There’s no time like the present to get up to speed on the RMD rules. Once you know the basic rules, graduate to smart strategies that can whittle down these taxable distributions and make the most of the money that you must withdraw. Uncle Sam may not give you a choice on taking these distributions, but you do have options for handling the money. “Retirement income planning is as much about managing distributions as investment income,” says Rob Williams, vice president of financial planning for the Schwab Center for Financial Research.

First, let’s start with the basics. Original owners of traditional IRAs are subject to required minimum distributions when they turn 70½. The RMD is taxed as ordinary income, with a top tax rate of 37% for 2019. You must take your first RMD by April 1 of the year after you turn 70½. The second and all subsequent RMDs must be taken by December 31.

A Smart Strategy for Handling RMDs

After decades of squirreling away money in tax-advantaged retirement accounts, investors entering their seventies have to flip the script. Starting at age 70½, Uncle Sam requires taxpayers to draw down their retirement account savings through annual required minimum distributions. Not only do you need to calculate how much must be withdrawn each year, you must figure and pay the tax on the distributions.
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Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.
have to take two distributions in one year. For instance, a taxpayer who turns 70½ in March 2019 has until April 1, 2020, to take his first RMD. But he’ll have to take his second RMD by December 31, 2020.

To determine the best time to take your first RMD, compare your tax bills under two scenarios: taking the first RMD in the year you hit 70½, and delaying until the following year and double up RMDs. “It’s important to look at whether [doubling up] will push you into a higher tax bracket,” says Christine Russell, senior manager of retirement and annuities for TD Ameritrade, and whether it will subject you to higher income-related Medicare premiums. Doubling up could be the right strategy, however, if you’re retiring in the year you turn 70½ and your wages plus the first RMD would push you into a higher tax bracket.

To calculate your RMD, divide your year-end account balance from the previous year by the IRS life-expectancy factor based on your birthday in the current year. For most people, the appropriate factor is found in Table III toward the end of IRS Publication 590-B. Let’s say an IRA owner with an account balance in the current year. For most people, the appropriate factor is found in Table III toward the end of IRS Publication 590-B. Let’s say an IRA owner with an account balance of $750,000 as of December 31, 2018, turns 72 in 2019. The RMD for 2019 will be about $29,297. (Calculate your 2019 RMD at kiplinger.com/links/rmd.)

If you own multiple IRAs, you need to calculate the RMD for each account, but you can take the total RMD from just one IRA or any combination of IRAs. For instance, if you have an IRA that’s smaller than your total RMD, you can empty out the small IRA and take the remainder of the RMD from a larger IRA.

A retiree who still owns 401(k)s at age 70½ is subject to RMDs on those accounts, too. But unlike IRAs, if you own multiple 401(k)s you can avoid taking RMDs from those accounts, too. A retired Roth 401(k) owner is also subject to RMDs from that account at age 70½, though the distributions would be tax-free.

You can take your annual RMD in a lump sum or piecemeal, perhaps in monthly or quarterly payments. Delaying the RMD until year-end, however, gives your money more time to grow tax-deferred. Either way, be sure to withdraw the total amount by the deadline.

What happens if you miss the deadline? You could get hit with one of Uncle Sam’s harshest penalties—50% of the shortfall. If you were supposed to take out $15,000 but only took $11,000, for example, you’d owe a $2,000 penalty plus income tax on the shortfall.

“Fifty percent is a hefty price to pay,” says Williams.

But this harshest of penalties may be forgiven—if you ask for relief. “Fortunately, the IRS is relatively lenient, as long as once you realized you missed it, you take your RMD,” says Tim Steffen, director of advanced planning at Robert W. Baird & Co. You can request relief by filing Form 5329, with a letter of explanation including the action you took to fix the mistake.

One way to avoid forgetting: Ask your IRA custodian to automatically withdraw RMDs. At Fidelity Investments, “about 50% have chosen to automate” RMDs, says Joe Gaynor, Fidelity’s director of retirement and income solutions.

Now that we’ve covered the basic RMD rules, it’s time to look at all the options for minimizing those required distributions.

Look for a Way Out
First, check to see if you have an RMD escape route. Every rule has an exception, and the RMD rules are no different. There are a number of instances where you can reduce RMDs—or avoid them altogether.

■ Work waiver. If you are still working beyond age 70½ and don’t own 5% or more of the company, you can avoid taking RMDs from your current employer’s 401(k) until you retire. You must still take RMDs from old 401(k)s you own and from your traditional IRAs.

But there’s a workaround for that: If your current employer’s 401(k) allows money to be rolled into the employer’s 401(k) allows money to be rolled into the
FROM THE EDITOR

Last month, as we often do, we encouraged readers to reach out to us. The story on Social Security fraud in this issue is a prime example of why we like hearing from you. A few months ago, Retirement Report subscriber Ward Waltman emailed us about his astonishing experience with Social Security fraud.

After talking with Ward by phone, Senior Editor Eleanor Laise took a deeper dive into the issue. What Eleanor found was even more astonishing: The Social Security Administration, with its trove of information on nearly every American, is facing a surge in cyber security threats on multiple fronts. While the agency is striving to fend off fraudsters as it pushes more of its services online, there are also steps that beneficiaries can take to help safeguard their information. Go to page 16 to learn more.

If, like Ward, you have an issue or question you think we should look into, email us at retire@kiplinger.com or leave a voice mail at 202-887-6491.

Rachel L. Sheedy, Editor

plan, says Kelly Famigletta, vice president and partner of retirement plan services at financial-services firm Charles Stephen, “you could roll in the other accounts to postpone all RMDs.” And, voila!, you won’t have to take any RMDs until you actually retire.

■ Roth rollovers. For those who own Roth 401(k)s, there’s a no-brainer RMD solution: Roll the money into a Roth IRA, which has no RMDs for the original owner. Assuming you are 59½ or older and have owned at least one Roth IRA for at least five years, the money rolled to the Roth IRA can be tapped tax-free.

Another Roth solution to say goodbye to RMDs: Convert traditional IRA money to a Roth IRA. You will owe tax on the conversion at your ordinary income tax rate. But lowering your traditional IRA balance reduces its future RMDs, and the money in the Roth IRA can stay put as long as you like. “It’s something to consider, particularly now that tax rates are lower,” says Scott Thoma, principal at Edward Jones.

Converting IRA money to a Roth is a great strategy to start early, but you can do conversions even after you turn 70½. You must take your RMD first. Then you can convert all or part of the remaining balance to a Roth IRA. You can smooth out the conversion tax bill by converting smaller amounts over a number of years.

“Roth conversions are a hedge against future increases in taxes, and they provide flexibility,” says Williams. For instance, while traditional IRA distributions count when calculating taxation of Social Security benefits and Medicare premium surcharges for high-income taxpayers, Roth IRA distributions do not. And if you need extra income unexpectedly, tapping your Roth won’t increase your taxable income.

