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NRM-13571AO
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Understanding Healthcare Expenses

• Managing the cost of health care is one of the most complex issues facing society\(^1\)

• Likely among your greatest expenses in retirement

• Ranks as a top concern of retirees and pre-retirees\(^2\)

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\(^1\) “Fidelity Investments Estimates Couples Retiring in 2013 Will Need $220,000 to Pay Medical Expenses In Retirement.” Fidelity Annual Survey of Retiree Health Care Costs. 2013.

What are VEBA's

- Voluntary Employees’ Beneficiary Association (VEBA) is a trust fund permitted under U.S. Federal Tax Law.

- Sole purpose is to provide employee benefits.

- Certain qualifications apply to the organization implementing a VEBA.

- VEBA Trust ‘owns’ the assets and can’t be attached by employer.

- VEBA trusts must have an employment-related common bond such as coverage under a collective bargaining agreement/labor union or share the same line of business and the same geographic area.
How do VEBA’s work

- Regulated under Section 501(c)(9) of the Internal Revenue Code (IRC).
- The VEBA plan must be offered through an employer.
- Dollars are deposited, accumulate and are disbursed on a tax exempt basis.
- VEBA dollars can be used to reimburse for post-employment medical insurance premiums and other qualified medical expenses as defined in Section 213(d)(1) of the IRC.
- VEBA accounts cover the participant and any of his or her qualified dependents.
- Can be funded by employer or mandatory employee contributions.
Why consider a VEBA

• Help employees cover future medical & healthcare expenses

• Helps employers reduce retiree healthcare costs

• No maximum annual contribution limit

• Tax exempt advantages

• No use it or lose it feature

• Assets “protected” for exclusive benefit of participant, spouse and qualified dependents
What to look for in a VEBA/VEBA Provider

- Reputable Company
- Licensed Representatives Providing Sales & Service
- Competitive Fees
- Array of Investment Options
- Tax Determination Letter
- Ongoing Service & Support
Putting the pieces together

VEBA’s can complement other savings & tax advantaged vehicles:

- Pension
- Social Security
- Personal Savings
- 401(a) Defined Contribution Plans
- 457(b) Deferred Compensation Plans
- HELPS Bill/Provision 845
Thank You.

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