



THE RETIREMENT REPORT

Quarterly Medicare & Retirement Planning Newsletter



New Year, New Financial Goals!

By Anne de Leon



The New Year is here and like every year, 2023 promises to bring a wave of economic changes, both expected and unexpected. If you haven't already, now is the time to set those financial goals and have a plan. No one has a crystal ball to predict what will happen next. But with my guidance and this newsletter, I can help you grow and protect your wealth in this volatile economy.

In this issue, we'll be focusing on how fixed index annuities can work for you in this market, plus what changes you can expect to Medicare in 2023. I'm also giving you an update on Social Security for the New Year and advice on how to pay less income tax on it. Plus, we're giving you details on Retirement Rewards and what to see at the box office!

As always, I am here to answer any questions you may have about the retirement and financial future of your clients.

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Annuities Shine Bright in 2023

When Ordinary Investment Options Seem Dim

Several factors, including gross domestic product, unemployment and inflation, affect the strength of the U.S. economy. Although the economy is strong, the market has been experiencing the highest inflationary rates in 40 years. Combating high inflation requires increasing interest rates and encouraging people and businesses to borrow and spend less.

On December 14, 2022, the Federal Reserve approved its fourth consecutive rate hike, bringing current lending rates to a new range of 4.25%-4.5% — the highest they've been since the 2008 global financial crisis. **Analysts predict interest rates will continue to 5.5% before the end of 2023.**

In theory, higher rates mean less spending, which translates to lower demand and should slow down price increases. But this could also lead to less economic activity. Rising rates and high inflation hit lower-income Americans the hardest as they face challenges purchasing necessities such as groceries and gas.

For retirees, it is a double-edged sword. While inflation diminishes a retiree's purchasing power and increases lifestyle expenses, high rates on savings vehicles such as certificates of deposit or money market accounts mean they could potentially earn a little more.

Over time, however, inflation rates negatively impact how much retirement dollars can stretch. To combat this, individuals should consider products that help offset the cost of inflation. Annuities, for example, pay more as interest rates increase — casting a light when things seem grim. Rising rates may sound like music to the ears of investors debating whether to add an annuity to their retirement portfolios.

Interest Rates and You, The Annuity Owner

In addition to being a safe accumulation vehicle, an annuity is also an income-generating product.



Data shows that average immediate annuity payouts have increased by more than 11% for men and 13% for women since 2022. The trend appears even more pronounced with longevity annuities, a deferred annuity that starts paying income later in life. Payouts have jumped 42% for men and women since the start of 2022.

A fixed indexed annuity protects principal from market loss and will never decline in value so long as the annuity owner continues to hold it through the length of their contract. However, annuities also generate income from interest. The annuity's interest rate is based partly on changes in a market index, which measures how part of the market performs.

So, as far as the economy goes, the higher the interest rate, the higher the annuity income payment. At the same time, the interest earning potential will never fall below zero, even if the index declines in value. This protects the product from inflation and helps generate higher income payouts at retirement.

How Fixed Indexed Annuities Work

Generally, FIAs calculate index-linked interest in the following manner:

- 1) A participation rate, which is the percentage of an index that is used to calculate interest crediting.
- 2) And/or a cap, which is the maximum interest that will be credited.
- 3) If the index loses money in any given year, the FIA does not lose money but rather will credit 0% (the interest rate floor).

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Annuities Shine Bright in 2023, cont.

When Ordinary Investment Options Seem Dim

Together, the interest rate floor, participation rate and cap determine the amount of interest someone earns. The interest earnings rate will always remain between the floor and the cap, and it will not rise above the cap, even if the index goes higher. Conversely, it will never fall below zero, even if the index declines in value. The value of the money will never decline due to market loss for as long as it is in the Fixed Indexed Annuity, although it can increase with a rising index.

If you withdraw money from an FIA before an index term ends, the annuity may not add all the index-linked interest for that term to their account. Additionally, like many long-term financial products, such as certificates of deposit or mutual funds, FIAs have a surrender fee for early withdrawal, depending on the contract.