■ Carve outs. About five years ago, a new option known as the qualified longevity annuity contract, or QLAC, arrived. You can carve out up to $130,000 or 25% of your retirement account balance, whichever is less, and invest that money in this special type of deferred income annuity. Compared with an immediate annuity, a QLAC requires a smaller upfront investment for larger payouts that start years later. The money invested in the QLAC is no longer included in the IRA balance and thus is not subject to RMDs. Payments from the QLAC will be taxable, but because it is longevity insurance, those payments won’t kick in until about age 85.

Another carve-out strategy applies to 401(k)s. If your 401(k) holds company stock, you could take advantage of a tax-saving opportunity known as net unrealized appreciation, says Russell. You roll all the money out of the 401(k) to a traditional IRA, but split off the employer stock and move it to a taxable account, paying ordinary income tax on the cost basis of the employer stock. You’ll still have RMDs from the traditional IRA, but they will be lower since you removed the company stock from the mix. And any profit from selling the shares in the taxable account now qualifies for lower long-term capital-gains tax rates (read “Cutting the Tax Bill on Company Stock,” August 2018).

■ Younger spouse. In the beginning of this story, we gave you the standard RMD calculation that most original owners will use—but original owners with younger spouses can trim their RMDs. If you are married to someone who is more than ten years younger, divide your year-end account balance by the factor listed at the intersection of your age and your spouse’s age in Table II of IRS Publication 590-B—rather than Table III—to calculate your RMD. Table II factors in the younger spouse’s longer life expectancy, reducing your required distribution.

For instance, if you are 72 and married to a 59-year-
old, Table II tells you to use a factor of 27.7. If your IRA was worth $500,000 at year-end 2018, you’d take out about $18,051 in 2019. That’s about $1,480 less than if you used the calculation that didn’t take into account your younger spouse’s life expectancy.

- **Pro rata payout.** If you can’t reduce your RMD, you may be able to reduce the tax bill on the RMD—that is, if you have made and kept records of nondeductible contributions to your traditional IRA, says Steffen. In that case, a portion of the RMD can be considered as coming from those nondeductible contributions—and will therefore be tax-free.

  Figure the ratio of your nondeductible contributions to your entire IRA balance. For example, if you contributed a total of $200,000 to your IRA and $20,000 was nondeductible, 10% of a distribution from the IRA will be tax-free. Each time you take a distribution, you’ll need to recalculate the tax-free portion until all the nondeductible contributions have been accounted for.

**Make the Most of Required Withdrawals**

If you can’t reduce or avoid your RMD, look for ways to make the most of that required distribution. You can build the RMD into your cash flow as an income source. But if your expenses are covered with other sources, such as Social Security benefits and pension payouts, put those distributions to work for you. After all, “the IRS isn’t telling you to spend the money,” Williams says. “It just wants the tax dollars from you.”

- **Reinvest.** While you can’t reinvest the RMD in a tax-advantaged retirement account, you can stash it in a deposit account or reinvest it in a taxable brokerage account. If your liquid cash cushion is sufficient, consider tax-efficient investing options, such as municipal bonds. Index funds don’t throw off a lot of capital gains and can help keep your future tax bills in check.

  If you’re selling investments to satisfy your RMD, review your portfolio’s allocation. “You could use the RMD to reallocate,” says Gaynor. Meet the RMD by selling off investments in overweighted categories, and you’ll rebalance your portfolio back to your target allocations at the same time.

- **Transfer in-kind.** Remember that the RMD doesn’t have to be in cash. You can ask your IRA custodian to transfer shares to a taxable brokerage account. So you could move $10,000 worth of shares over to a brokerage account to satisfy a $10,000 RMD. Be sure the value of the shares on the date of the transfer covers the RMD amount. The date of transfer value serves as the shares’ cost basis in the taxable account.

The in-kind transfer strategy is particularly useful when the market is down. You avoid locking in a loss on an investment that may be suffering a temporary price decline. But the strategy is also useful when the market is in positive territory if you feel the investment will continue to grow in value in the future, or if it’s an investment that you just can’t bear to sell. In any case, if the investment falls in value while in the taxable account, you could harvest a tax loss.

- **Give to charity.** If you are charitably inclined, consider a qualified charitable distribution, or QCD. This move allows IRA owners age 70½ or older to transfer up to $100,000 directly to charity each year. The QCD can count as some or all of the owner’s RMD, and the QCD amount won’t show up in adjusted gross income.

  The QCD is a particularly smart move for those who take the standard deduction and would miss out on writing off charitable contributions. But even itemizers can benefit from a QCD. Lower adjusted gross income makes it easier to take advantage of certain deductions, such as the write-off for medical expenses that exceed 10% of AGI in 2019. Because the QCD’s taxable amount is zero, the move can help any taxpayer mitigate tax on Social Security or surcharges on Medicare premiums.

  Say your RMD is $20,000. You could transfer the whole $20,000 to charity and satisfy your RMD while adding $0 to your AGI. Or you could do a nontaxable QCD of $15,000 and then take a taxable $5,000 distribution to satisfy the RMD.

  The first dollars out of an IRA are considered to be the RMD until that amount is met. If you want to do a QCD of $10,000 that will count toward a $20,000 RMD, be sure to make the QCD move before taking the full RMD out.

  Of course, you can do QCDs in excess of your RMD up to that $100,000 limit per year. “A QCD can be your RMD, but it doesn’t have to be,” says Steffen.

- **RMD solution.** You can also use your RMD to simplify tax payments. With the “RMD solution,” you can ask your IRA custodian to withhold enough money from your RMD to pay your entire tax bill on all your income sources for the year. That saves you the hassle of making quarterly estimated tax payments and can help you avoid underpayment penalties.

  Because withholding is considered to be evenly paid throughout the year, this strategy works even if you wait to take your RMD in December. By waiting until later in the year to take the RMD, you’ll have a better estimate of your actual tax bill and can fine-tune how much to withhold to cover that bill.
NOW THAT THE DUST HAS SETTLED ON THE FOURTH-quarter 2018 market mayhem, it’s time for fixed-income investors to review the instant replay. Did your core bond funds hold their ground, or even advance a little, as stocks stumbled? Or did they retreat, leaving you with red ink in every part of your portfolio?

If your answer is the former, you’re likely on the right track with your bond holdings. If it’s the latter, it’s time to rethink your selection of core bond funds and the role that bonds play in your portfolio.

For retirees, bond funds should generally act as ballast, helping you withstand market volatility and giving you stable assets to tap when your stock holdings are down. But all too often, investors accept a lot of extra risk in exchange for slightly higher-yielding bond holdings, choosing funds that dabble in lower-quality debt and behave too much like stocks, says Allan Roth, a financial planner at Wealth Logic, in Colorado Springs, Colo. “Take your risks with equities,” he says. “Have your bonds be the most boring part of your portfolio.”

The reasons become all too clear when markets go into a tailspin. In 2008, the average intermediate-term bond fund lost about 5%. That doesn’t sound bad compared with stocks’ 37% decline, but it was painful for retirees who didn’t have any solid ground in their portfolios and were forced to sell holdings at a loss to cover living expenses. Some high-quality, plain-vanilla bond funds, however, were standouts in an otherwise abys-

mal year. The iShares Core U.S. Aggregate Bond exchange-traded fund (symbol AGG), for example, which tracks the Bloomberg Barclays U.S. Aggregate Bond Index, gained nearly 6%.

