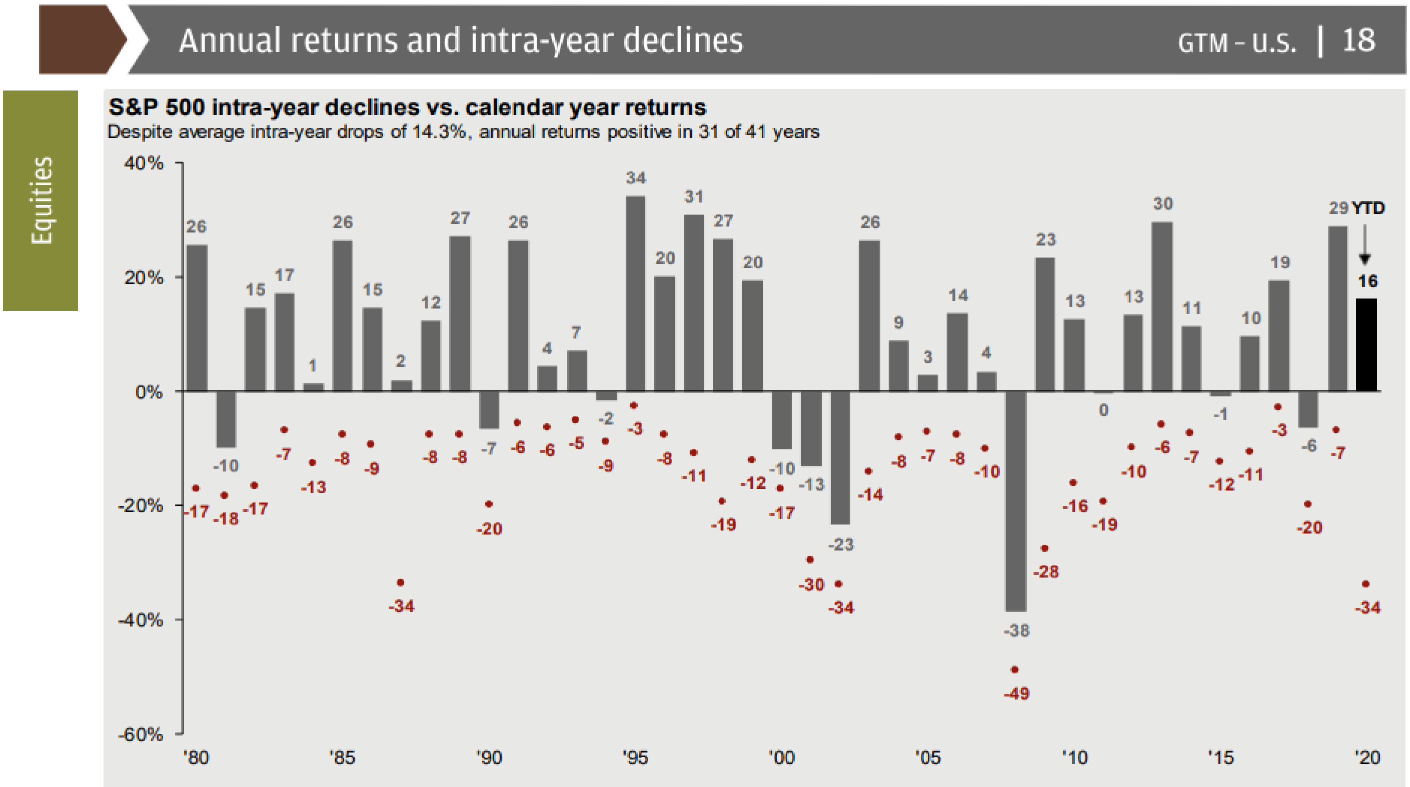
Earned Income Tax Credit
The Act will permit individuals to use their 2019 income on their 2020 tax return to determine qualification for the earned income tax credit and child tax credit. Eligibility for this credit depends on a number of factors, and some may have lost eligibility due to job loss or reduction of hours in 2020.

Expansion of Availability of Charitable Giving Incentives
The CARES Act provision permitting taxpayers who do not itemize their deductions to be eligible for a $300 above-the-line deduction in 2020 has been extended to apply to 2021. The Act further specifies that, for the year 2021, married couples filing jointly would be eligible for a $600 above-the-line deduction. The Act also extends the 100 percent of AGI deduction for individuals making cash gifts directly to charity and the 25 percent of AGI deduction for corporations making cash gifts directly to charity. Notably, these incentives do not apply to cash gifts to a donor-advised fund.

Flexible Savings Accounts
Individuals who did not have enough eligible expenses in 2020 to exhaust their Flexible Spending Account balance may roll that balance over to be used in 2021 without running afoul of IRS rules. (The same exception to the rule will apply for balances carried from 2021 to 2022 as well.)

Payroll Tax Deferral Extension
For those employers who elected to have employees defer the payment of payroll taxes, the deadline to repay the deferral payroll taxes is extended from April 30, 2021, to December 31, 2021.

"Bills travel through the mail at twice the speed of checks."
~ Steven Wright



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2020, over which time period the average annual return was 9.0%. Past performance is not a reliable indicator of current and future results.
Guide to the Markets – U.S. Data are as of December 31, 2020.

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J.P.Morgan Asset Management