Market volatility and rising rates have created a perfect storm for investors looking for ways to protect their nest eggs and generate a guaranteed income stream in retirement. **Currently, lifetime fixed-income annuity payouts are up 29%-30% from a year ago.**

Retirement Sentiments Among Americans

Americans have never been confident about their retirement futures. Research conducted by the Indexed Annuity Leadership Council found that 42% of Americans say the pandemic has made them more risk-averse regarding their finances, and 76% of Americans say protecting their retirement nest egg from loss is important to them.

Yet, as we face a potential recession, new research reveals that among those who have an annuity, 74% believe their savings and sources of income will last their lifetime, compared with only 43% for those without an annuity. Americans do not want to outlive their income streams, and that suggests they are ready to move to annuities and other retirement products that can provide lifetime income.

Things To Consider When Purchasing a Fixed Indexed Annuity

When discussing the purchase of an FIA or any other type of annuity as part of your retirement plan, start with two things:

1. Know your financial goals and risk tolerance, how long you have before you retire, and what you will need your annuity payouts to fund. Understanding how and when to use the money will help you decide what product is best for you.
2. Know the roll-up rate (*percentage at which the guaranteed side of the annuity keeps growing*) and the payout rate (*percentage of the annuity you will receive*) of an annuity. An insurance company's portfolio of investments and profits may determine rates' variations and can significantly vary between providers. Be sure to shop around to get the best quotes from different insurance companies.

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Current Annuity Rates January 2023

4.75%

2 Year Fixed Annuity

5.53%

3 Year Fixed Annuity

5.25%

4 Year Fixed Annuity

***To find out more,
contact me: 314-287-0179***

Annuities Shine Bright in 2023, cont.

When Ordinary Investment Options Seem Dim

In addition to a steady, guaranteed and lifetime income stream with secured principal, FIAs offer predictable earnings and tax-deferred growth. Increasing interest rates present an opportunity to consider annuities as part of a diversified retirement portfolio. Other tactics to consider as you prepare for inflation in retirement include rebalancing portfolios, pursuing alternative assets, liquidating assets to increase cash holdings, adding dividend-paying stocks to retirement portfolios and moving portfolios away from equities.



If you'd like a second opinion on your current portfolio or are getting ready to retire and would like to see what retirement could look like for you, I would love to help. Schedule a one-on-one appointment with me!

314-287-0179 or Annedeleon2@gmail.com

Anne's Updates

We had a wonderful holiday season! Our family went on a train ride called the Polar Express in matching pajamas. Look at their faces on the train as we headed to the North Pole on the magical train right before Santa came onboard! It was so lovely having my three grandchildren with us. My daughter, son in-law and the twins, Christian and Ryland, were at my house during the holidays as well.



Medicare Annual Enrollment Period Is Over: What's Next?

Medicare has ended its annual enrollment period, the time when those on Medicare do their dance comparing their current drug plan or Advantage plan to other plan offerings.

Beneficiaries on Medicare Advantage plans essentially get a "do-over" from Jan. 1st to March 31st to pick a different plan, while those on a Medicare Supplement/Part D Rx plan do not.

There have been several changes for 2023 that could directly impact Medicare beneficiaries. The first change is a requirement for drug companies to pay a rebate should the prices of their drugs rise faster than inflation. Lawmakers considered this a problem having seen drug prices steadily rise faster than inflation. The rule will use 2021 as the base year for determining price changes relative to inflation.



The next provision for 2023 is the new rules regarding insulin. The cost of insulin will be capped at \$35 for a month's supply through 2025.

After 2025 it will be \$35 or the lesser of 25% of the negotiated price. According to the Kaiser Family Foundation, under the new Inflation Reduction Act requirement, all Part D plans do not have to cover all insulin products at the \$35 monthly co-payment amount. Part D plans will only cover insulin products that are listed on their plan's formulary. So, what could this mean for a person on an Advantage plan? It would mean that if the brand of insulin being used is not covered by that plan, the plan beneficiary could change to a different plan that covers it.