Fast-forward to the fourth quarter of 2018, when Standard & Poor’s 500-stock index fell 13.5%. The average intermediate-term bond fund gained about 0.9%, and straightforward index-trackers again stood out: The iShares ETF gained 1.6%. But not all intermediate-term bond funds avoided losses. Invesco Core Plus Bond Fund, which has a significant stake in lower-quality “junk” bonds, lost nearly 1% in the fourth quarter and finished the year down nearly 3%. Loomis Sayles Investment Grade Bond, which can invest up to 15% of assets in below-investment-grade bonds, lost 0.7% in the fourth quarter and 0.6% for the year.

Those aren’t massive losses, but investors should take note when their bond funds are “moving in the same direction as what you’re seeing in the equity and risk markets, and not providing a lot of ballast,” says Sarah Bush, director of the manager research team for fixed-income strategies at Morningstar.

Look at Credit Quality

Investors looking for core bond funds that will help them stay afloat when stocks sink should pay attention to the credit quality of fund holdings. A junk-bond stake above the low single digits could be a red flag, Bush says. And steer clear of the highest-yielding funds, which are venturing into riskier territory to boost their income.

Solid options include Vanguard Total Bond Market Index (VBTLX). This fund tracks a version of the Bloomberg Barclays Aggregate Index, which excludes junk bonds, and charges fees of just 0.05%. American Funds Bond Fund of America (BFAFX) has a minimal junk bond stake and gained 1.5% during the fourth-quarter market slide. Buy the fund’s commission-free F-1 share class through online brokerages such as Fidelity and Schwab.

While such higher-quality funds should hold up well during times of stock-market stress, they won’t necessarily protect you from rising interest rates. (When rates rise, bond prices fall.) One option: Consider high-quality bond funds that keep interest-rate risk well below the category norm, such as Fidelity Intermediate Bond (FTHR). Its duration is 3.8 years, versus 5.5 for the average intermediate-term bond fund, according to Morningstar. Funds with longer duration will fluctuate more when rates change.

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INVESTING

Aristocrats With Long Payout History

LONG-TERM INCOME INVESTORS KNOW THAT YIELD isn’t everything when it comes to dividend stocks. Steadily rising payouts pay off down the road, too. Not only do rising dividends lift the yield on an investor’s original cost basis, they’re indicative of a firm’s ability to withstand the economy’s—and the market’s—inevitable ups and downs.

The five companies below have increased their dividends annually for 60 years or more. That makes them elite members of the Dividend Aristocrats, which are companies in Standard & Poor’s 500-stock index that have raised payouts for at least 25 consecutive years. (Data are as of February 8.)

The Aristocrats, which now total 57 companies, include household names whose size, longevity and familiarity provide comfort amid market uncertainty. They have been among the best dividend stocks for income growth over the past few decades, and they’re a great place to start if you’re looking to add new dividend holdings to your portfolio. To learn more about all 57 Aristocrats, go to kiplinger.com/links/aristocrats.

Industrial conglomerate 3M (symbol MMM; recent price, $200; dividend yield, 2.9%), which makes everything from adhesives to electric circuits, kicked off the new year on a down note. The Dow component lowered its 2019 profit outlook, in part because of sluggish demand from China.

Whatever the short-term hiccups in 3M’s share price, investors can bank on the conglomerate’s steady payouts over the long haul. 3M’s dividend has improved annually for 60 consecutive years, and the payout dates back a century.

Dover (DOV, $87, 2.2%) has its hands in all sorts of industries, from Dover-branded pumps, lifts and even productivity tools for the energy business, to Anthony-branded commercial refrigerator and freezer doors.

Dividend growth has been a priority for Dover, which at 63 consecutive years of annual distribution hikes boasts the third-longest such streak among publicly traded companies. Dover last raised its dividend in August 2018, when it upped the quarterly payout by 2% to 48 cents a share.

Emerson Electric (EMR, $67, 2.9%) makes a wide variety of industrial products, ranging from control valves to electrical fittings. The downturn in oil prices weighed on Emerson for a couple years as energy companies continued to cut spending. Analysts now say it’s well-positioned to take advantage of the recovery in the energy sector. Earnings are forecast to increase at an average annual rate of 9% for the next five years.

Emerson has paid dividends since 1956 and has boosted its annual payout for 62 consecutive years, including its last increase in November 2018. Last year, the company returned $2.2 billion to shareholders through dividends and share repurchases.

Automotive and industrial replacement parts maker Genuine Parts (GPC, $103, 2.8%) is best-known for the Napa brand, though it also operates under AutoTodo in Mexico and UAP in Canada. Since its founding in 1928, it has pursued a strategy of acquisitions to fuel growth. At the end of 2017, it bought Alliance Automotive Group, one of the largest distribution companies in Europe, for $2 billion.

A longtime dividend machine, GPC has hiked its payout annually for 62 years. That includes a 7% improvement to its distribution in February 2018.

With major brands such as Pampers diapers and Gillette razors, Procter & Gamble (PG, $98, 2.9%) is among the world’s largest consumer products companies. Although the economy ebbs and flows, demand for products such as toothpaste and soap tends to remain stable. That hardly makes P&G completely recession-proof, but it has helped fuel reliable dividend payments for more than a century. The Dow component has paid shareholders a dividend since 1890, and it has raised its dividend annually for 62 years in a row. P&G last increased its payout in April 2018. K DAN BURROWS

New Aristocrats

Four companies that recently raised their payouts for the 25th consecutive year joined the Dividend Aristocrats at the end of January.

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A new rule designed to drive down prices of physician-administered drugs may jeopardize Medicare Advantage enrollees’ access to needed care, patient advocates say.

Starting this year, the Centers for Medicare and Medicaid Services is allowing Advantage plans to implement “step therapy” for drugs covered under Part B, which include many treatments for cancer and other serious conditions. That means the plans can require patients to try cheaper drugs before progressing to more expensive treatments.

CMS says that the change will cut costs for Advantage plans as well as patients, because plans will be required to pass along some of the savings to enrollees. But patient advocates and physician groups say that the move may delay—or even completely derail—necessary treatments for critically ill patients.

As major Advantage plan providers such as UnitedHealthcare implement the change, enrollees need to read plan documents carefully to find out whether their insurer is requiring step therapy—and understand their appeal rights if those requirements impede access to necessary treatments.

These treatment hurdles are a growing concern for people in traditional Medicare as well as Advantage plans. Step therapy is still not allowed in traditional Medicare Part B, but it is allowed in Part D prescription-drug plans, whether you get that coverage through Medicare Advantage or a stand-alone plan. And CMS has proposed a rule allowing broader use of step therapy in Part D’s “protected classes,” which include immunosuppressants and antidepressants.

Advantage plans’ use of step therapy for Part B-covered drugs is limited to new prescriptions, so no patients currently taking such drugs should have to change their medication, CMS says. And to ensure patients get adequate access to Part B drugs, Advantage plans’ step therapy programs will be reviewed and approved by an independent panel of doctors, pharmacists and other experts, says Cathryn Donaldson, spokesperson for America’s Health Insurance Plans, which represents insurers offering Advantage plans.

