

Making Your RHSP Money Last Longer





Since 2007, the County has been contributing tax free funds to employees in most represented and unrepresented groups, at \$25 per paycheck into a Retiree Health Savings Plan (RHSP). The RHSP is designed to provide tax free financial reimbursements for your retiree health expenses and premiums. This plan is managed by ICMA-RC and is a critical part of managing your retiree health costs because all contributions to your account are set aside *exclusively* for qualifying health expenses.

Once you retire, you become eligible for reimbursement from the account, which can be distributed when you have health expenses and premiums that qualify. Qualifying expenses could include your monthly retiree health premiums, co-payments and fees for health services, even dental and vision expenses.



Making the most of the account balance will become a critical part of your retirement planning. Here are some health care considerations:

- Determine all applicable health benefits that may be available to you (Spouse/Partner, VA, Retiree, etc.)
- Develop a health insurance coverage plan if you (or spouse/partner) are retiring prior to age 65 before

Medicare traditionally starts.

- Review Medicare options and choose appropriate plan to cover any gaps (Medicare Part C, drug coverage)
- Estimate premium amounts and potential out-of-pocket expenses
- If moving, determine the expenses associated with the medical plans in that area.
- Assess potential impact of long-term care expenses

Once you have determined your monthly health care costs, and how much you are able to cover from your pension/Social Security and other savings, you are able to determine how to utilize your RHSP account. But how do you make the RHSP money last as long as possible?



Let's look at some calculations that might help you decide how you plan your reimbursements. We've started with some basic assumptions:

- ✓ Your account balance at retirement is \$10,000
- ✓ You've invested the balance to earn 2% interest each year
- ✓ Your reimbursement plan, based on the information above is to take monthly distributions from the account to offset premiums.
- ✓ No taxes are withheld from your monthly payments because distributions are used solely for health expenses

Monthly Distribution Amount	Years \$ Will Last
\$200	5
\$400	2.0
\$600	<2
\$1,000	1

If you could like to create personalized calculations, we would suggest the following website: <https://www.calcxml.com/do/how-long-will-my-money-last?skn=#detailedResultsTop>

Additional considerations:

- Will the length of time the RHSP funds last be enough for you to become eligible for Medicare? (a time in your life when medical costs will most likely decrease)
- If the RHSP distributions won't last until Medicare eligibility, how will you cover the loss of those monthly payments?
- If you were using RHSP funds for additional expenses such as co-payments, dental or vision, how will you cover those expenses?
- What are the other funds available to cover medical expenses for the remainder of your life? What about your dependents?

Considerations during employment:

Moving to a High Deductible Health Plan:

- 💰 Monthly payroll deductions are considerable less than the traditional HMO Plans
- 💰 With the savings from the reduced payroll deductions, you may be eligible to contribute to a Health Savings Account, allowing you to save even more pre-tax money for upcoming retiree medical costs
- 💰 Increase contributions to your deferred compensation (457(b)) account

Resources to help:

ICMA website: www.icmarc.com

Optum website: www.optumbank.com

Fidelity website: www.netbenefits.com/saccounty

If you have any questions or need additional information, just contact the Employee Benefits office at:

- **Employee Benefits Office website**— contains a number of great resources: <http://www.personnel.saccounty.net/Benefits>
- If you need personal assistance you may contact the Benefits staff Monday–Friday 8am -5pm by email at MyBenefits@saccounty.net or by calling 916-874-2020.