For those on just a Part D plan and without any special circumstances, the plan beneficiary would be locked-in to that plan for the remainder of the year.

Also, for 2023 Medicare is improving vaccine coverage for adult vaccines. All Medicare Part D plans will be required to cover all ACIP (Advisory Committee on Immunization Practices) recommended adult vaccines with no cost sharing, regardless of the phase of the benefit. Advantage and Part D enrolled beneficiaries will now have access to ACIP-recommended Part D vaccines without cost sharing.

Further down the road in 2024, Medicare will eliminate the 5% coinsurance in the catastrophic coverage phase and will be expanding subsidies for beneficiaries making less than 150% of the federal poverty level.

The biggest news doesn't happen until the beginning of 2025 when Medicare will add a \$2,000 out of pocket cap on Part D expenses. As Medicare and its many facets continue to evolve, it is becoming critical for Medicare beneficiaries to evaluate their health plans from year to year and to seek the assistance of a trusted health coverage professional



Turning 65 soon?

**Learn about Medicare
in a FREE workshop
near you!**

Register Today!
usamedicare101.org/adl

The Most Anticipated Movies of 2023



Grab your popcorn and snacks because this year, there's plenty of superhero flicks, explosive action and even a few throwback to old school franchises at the theaters...so mark your calendars!

January

Plane

Release Date: January 27, 2023

In the white-knuckle action movie Plane, pilot Brodie Torrance (Gerard Butler) saves his passengers from a lightning strike by making a risky landing on a war-torn island - only to find that surviving the landing was just the beginning.



February

Ant-Man and The Wasp: Quantumania

Release Date: February 17, 2023

It may have been delayed a year, but Paul Rudd & Co. are back for round three of this delightful franchise, which promises some exciting casting: namely, Jonathan Majors as supervillain Kang the Conqueror and Bill Murray as... something.



March

Dungeons & Dragons: Honor Among Thieves

Release Date: March 31, 2023

The popular role-playing game gets a shiny reboot, courtesy of directors John Francis Daley and Jonathan Goldstein (Game Night, 2015's Vacation) and an all-star cast that includes Chris Pine, Michelle Rodriguez, Hugh Grant, Bridgerton breakout star Regé-Jean Page, and more.



April

The Super Mario Bros. Movie

Release Date: April 7, 2023

This big-screen adaptation of the iconic Nintendo character and his friends is being produced by Chris Meledandri of Illumination (Despicable Me) and the creator of Mario himself, Shigeru Miyamoto. Chris Pratt is voicing the famous Goomba-stomping plumber, who arrives in the Mushroom Kingdom and meets Keegan-Michael Key's Toad. Anya Taylor-Joy is also on board as Princess Peach, while Jack Black and Seth Rogen will voice Bowser and Donkey Kong, respectively, and Charlie Day will play Luigi.



Social Security & The IRS:

How to Pay Less Income Tax on Your Social Security Benefits

Most people collecting Social Security rely on the program for a big part of their retirement income. So, it's not surprising that when many hear that the IRS might be in line to take back a portion of their monthly Social Security checks, they're pretty unhappy and ready to do just about anything they can to avoid it.

Not all Social Security benefits are subject to federal income tax; you'll never have to pay taxes on 100% of what you get from the program. Moreover, by taking some prudent steps, you might be able to reduce or even eliminate your tax bill on your Social Security. First though, here's how Social Security works with income tax rules.

How Social Security is Taxed

The key to determining whether you'll owe tax on a portion of your Social Security checks is what's called provisional income. Take your gross income, add in tax-exempt interest, and then add one half of your total Social Security payments for the year. If that figure is above \$25,000 for singles or \$32,000 for joint filers, you'll potentially owe tax on at least part of what you get from Social Security.



Exactly how much gets added is complicated, as it depends on how far your provisional income exceeds those thresholds. From \$25,000 to \$34,000 for singles and \$32,000 to \$44,000 for joint filers, the maximum included amount is 50% of your benefits. Above those higher thresholds, up to 85% of your benefits can get taxed.