But critics say the rule doesn’t adequately address serious concerns, such as how plans will determine whether the cheaper drug is effective and how they can account for the fact that different patients may react to the same treatment in different ways. Seriously ill patients should not have to “fail first” on cheaper treatments “and possibly put their lives in danger,” says Leslie Fried, senior director at the National Council on Aging’s Center for Benefits Access.

What You Can Do

Advantage plans must disclose step therapy requirements in their Annual Notice of Change, which is sent to enrollees before the start of the plan year, and their Evidence of Coverage, a document that must be posted on the plan’s website. If you’re uncertain about the requirements, call the plan for clarification.

If you and your doctor determine that you need direct access to a Part B drug that’s subject to step therapy, you can ask the plan for an exception. Plans should generally respond to the request within 72 hours, CMS says. And if your request is denied, you have the right to appeal. For details on the Medicare Advantage appeals process, read “Fight a Denied Advantage Claim” in the January issue.

Advantage plan enrollees who are unhappy with their current plan still have time to switch coverage for 2019. Until March 31, you can move to a different Advantage plan or to traditional Medicare. “Don’t pick a plan just based on one element of that plan’s benefit structure,” says Tatiana Fassieux, a consultant and training specialist for California Health Advocates. But if you’re uncomfortable with your plan’s step therapy requirements, it’s worth shopping around.

For help comparing your options, contact your state health insurance assistance program. Find your local program at www.shiptacenter.org or call 877-839-2675.

ELEANOR LAISE
IF YOU ARE NOT YET ON MEDICARE AND USE A DRUG
manufacturer’s discount coupon or co-pay assistance card to save money on medicine, check your health plan before you fill your next prescription. Otherwise, you could be in for an unpleasant surprise at the pharmacy counter. You might be subject to a co-pay accumulator program, which is a new restriction that prevents your discount card or coupon from counting toward your deductible.

Some experts say co-pay accumulators drive down drug prices as patients seek cheaper drugs. But the programs also add complexity for people who are ill and dealing with health issues, says Dan Klein, president of the Patient Access Network Foundation, which provides charitable co-pay help.

Co-pay accumulator programs began appearing in 2016 in employer-provided private health plans and in Affordable Care Act marketplace plans. The programs change the way your out-of-pocket costs are calculated if you use a manufacturer's discount card or coupon to reduce your prescription costs.

Patients can download discount coupons or cards from a drug company’s website or get them from their doctors. You use them with your insurance; in some cases, you pay as little as $5 or $10 for your medication. But the total cost for the medicine counts toward your deductible, substantially lowering your out-of-pocket costs for future refills.

If a plan has a co-pay accumulator adjustment program, you still can use a co-pay assistance card or coupon. But the drug’s full cost won’t count against your deductible. And most assistance cards have a dollar limit on how much they will pay. After that, you still have to pay your full deductible before your plan’s cost-sharing kicks in, says Anna Hyde, vice president of advocacy and access at the Arthritis Foundation.

Let’s say your health plan has a $4,000 deductible and your arthritis drug costs $3,000 a month. At the start of the year, you use your co-pay assistance card at the pharmacy, which covers most of the cost of the drug, and you make your usual co-payment, Hyde says.

But within three months, you reach the limit on your co-pay assistance. When you pick up your medicine in April, you owe $3,000—the drug’s full cost. Without the accumulator, you would have already met your deductible while using the discount card. When the assistance ran out, you’d only pay your plan’s cost-sharing for your drug—sometimes as low as 5%. With the co-pay accumulator, you owe the full deductible, which can be thousands of dollars.

About 30% of large employers have a co-pay accumulator program now, according to a survey by the National Business Group on Health.

Drug Cost Assistance on Rise
Co-pay assistance from manufacturers or from co-pay charitable foundations has become more popular in recent years, as more people are living with chronic conditions such as cancer or Parkinson’s, which require the regular use of costly drugs, and as high-deductible insurance plans have become more common. About 43% of workers with private coverage had a high-deductible plan in 2017, government figures show.

But Medicare beneficiaries can’t use co-pay cards or other co-pay assistance with their insurance, so co-pay accumulator programs aren’t a concern after enrolling in Medicare. Medicare beneficiaries are permitted to get co-pay assistance from charitable organizations, such as the PAN Foundation, the HealthWell Foundation or the Patient Advocate Foundation. The charitable help applies to Part D’s out-of-pocket spending requirements to reach catastrophic coverage, under which beneficiaries pay only 5% of a drug’s cost.

If you are not yet on Medicare and are concerned your health plan may have a co-pay accumulator, call your provider directly or check your insurance plan documents, says Carla Dellaporta, director of education for NeedyMeds. The programs often aren’t listed on the summary of benefits page and may be labeled differently across plans. MARY KANE
IF YOU HAVE HELPED CHILDREN OR GRANDCHILDREN WITH college costs, you are probably already familiar with 529 plans, the tax-advantaged education savings accounts offered by states and educational institutions. The money grows tax-free over the years until you take it out, tax-free, to use for a child’s tuition, books, room and board, and other qualified educational expenses. Another benefit: Most states also offer residents a tax break for contributing to their own state’s plan.

But you may not realize the plans also can serve a different purpose—to fund your own education. If you are a lifelong learner, you can set up a 529 plan for yourself to pay for your educational pursuits. You get the same tax breaks and benefits as any 529 plan owner. You can fund the account with new money or with unused money from a child’s account. Any leftover money in your 529 that you don’t use can go to the 529 of a child or grandchild.

Joe Hurley, 62, of Victor, N.Y., used about $5,000 saved in his 529 plan to study horticulture and conservation at Finger Lakes Community College. “I don’t think a lot of people know you can do one just for yourself,” he says. “It sounds almost too good to be true.”

Hurley, who is a former accountant and founder of Savingforcollege.com, a college finance research website, learned about a personal 529 after setting up plans for his two children in the early 1990s. He sold the website in 2012 and now runs a farm.

To set up your own 529, do some shopping first. Find details on different state plans at www.savingforcollege.com. There’s no federal tax deduction for 529s, but residents can usually get a state tax deduction on contributions made to their own state’s plan. You can choose a plan in another state, which could be a smart move if your state doesn’t offer deductions and another state’s plan offers better investing options or lower fees. You also can research and compare plans at the website of the College Savings Plans Network (www.collegesavings.org).

If you decided only recently to go back to school, you won’t have time to let your 529 contributions grow. But most states allow for immediate 529 withdrawals, says Mark Kantrowitz, publisher for Savingforcollege.com. You can set up a plan one day, take money out the next day and still qualify for a state tax deduction that same year. Check the rules for your state. Four states—Michigan, Minnesota, Montana and Wisconsin—have restrictions that may force you to delay claiming deductions or withdrawals, he says.

Karen Austin, deputy treasurer for the state of Iowa, set up a 529 for herself in 2012 to help pay for her MBA from the University of Iowa. By the time she finished her degree, Austin deducted nearly $9,000 over three years from her state income taxes. She says her only regret is not saving money in a 529 sooner.

