

First Quarter 2026

Social Security & Medicare News

News that puts you in the know!



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Retirement planning starts with Social Security

Anytime is the perfect time to begin planning for a financially secure retirement. Starting with an understanding of the Social Security program allows you to build a more accurate and robust financial plan, ensuring you know how much to save and when to retire.

Social security is the guaranteed foundation for retirement income covering a significant portion of essential expenses for most people. This program replaces about 40% of the employee's current income so is the baseline to calculate how much additional savings, investments, or pensions are required to maintain a desired lifestyle.

Why is Social Security important?

- **Guaranteed Lifetime Income:** It is designed to last for the rest of your life, providing a reliable safety net.
- **Inflation Protection:** Benefits are adjusted for cost-of-living changes, protecting against inflation.
- **Fundamental Foundation:** It often is a significant portion of retirement income, generally replacing about 40% of an average worker's pre-retirement earnings.
- **Determines Savings Needs:** By calculating your future Social Security benefit (which is based on your highest 35 years of earnings), you can determine the gap that your personal savings and investments need to fill.
- **Influences Timing:** The age you claim benefits (between 62 and 70) permanently impacts the monthly amount, with waiting until your full retirement age (67) or age 70 significantly increasing your benefit amount.

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Where does the rest of retirement income come from? Some additional sources to build for a financially secure retirement include:

1. Contribute to an employer's pension plan
2. Put money into a savings account on a consistent basis
3. Regularly contribute to an individual retirement fund

For most people, these investments along with the Social Security retirement benefit should ensure a comfortable retirement. To see estimated monthly Social Security retirement benefits, you can look at the easy-reference benefit tables for retirement, disability and survivor benefits in the Mercer **Guide to Social Security**.

Working past age 65: Should employees apply for Medicare?

Turning 65 is a major milestone, typically associated with retiring and enrolling in Medicare health insurance and prescription drug coverage. However, with more people choosing to continue working, many employees face a complex question: Should I apply for Medicare if I am still working and covered by an employer plan?

The short answer is: **It depends on the size of your company and your specific plan.** For many, delaying Medicare enrollment is a smart move, but for others, not signing up on time can lead to lifetime penalties and coverage gaps. Employees should talk to their employers HR department when making this decision.

1. The 20-Employee Rule: A Key Point

The most important factor in deciding whether to enroll at 65 is the size of your employer.

- **20 or More Employees:** If you (or your spouse) work for a company with 20+ employees and have health coverage that is creditable (coverage considered as good as Medicare), **you can generally delay Medicare Part B** without penalty. Your employer plan usually acts as the primary payer, meaning it pays first.
- **Fewer Than 20 Employees:** If you work for a company with fewer than 20 employees, **you generally need to enroll in Medicare Parts A and B** at 65. In this case, Medicare is primary, and your employer plan is secondary. If you don't enroll, your employer plan may refuse to pay claims.

2. Why You Might Delay Enrollment (The "Pros" of Employer coverage)

If you have "creditable" employer coverage (coverage considered as good as Medicare) and work for a large company, staying on your company plan often makes sense:

- **Lower Immediate Costs:** In general, employers pay a part of the premium, so this is often the more cost-effective option than paying both the employer-plan premium **and** Medicare Part B premiums.
- **Avoiding Part B Premiums:** For 2026, the standard Medicare Part B premium is \$202.90 per month, which you can avoid if you remain on your employer's plan.
- **Health Savings Account (HSA) Contributions:** If you have an HSA-qualified high-deductible health plan (HDHP), you **cannot** continue to make pre-tax contributions to your HSA if you enroll in any part of Medicare. Delaying Medicare allows you to continue contributing to your HSA but you must **stop contributions six months before you start Medicare benefits** due to backdating or face tax penalties.

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3. Why You Might Apply Anyway (The "Pros" of Medicare)

Even if you work for a large company, there are reasons to consider enrolling:

- **Part A is Free:** If you have worked for at least 10 years (40 quarters) and paid Medicare taxes, Medicare Part A (hospital insurance) is free. It is almost always recommended to sign up for Part A at 65, as it can act as secondary coverage, paying for items your employer plan doesn't, such as inpatient hospital stays or hospice.
- **Lower Deductibles/Out-of-Pocket Costs:** Sometimes, Medicare offers better value but not often. For 2026, Part B has a low annual deductible of \$283, which may be lower than your employer plan's deductible.
- **Better Provider Network:** If your employer plan has a limited network, Original Medicare offers the freedom to see any doctor or hospital in the US that accepts Medicare.

4. The Pitfalls: What to Watch Out For

- **Enroll during the Special Enrollment Period (SEP):** You get a special 8-month period to sign up for Medicare after your employment ends or coverage stops. If you miss this, you may wait months to enroll and pay a 10% penalty for every year you delay.
- **COBRA and Retiree Coverage:** If you are over 65, and your only coverage is COBRA or a retiree plan, **you must sign up for Medicare** within the 8-month SEP (see bullet above). These do not qualify as "current employment" health insurance coverage, and you will face lifelong Part B penalties if you wait beyond the SEP.
- **Part D (Prescription Drug) Penalty:** You must ensure your employer drug coverage is "creditable" with your HR department. If it is not, you may face penalties for not signing up for Part D.

Summary Checklist

Situation	Action
Working (20+ employees)	Can delay Medicare Part A and B. Often okay to take A (free) unless contributing to an HSA, delay B (monthly premium).
Working (< 20 employees)	Generally, must take Medicare Parts A and B. Medicare is primary.
On COBRA/Retiree Plan	Must take Medicare Parts A and B at 65 or sign up within 8 months of having COBRA or retiree plan coverage (during the SEP).
Have an HSA	Delay all parts of Medicare to keep contributing while in a creditable employer-sponsored plan but remember the back dating for six months when you apply.

Disclaimer: This article is for informational purposes only and does not constitute legal advice as rules can change.

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