Here's how you can ease the blow and pay less to the IRS.

1. Control Your Capital Gains and Harvest Your Losses

During bull markets, the capital gains that retirees can generate when they sell investments to cover living expenses can be a big contributor to getting more of their Social Security taxed. For every \$1,000 in additional capital gains you have, you could potentially add \$500 to \$850 to the amount of your Social Security benefits that you'll have to include as taxable income. If you can avoid those gains or defer them to another year, it could help you avoid paying more taxes on your

benefits. Moreover, if you can harvest capital losses on losing investment, it could help offset not only gains on other investments but also up to \$3,000 of other types of income each year. That could end up saving you hundreds of dollars in taxes.

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Social Security & The IRS: How to Pay Less Income Tax on Your Social Security Benefits, cont.

2. Giving Away Your Required Minimum Distributions (if you are 70.5 or older)

One problem many older retirees face is that traditional IRAs and 401(k) plans force them to take required minimum distributions (RMDs) from their retirement accounts. Those RMDs can often be the decisive factor in pushing provisional income above the taxation threshold for Social Security benefits.

Most of the time, charitable gifts won't reduce your provisional income because most people have to itemize their charitable deductions. However, those 70.5 or older can make qualified charitable distributions (QCDs) of up to \$100,000 per year from their retirement accounts. Unlike most distributions of RMD amounts, using QCDs means RMD income never hits your taxes in the first place. That, in turn, can keep your provisional income lower than it otherwise would be, saving you on Social Security related income taxes.



3. Balance Retirement Distributions Across Roth and Regular IRA Accounts

Lastly, those fortunate enough to have both traditional and Roth style retirement accounts can control their provisional income by planning their distributions from both types. Roth distributions don't count toward provisional income, so taking more from a Roth in a given year can reduce the amount of your Social Security that gets taxed. Nobody wants to pay more tax than they have to and having your hard-earned Social Security benefits go to the IRS adds insult to injury. By following these three suggestions, though, you might be able to pay less in income taxes on your Social Security.



Need help figuring out when to start Social Security?

Contact me today for a FREE Personal Retirement Income Evaluation

314-287-0179

or email:

Annedeleon2@gmail.com

RETIREMENT REWARDS

Company	Discount	Eligibility
	50% off Prime Membership	Must be a recipient of SSI, SNAP, or other government assistance
	10% off	Must be an active duty or retired military member.
	20% off & free shipping	Must be an active duty or retired military member or immediate family of either. Must join Veterans Advantage card benefit program.
	10% off	Must be an active duty or retired military member with honorable status or spouse of either. Maximum of \$400 in savings annually.
	20% off	Must be 60+; Tuesdays Discount varies by location, generally ranging from 15-25%.
	20% off	Must be 55+ and present a state-issued ID. One day per month that varies by location.
	15% off	Must be an active duty or veteran.
	10% off	Must be an active duty or retired military member or their spouse.
	10% off	Must be 55+; Tuesdays
	10% off	Must be 55+
	20% off	Must be 65+; First Wednesday of each month. Discount for in-store items only.
	15%-50% off	Must be 55+
	10% off	Must be 55+; Not available at all locations
	15% off oil changes	Available to AARP Members
	20% off eligible items	Must be 55+ or an AARP Member; Available once per month in store and for one week per month online.

Upcoming MO Medicare 101 Workshops

St. Louis County Library

Thornhill Branch

12863 Willowyck Dr.

St. Louis, MO 63146

January 30th at 1:00pm

February 23rd at 5:00pm

St. Louis County Library

Oak Bend Branch

842 S Holmes Ave.

St. Louis, MO 63122

January 31st at 6:00pm

February 27th at 6:00pm

St. Louis County Library

Grant's View Branch

9700 Musick Ave.

St. Louis, MO 63123

January 26th at 6:00pm

March 1st at 6:00pm



Register Today!

usamedicare101.org/adl

Thanks for reading! Please reach out to me if you have any questions about Medicare or your retirement planning.



de Leon

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