Know the Rules
You may be tempted to use the money to take a trip advertised as an educational tour, but it likely won’t count as a qualified plan expense, Hurley says. Continuing education or certification courses count, so you could use a 529 for those. Be sure any course you take is offered by an eligible educational institution, and use the money only to pay tuition and other eligible expenses. Otherwise, you could face a 10% tax penalty and income taxes on the account’s earnings, and you also may have to pay back your state tax deduction.

You can’t double dip on tax breaks, Kantrowitz says. Going back to school may make you eligible for the federal Lifetime Learning tax credit, which is worth 20% of the first $10,000 in tuition you pay per year, for a maximum credit of $2,000. If you have additional expenses beyond that amount, you can pay those from your 529. But you can’t use the same educational expenses to justify both the tax credit and the tax-free withdrawal from a 529. You’d owe income tax on the earnings withdrawn from your 529, though the 10% penalty would be waived. To avoid the tax hit, use 529 money only after you exceed the limit of the expenses covered by the tax credit. K MARY KANE
Information to Act On

ECONOMY

Interest rates. The Federal Reserve is likely to hold off on hiking rates until at least June, but don’t rule out one or two hikes later this year. Many Federal Reserve Board members and staffers think a 3% federal funds rate would give the central bank a cushion against recession. If the Fed hikes rates twice more, then the bank prime rate that auto loans and home-equity loans are based on will climb from today’s 5.5% to 6% heading into 2020.

TAXES

Online help. If questions arise while filing your 2018 federal tax return, check out the Interactive Tax Assistant at IRS.gov. The online tool can help you determine if a type of income is taxable or if you can deduct expenses on your return, among other topics. Go to www.irs.gov/help/ita.

Tax preparers. If you’re not up to filing your taxes yourself, you can find someone to help using the IRS’s tax preparer directory. Search the online directory by zip code, credentials or last name. Go to https://irs.treasury.gov/rpo/rpo.jsf.

Reform impact. Curious how the tax reform law impacted your area? The Tax Foundation launched an interactive map showing the average 2018 tax cuts by congressional district across the U.S. For instance, Georgians in District 1 with adjusted gross income of $75,000 to $100,000 have an average tax cut of $1,684, or 2% of income, according to the tool. Go to www.taxfoundation.org/2018-tax-reform-congressional-districts-map.

MEDICARE

New app. Ever wonder if something is covered by Medicare? There’s now an app for that. The Centers for Medicare and Medicaid Services says its new “What’s Covered” app, part of its eMedicare initiative, is designed to help Medicare beneficiaries directly access some of the most-used content on Medicare.gov. The free app lets traditional Medicare beneficiaries quickly see if Medicare covers a specific medical item or service. Download it from Apple’s App Store or Google Play for Android devices.

HEALTH CARE

Surprise bills. Half of the states have taken steps to address concerns about balance billing, according to a survey by the Georgetown University Health Policy Institute’s Center on Health Insurance Reforms. Balance billing occurs when insurance covers out-of-network care but only reimburses the provider for a portion of the charges. The provider then directly bills the consumer the difference—usually to the surprise of the consumer. Out of the 25 states taking action, nine offer comprehensive protections to consumers, with New Hampshire, New Jersey and Oregon recently joining the short list. Read more at www.chirblog.org.

SOCIAL SECURITY

Tax reform. The small number of states that tax Social Security benefits may be shrinking. The governor of West Virginia proposed legislation allowing taxpayers to choose between excluding their Social Security benefits from state taxation or the state’s $8,000 deduction for those 65 and older, whichever saves more. West Virginia has been taxing benefits the same way as the federal government. At press time, the legislation was advancing through the state legislature but had not yet passed; if it becomes law, the remaining number of states that tax Social Security would drop to 12.

CONSUMER INFORMATION

Managing money. If you’ve become a financial caregiver for a loved one, the Consumer Financial Protection Bureau offers free

TAX TIP

Relief for Underpaying Tax

In light of the major changes enacted by tax reform, the IRS recently announced that for the 2018 tax year, the agency would waive the underpayment penalty for those who paid at least 85% of their 2018 federal tax liability. The threshold for that test is typically 90% of the current year’s tax liability.

What happens if you paid less than 85% of your tax liability for 2018? No waiver for you. Furthermore, the penalty will be calculated using the normal threshold of 90%.

But you may still have a chance to escape the underpayment penalty if you meet another test. Check whether your 2018 tax payments equal 100% of your 2017 tax liability (or 110% for high-income taxpayers). If so, you can avoid the underpayment penalty.
guides to help you learn about managing someone else’s money. One guide is tailored to those serving as agent under a power of attorney and another for those who have been named a trustee under a revocable living trust. Go to www.consumerfinance.gov.

GOVERNMENT

Index switch. Using an alternate consumer price index for calculating cost-of-living adjustments for federal retirement programs would create trade-offs between individual benefits and the programs’ costs, according to a report issued by the U.S. Government Accountability Office. The report found that using different inflation measures has relatively little impact on an annual basis. But the differences accumulate over time, and the largest effect would be on beneficiaries who receive benefits the longest and those with lower incomes. At the same time, the implementation costs of switching indexes could run up to $110 million per year, the report found. To learn more, go to www.gao.gov.

TRAVEL

Cruise insurance. Travel insurer Berkshire Hathaway Travel Protection recently launched WaveCare, a travel insurance product geared to cruise passengers. Benefits include up to $750,000 in medical evacuation coverage and a fixed benefit of $500 when a traveler is confined on board for more than five hours because the cruise ship is disabled. Go to www.bhtp.com for more details.

MORE ADVICE

Podcast. You can now listen to Kiplinger’s financial advice through the Your Money’s Worth weekly podcast, which is chock-full of timely, actionable guidance to help you earn, keep and make the most of your money. Each podcast episode offers insight on topics such as investing, cutting your tax bill, saving money and more. Download it free at iTunes or wherever you get your podcasts, or go to kiplinger.com/links/podcast.

Guide for military. The updated 2019 Kiplinger’s Financial Field Manual helps military families make the most of the valuable benefits available to them. Developed in partnership with the Investor Protection Trust and the Investor Protection Institute, the personal finance guide includes information about the new blended retirement system, as well as special tax breaks, low-cost investments, legal protections, educational opportunities, insurance programs and more. Download the free guide at www.investorprotection.org under “Learn About Investing.”

Rates and Yields

Certificates of Deposit

<table>
<thead>
<tr>
<th>SIX MONTHS</th>
<th>YIELD</th>
<th>PHONE NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>My eBanc (Fla.)</td>
<td>2.53%</td>
<td>855-512-0989</td>
</tr>
<tr>
<td>VirtualBank (Fla.)</td>
<td>2.50</td>
<td>877-998-2285</td>
</tr>
<tr>
<td>National Average</td>
<td>0.59%</td>
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<table>
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<tr>
<th>ONE YEAR</th>
<th>YIELD</th>
<th>PHONE NUMBER</th>
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<tbody>
<tr>
<td>Citizens Access (R.I.)</td>
<td>2.85%</td>
<td>888-201-6505</td>
</tr>
<tr>
<td>Live Oak Bank (N.C.)</td>
<td>2.85</td>
<td>866-518-0286</td>
</tr>
<tr>
<td>National Average</td>
<td>0.95%</td>
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<table>
<thead>
<tr>
<th>FIVE YEARS</th>
<th>YIELD</th>
<th>PHONE NUMBER</th>
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<tbody>
<tr>
<td>Connexus Credit Union (Wis.)*</td>
<td>3.50%</td>
<td>800-844-5025</td>
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<tr>
<td>Popular Direct (N.Y.)</td>
<td>3.50</td>
<td>800-274-5696</td>
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<tr>
<td>National Average</td>
<td>1.51%</td>
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</table>

*Must be a member. Yields include compounding and are as of February 7, 2019. For information on deposit insurance, go to the website of the Federal Deposit Insurance Corp. (www.fdic.gov). SOURCE: Bankrate.com

Top Yielding Money-Market Funds

<table>
<thead>
<tr>
<th>TAXABLE</th>
<th>YIELD</th>
<th>PHONE NUMBER</th>
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<tbody>
<tr>
<td>Invesco Premier Port Insti (IPPXX)*</td>
<td>2.55%</td>
<td>800-659-1005</td>
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<tr>
<td>Vanguard Prime MMF Inv (VMMXX)</td>
<td>2.50</td>
<td>800-662-7447</td>
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<tr>
<td>Category Average</td>
<td>2.06%</td>
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<table>
<thead>
<tr>
<th>TAX-FREE</th>
<th>YIELD</th>
<th>PHONE NUMBER</th>
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<tbody>
<tr>
<td>Vanguard Municipal MMF Inv (VMSXX)</td>
<td>1.38%</td>
<td>800-662-7447</td>
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<tr>
<td>Morgan Stanley T-F Daily (DSTXX)*</td>
<td>1.22</td>
<td>800-548-7786</td>
</tr>
<tr>
<td>Category Average</td>
<td>0.97%</td>
<td></td>
</tr>
</tbody>
</table>

*Fund is waiving all or a portion of its expenses. The 30-day simple yields are to February 5, 2019. SOURCE: Money Fund Report

High-Dividend Stocks

We screened for stocks that have at least five years of consecutive dividend increases.

<table>
<thead>
<tr>
<th>DIVIDEND STOCKS</th>
<th>YIELD</th>
<th>SHARE PRICE</th>
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</thead>
<tbody>
<tr>
<td>AT&amp;T (T)</td>
<td>6.9%</td>
<td>$29</td>
</tr>
<tr>
<td>International Business Machines (IBM)</td>
<td>4.7</td>
<td>133</td>
</tr>
<tr>
<td>Verizon Communications (VZ)</td>
<td>4.5</td>
<td>54</td>
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</table>

Benchmarks

<table>
<thead>
<tr>
<th>THIS MONTH</th>
<th>3 MONTHS AGO</th>
<th>YEAR AGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation rate*</td>
<td>1.90%</td>
<td>2.30%</td>
</tr>
<tr>
<td>Six-month Treasury</td>
<td>2.49</td>
<td>2.51</td>
</tr>
<tr>
<td>One-year Treasury</td>
<td>2.55</td>
<td>2.74</td>
</tr>
<tr>
<td>Ten-year Treasury</td>
<td>2.65</td>
<td>3.22</td>
</tr>
</tbody>
</table>

*Year-to-year change in CPI as of December 2018, September 2018 and December 2017.

Fixed Annuities

<table>
<thead>
<tr>
<th>SINGLE-PREMIUM IMMEDIATE-ANNUITY MONTHLY PAYOUT FACTOR</th>
<th>HIGHEST</th>
<th>AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male age 65</td>
<td>$5.49</td>
<td>$5.37</td>
</tr>
<tr>
<td>Female age 65</td>
<td>$5.30</td>
<td>$5.13</td>
</tr>
<tr>
<td>Male age 70</td>
<td>6.16</td>
<td>6.01</td>
</tr>
<tr>
<td>Female age 70</td>
<td>5.91</td>
<td>5.69</td>
</tr>
</tbody>
</table>

Payouts are guaranteed to the annuitant for life, with a minimum payout period of 10 years. Payout factors are per each $1,000. SOURCE: Comparative Annuity Reports (www.comparativeannuityreports.com). Data are to February 1, 2019.
Stash Away Side Hustle Income

I have a full-time job with a 401(k) and also do some freelance work in the evenings. If I contribute the maximum to my employer’s 401(k), can I also contribute to a self-employed retirement plan, such as a SEP or solo 401(k)?

You can contribute income from a full-time job to your employer’s 401(k) and contribute freelance income to a solo 401(k) or Simplified Employee Pension (SEP).

Your contributions to your employer’s 401(k) can affect your solo 401(k) limits. Self-employed people who don’t have an employer 401(k) can contribute up to $19,000 ($25,000 if 50 or older) plus 20% of net self-employment income, for a total of $56,000 in 2019 ($62,000 if you make catch-up contributions). If you also contribute to a 401(k) at your full-time job, then the amount you can put in the solo 401(k) is reduced by contributions made to the employer 401(k). But that only affects the first $19,000 of contributions ($25,000 if 50 or older), not the 20% of business income.

Employer 401(k) contributions don’t affect SEP contribution limits. You can contribute 20% of your net self-employment income, up to $56,000 (with no catch-up contributions).

Cashing Out Bonds

How do you redeem I bonds purchased electronically?

If you bought the I bonds through TreasuryDirect.gov, you can log in to your TreasuryDirect account and use the link for redeeming securities in ManageDirect. The cash amount can be credited to your checking or savings account.

If you have paper bonds, find out if your bank or credit union will cash the bonds. Some financial institutions only cash savings bonds for customers who have had an account for at least six months (or may only cash up to $1,000 in savings bonds for non-customers). Or you can mail the bonds to the U.S. Treasury. See “Cashing Paper Savings Bonds” at TreasuryDirect.gov for more information about the procedure.

If you aren’t ready to cash the paper savings bonds, consider transferring them to electronic form to make it easy to redeem them later. See the SmartExchange information page at TreasuryDirect.gov.

FROM THE MAILBOX

Your Questions Answered

Q

A

Options for Paying Medicare Premiums

How can I pay Medicare premiums if I’m not receiving Social Security benefits yet? Can I have the bill paid automatically from my bank account?

There are several ways to pay your Medicare premiums if you aren’t receiving Social Security benefits. You can sign up for Medicare Easy Pay, a free service through Medicare that deducts your premiums from a savings or checking account each month, usually on the 20th of the month. To sign up, submit Form SF-5510, “Authorization Agreement for Preauthorized Payments,” with your Medicare number, bank account number and bank routing number. Otherwise, you can receive a bill and send a check each month, or you can have the bill paid through your bank’s online bill pay service. For more information about your options, see “Pay Part A and Part B Premiums” at Medicare.gov.

Requesting a Medicare Surcharge Waiver

I sold a lot of investments for a profit in 2017 and have to pay the Medicare high-income surcharge. Can I ask to have the surcharge reduced because my income has dropped since then?

The Medicare high-income surcharge is based on your last tax return on file, which is 2017 income for 2019 premiums. If your adjusted gross income plus tax-exempt interest income for the year is more than $85,000 if single or $170,000 if married filing jointly, then you have to pay a high-income surcharge, which boosts your premiums from the standard $135.50 to a range of $189.60 to $460.50, depending on income.

If your income has dropped since 2017 because of certain life-changing events, however, you can ask the Social Security Administration to use your more-recent income when setting your premiums. Eligible events include marriage, divorce, death of a spouse and retirement. Selling investments for a profit, however, is not an eligible life-changing event. The high-income surcharge is calculated every year, though, so if your income decreased in 2018 then your premiums should go down in 2020. For more information, read “Medicare Premiums: Rules for Higher-Income Beneficiaries” at www.socialsecurity.gov.

DO YOU HAVE A RETIREMENT-PLANNING QUESTION?
EMAIL IT TO RETIRE@KIPLINGER.COM.
For the past three years, Paula Gomes says that she has sometimes felt she is working two full-time jobs—her human resources position at Emory University in Atlanta, and her role as a caregiver to her mother and mother-in-law.

“There’s just a lot to learn” when you become a caregiver, says Gomes, 60, executive director of Emory’s Faculty Staff Assistance Program. “You’re stepping in all of the sudden to do so much. My husband and I feel overwhelmed sometimes.”

So Gomes turned to her employer for help. Emory offers a caregiver support program through its Work-Life Resource Center, which includes an on-site consultant to help employees find elder-care resources and support, even from a distance. Mary Ellen Eady, Emory’s work-life specialist, referred Gomes to a resource for rehabilitation options in Virginia for her mother-in-law and offered advice on creating an informal care support network in her mother-in-law’s community.

Gomes’ mother-in-law died last year, but Gomes and her husband also care for Gomes’ mother, 85, who lives in North Carolina and is in the early stages of dementia. Gomes again used Emory’s services for some of the legal and financial issues related to her mother’s condition. The services provided by the university “made an incredible difference to me,” Gomes says.

Balancing caregiving responsibilities with working is challenging. One in three U.S. workers voluntarily left a job because of caregiving responsibilities, a recent Harvard Business School study found. And one-third of them were caring for a sick elderly relative. Yet fewer than 10% of employers surveyed offered subsidized elder-care services, according to the study.

**Reaching Out**

While juggling work with caregiving is only beginning to be addressed in the workplace, you may have options for help. If you need to step back from work, you may be able to take up to 12 weeks of unpaid leave per year under the federal Family and Medical Leave Act, while keeping your job and health insurance.

Four states—California, New Jersey, New York and Rhode Island—offer paid family leave. Other states have expanded benefits or eligibility for family leave. The National Conference of State Legislatures keeps track of state policies at [www.ncsl.org](http://www.ncsl.org).

While elder-care assistance is not yet a common company benefit, some employers are stepping up to the plate. At audit and consulting firm Deloitte, about 5,000 employees have taken advantage of up to 16 weeks of paid family leave under a program established by the firm in 2016, a Deloitte spokesperson says.

Mortgage giant Fannie Mae was an early adopter of caregiving benefits, becoming one of the first companies to offer an onsite elder-care consultant in 1999. The consultant has a typical caseload of about 50 clients per month with about 200 contacts, such as emails and calls, to help employees with elder-care needs, says Michelle Stone, Fannie’s work-life benefits manager. Fannie also reimburses employees up to $65 per day for a maximum 30 times per year for emergency adult care when a home health aide isn’t available.

Check with your employer to see what benefits may be available to you, says Drew Holzapfel, chair of ReACT, or Respect a Caregiver’s Time, a corporate coalition aimed at improving workplace caregiving benefits. A company’s employee assistance program might include some elder-care support services.

Also, reach out to your supervisor as early as possible to explain your caregiving situation. “This is a tough conversation to have,” Holzapfel says. But that conversation can help an employer and employee be prepared to handle an absence if an employee needs to deal with an elder-care emergency.

And if it looks like you might have to leave the workforce for caregiving, propose a part-time or consultancy position to continue earning money and to create an on-ramp for your return.”

**Mary Kane**
ONE FRIDAY AFTERNOON IN FEBRUARY 2018, WARD Waltman came home to a voice mail that sounded suspicious. A woman claiming to be from the Social Security Administration left a message asking Waltman, a retired federal employee in Manakin-Sabot, Va., to call her back. His first thought: “This sounds like a scam.”

But over that weekend, Waltman started wondering if the call might be legitimate. He was then 68 years old and had not yet claimed his Social Security benefit. And he knew that his personal information had likely been stolen in recent data breaches. What if a fraudster was using his personal details to claim his benefit?

It seemed like a stretch. After all, years earlier Waltman had followed the Social Security Administration’s advice for sidestepping fraud. He set up his own “My Social Security” account, which allows users to estimate their retirement benefits and change their contact details, among other features.

So Waltman logged into his account, a process that requires not only a user name and password but also a security code sent to the user’s mobile phone or email. What he saw confirmed his fears. His email address had been changed to an address he didn’t recognize, and a claim had been filed for his retirement benefits.

Waltman called Social Security. The message was indeed legitimate, and the representative had called Waltman because she suspected the claim was fraudulent. Within 45 minutes, the matter was resolved and the bogus claim denied. But Waltman was left with an unsettling question: How had the hacker defeated Social Security’s seemingly robust security systems?

“I was stunned that it seems so easy for crooks to take advantage of the Social Security system,” Waltman says. “But that’s the online world we live in.”

As the Social Security Administration strives to serve more customers online, the agency and current and future Social Security beneficiaries face the growing threat of cyber attacks. Social Security identified nearly 63,000 likely fraudulent online benefit applications in fiscal 2018—a 700-fold increase from three years earlier, according to the agency’s Office of the Inspector General. From February 2013 to February 2016 (the most recent data available), the Inspector General received more than 58,000 fraud allegations related to My Social Security accounts—an issue that persists today, according to the OIG. Meanwhile, there has been exponential growth in Social Security imposter scams, in which fraudsters claiming to be Social Security staff contact victims—often via robocalls—and try to extract money or personal details. More than 35,000 people reported such scams in 2018, according to the Federal Trade Commission, up from 3,200 a year earlier.

These days, it’s tough to avoid dealing with Social Security online. But when you understand Social Security’s cyber security strengths and weaknesses, there are steps you can take to safeguard your personal information and keep scammers’ hands off your benefits.

The agency says it’s working hard to keep pace with the fraudsters. As fraud techniques evolve, “we are continually reviewing our systems to ensure we identify potential fraud risks and determine if additional controls are necessary,” agency spokesman Mark Hinkle said in an email.

Benefits Up for Grabs

As of July 2018, nearly 38 million people had created My Social Security accounts at www.ssa.gov/myaccount. But the accounts have proven tempting to fraudsters. One issue: Social Security needs to “improve its identity verification controls to ensure users are who they claim to be,” the OIG said in September Congressional testimony.

Indeed, crooks don’t have to be terribly sophisticated to set up an account in someone else’s name, cyber security experts say. To open an account, you enter basic details such as your name and Social Security number, then answer a series of multiple-choice questions meant to verify your identity, such as “which of the following is your middle or former name?” In some cases, the answers are freely available in public records or on social media. And if they’re not, hackers can buy the information for about $3 on sites that sell stolen data, says Alex Holden, chief information security officer at information security firm Hold Security.

Recent efforts to beef up My Social Security account security may slow down hackers, but they’re no cure-all, cyber security experts and the OIG say. In 2017, the My Social Security portal started requiring two-factor authentication, meaning users trying to register or log in must enter a security code that is sent to their
mobile phone or email address. “It could be a speed bump for the bad guys,” says Brian Krebs, who blogs about cybercrime and Internet security at KrebsOnSecurity.com, but “I’m not sure it adds a lot of verification that people signing up are who they say they are.”

If you’re already receiving Social Security benefits, a crook who gains access to your My Social Security account could change the direct-deposit information to redirect benefits to his own account. And if you have reached age 62 but not yet claimed your benefits, a thief who gets hold of your personal information could file a bogus claim in your name.

The recent spike in likely fraudulent online benefit claims can be attributed to an increase in fraud attempts as well as changes in the agency’s process for flagging suspicious claims, the OIG says.

In recent months, the agency has taken additional steps to deter fraudulent online benefit claims—but they’re not exactly bulletproof, according to the OIG. Late last year, the agency started using the same identity-verification process for online benefit applications that it uses for the My Social Security portal. You must now attempt to open a My Social Security account before you can file an online claim. But if you run into problems creating an account, you can still submit the online claim, and the agency will contact you to verify your identity before processing it, according to the OIG. And given that the portal’s identity-verification controls haven’t stopped thieves from fraudulently establishing accounts or changing direct-deposit information, using those same controls for online benefit applications may not prevent all fraudulent online benefit claims, the OIG said in a November report.

Playing Defense
The agency “regularly performs data analytics against online applications and My Social Security transactions to identify anomalous activity and take action,” Hinkle says. But the agency, the OIG and cyber security experts all agree that individuals need to be on guard, too.

Although it’s not a 100% fix, register your My Social Security account “before somebody else does it for you,” Krebs says. Log on regularly to check for suspicious activity. For additional protection, add “extra security” to your My Social Security account. This process ties the account to your address and credit card or other financial information, and “it is the best defense available at this time,” the OIG says.

You can also block electronic access to your Social Security record at www.socialsecurity.gov/blockaccess. This prevents anyone—including you—from viewing or changing your personal information through Social Security’s website or automated phone line. If you later need online access, you can remove the block after confirming your identity with Social Security.

If a fraudster manages to file a claim for your benefits, Social Security will work to resolve the issue promptly and ensure you receive the benefits you’re due, Hinkle says. In some cases, you may get a 1099 form for benefits you didn’t receive, the OIG says. You would need to contact Social Security to unwind the bogus claim and have a corrected 1099 issued zeroing out the reported income.

Finally, “do not pick up your phone unless you know who’s calling,” says Amy Nozfiger, director of fraud victim support at AARP Fraud Watch Network. Scammers claiming to be Social Security employees may tell you there’s a problem with your account, that your Social Security number has been suspended because of suspected illegal activity, or even that you’re owed a cost-of-living benefit increase. They’ll then try to extract personal information from you. Your caller ID may even show Social Security’s real phone number (1-800-772-1213)—but the scammers are faking that number. If a caller threatens your benefits, suggests you’ll face legal action if you don’t provide information, or pressures you to send cash or put money on gift cards, it’s likely a fraudster.

If you’re not sure whether a call is legitimate, you can hang up and call 1-800-772-1213 to speak with a real Social Security representative. And if you’ve been targeted by a scammer, report it at www.ftc.gov/complaint and oig.ssa.gov/report.
Get Tech Savvy For the Grandkids

RETIREES KRISTI APPELHANS, 68, AND HER HUSBAND, Tony, 69, live in Idaho Falls, Idaho—about 2,000 miles from their daughter Kira’s family in Staten Island, N.Y. Although they visit every couple of months, they have found that the best way to stay connected to their grandson, Oliver, age 5, is through video chats using Skype and FaceTime.

“Our once Oliver got big enough to see us, around age 1, we’d walk outside with our computer and show him our rooster or a bird’s nest,” says Kristi. At three, Oliver began guiding their long-distance interactions. “We’d watch him as he played with Legos in his living room and talk to him,” says Kristi. These days, Oliver shows them the lights on his bedroom ceiling or performs chemistry experiments, such as mixing vinegar and soda in the kitchen sink.

“Technology has allowed us to keep the connection with him strong between visits,” says Kristi. “We use it more than we expected.” Like the Appelhanses, many grandparents separated by geography from their beloved grandkids find that communicating through new tech tools is a lot more fun than the obligatory phone calls relied on by past generations.

“Audio alone doesn’t cut it anymore. This generation expects to see someone’s face when they talk,” says Alison Hillhouse, vice president of youth culture and trends at MTV, and author of the self-published how-to guide Virtual Grandma. Her son, Charlie, 6, likes to video chat with his grandmother, who lives in Mis-
souri. “My mom, a former schoolteacher and creative type, uses puppets and props,” says Hillhouse. “She will play with toy trucks and narrate a story to Charlie. And my dad dresses up in costumes.”

Hillhouse recommends that grandparents incorporate their grandchild’s “passionate points,” such as a love of trucks, into video chats. Walking around with your device, pointing out objects of interest, is better than standing still. “It may seem silly to you, but kids jump right into it,” she says.

Several companies are developing products to ease intergenerational communications. Business invention firm Inamoto & Co., in Brooklyn, N.Y., is working on a prototype for Mado, a video chat interface, as a way to “give kids and grandparents things to do during video chat, to have deeper conversations and more fun,” says Inamoto product designer Sheena Livingston.

It works like this: During a video chat, grandparents and kids launch a virtual spinner from their computer screens that lands on an activity they can do together, such as charades or trivia. Inamoto’s limited testing found that kids who normally video chat for five minutes have stayed on for 20 minutes, Livingston says.

Developing Digital Connections

As the grandkids acquire their own devices, grandparents can establish a direct line of communication by texting and following the kids on social media, if the kids give permission. “You’ll hear from them more if you get comfortable texting on messaging apps like WhatsApp and iMessage,” says Livingston.

Younger children often enjoy multiplayer online gaming with grandparents, says Ben Halpert, president of Savvy Cyber Kids, a youth-focused digital education nonprofit. For older grandkids, Halpert advises sharing photos. Choose an interesting image and tell a story through it, he says. A side benefit of using social media: It “gets you involved in your grandchild’s online world,” he says.

But maintaining digital boundaries is key. Halpert’s tips: Don’t post unflattering photos of your grandkids. Don’t hijack every post and turn it into a conversation. Don’t use social media to guilt the grandkids.

While some grandparents may be reluctant to try new tech tools, staying connected to the grandkids can be a powerful motivator. “Ask your grandchildren for help setting up your accounts and for tips,” says Halpert. Given the doting nature of the grandparent-grandchild bond, they will probably display more patience toward you than their parents. K BETH BROPHY
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