



THE RETIREMENT REPORT

Monthly Medicare & Retirement Planning Newsletter



May We Give You Some Advice...



By Anne de Leon

Do you know what type of retirement product saw sales soar 44% in 2022 – and received praise and positive publicity in the finance field as consumers saw their other retirement investments lose value?

It's not cryptocurrency! It's not some hedge fund. Or real estate flipping. It's easily understood and won't be seen as a fad in future years. I would describe it as a product that "isn't an option in a successful retirement plan; it's a necessity if you want your retirement to be successful."

So, what is it? If you guessed annuities, then you're one step closer to becoming a savvy investor. This month, I'm explaining the appeal of a fixed indexed annuity plus we're taking a look at when medical marijuana could be covered by Medicare. And what happens if Social Security sends you too

In This Issue:

Annuities: A Win for Retirees - Pg. 2

Guess the Celebrity Ages - Pg. 4

When Will Medicare Cover Medical Marijuana - Pg. 5

Social Security Sent Me Too Much Money - Pg. 7

Anne's Updates - Pg. 8

Why So Many Experts Consider Annuities a Win for Retirees

This month, we're examining the benefits of a single premium fixed indexed annuity, or FIA.

Some finance experts call it a stock market safety net. As just one element of a plan for retirement income, I consider simplicity a plus, particularly when you read the positive reasons for the experts' praise for this product. Others call it a paycheck annuity. It's utilitarian. Whatever you want to call this annuity, it pays you a guaranteed income for life.



Experts Weigh in on Annuities

"An annuity can not only reduce the risk of an unknown lifespan, it can also allow retirees to spend their savings without the discomfort generated by seeing one's nest egg get smaller," wrote David Blanchett and Michael Finke. Blanchett is managing director of PGIM DC Solutions, a division of Prudential Financial, and Finke is a professor of wealth management at the American College of Financial Services.

"I call it the bus problem. They're afraid they're going to buy an annuity and walk outside and get hit by a bus. The reality is, you also might live to be 105 years old," economist Olivia Mitchell of the Wharton School of Business wrote.

"Annuities deserve an equal seat at the table with any other strategy that meets the style of the client. Annuities are quite competitive with the risk premium for the stock market as a way to fund retirement expenses," Wade Pfau, professor of retirement income at the American College of Financial Services wrote.



"I think it can make great sense to use some of your retirement savings to purchase a fixed indexed annuity. You can buy an immediate income with a single lump-sum payment you make right when you are ready to start living off your retirement income," financial advisor and author Suze Orman wrote for AARP.

Bottom line, while retirees may not be experts in the field, studies show that retirees feel more secure if they are receiving annuity payments.

Why Now?

These experts all acknowledge the benefits of fixed indexed annuities. Why is the financial press seeking out these experts in annuities now?

1) Rising interest rates, pushed by inflation, have brought new attention to annuity payments, which under new contracts over the past year have increased by 60%. (At the time of this article, payout factors are at 14-year highs).

2) At the same time, another lifelong income source, Social Security, is under pressure, not just from political arguments but also because the government needs to bolster the program to make sure it stays strong for future generations.

Why So Many Experts Consider Annuities a Win for Retirees, cont'd.

3) You may have noticed the stock and bond markets are still wobbly after last year's double whammy that saw both nose-dive. How much will the Fed raise interest rates? What are the prospects for a recession? Will consumers continue to spend and drive inflation higher? Until those questions are answered, the markets will be especially difficult to predict.

4) Over the long term – despite COVID – retirees are living longer, which increases “longevity risk.” When you plan your retirement savings to last to your life expectancy, whether it be age 90 if you're single or 95 if you're a couple, remember that by definition, 50% of you will survive to the life expectancy.

How Much? What Type? Which Accounts?



A do-it-yourselfer can learn a lot about longevity, taxation, risks and market volatility by reading. But there are plenty of others who can add to your education, including a knowledgeable financial advisor. But even with all the information you can gather, you won't get the answers you need until you develop a plan with your unique set of numbers.

Only then will you be able to determine how an annuity will work for you and improve your peace of mind about your plan.

A number of experts suggest that your combination of Social Security, any pension and an annuity should generate income to cover your essential expenses. By simple arithmetic, that means that most plans would include some annuity payments. Of course, under some circumstances, an annuity may not fit into your plan. For example, if your immediate family's history of life expectancy is low, it's probably smarter to develop a strategy without annuities, or with an annuity that includes a life-refund benefit.

Types of Annuity Payment Contracts

If your plan does call for annuities, they can form a foundation of continuing and lifetime income. Besides annuities with payments that start immediately, there are two other forms that allow you to choose a start date for future income. By selecting several start dates, you can even create laddered income that provides a type of inflation protection. Here's a brief description of all three:

- A **SPIA** (single premium immediate annuity) is purchased with a lump sum, often upon retirement, and as its name suggests, payments start immediately or at least within a month. If you buy it with money that has already been taxed, i.e., personal savings, you pay taxes only on the previously untaxed portion of your payments.

Current Annuity Rates

May 2023

5.41%

3 Year Fixed Annuity

5.50%

5 Year Fixed Annuity

5.45%

7 Year Fixed Annuity

To find out more,

Why So Many Experts Consider Annuities a Win for Retirees, cont'd.

- A **QLAC** (qualified longevity annuity contract) begins payments in the future, not later than 85, to supplement income when health care and similar high costs might be expected. As a special tax benefit, a QLAC must be purchased from your IRA or 401(k), permitting you to defer taxable RMDs, or required minimum distributions, from a portion of your account.
- A **DIA** (deferred income annuity) is similar to a QLAC, but is purchased from your personal savings or 401(k) or IRA accounts. You might have several DIAs, in fact, that add to your lifetime income stream at different ages. IRS rules allow you to exclude a portion of your DIA payments from taxes as well. There are DIAs with guaranteed fixed payments, and variable and fixed indexed annuities that can be converted to income.

Start Building Your Plan



Some advisors argue that you're better off investing all your retirement savings in the markets. They don't recognize that annuities provide lifelong safe income, a steady source of money even when markets crash. Last year, for instance, according to a report by Fidelity Investments, the average 401(k) account lost 21% of its value. The average individual retirement account – or IRA – fell by 23%.* The average Fixed Indexed Annuity lost 0%, because it's fixed.

It doesn't take a rocket scientist to figure out which one of those numbers is better for a safe, secure retirement. Retirement readiness shouldn't be left to chance.

*Source: Fidelity Investments 2022 Retirement Analysis

Guess the Celebrity Ages

Can you guess the ages of these well-known movie stars? No cheating or Googling!



Al Pacino

- The Godfather (1972)
- The Godfather, Part II (1974)
- Scarface (1983)



Donald Sutherland

- The Dirty Dozen (1967)
- Invasion of the Body Snatchers (1978)
- Citizen X (1995)



Anthony Hopkins

- The Lion in Winter (1968)
- The Elephant Man (1980)
- The Silence of the Lambs (1991)



Julie Andrews

- Mary Poppins (1964)
- The Sound of Music (1965)
- Thoroughly Modern Millie (1967)



Jane Fonda

- On Golden Pond (1981)
- The China Syndrome (1979)
- Julia (1977)



Sophia Loren

- Marriage Italian Style (1964)
- Sunflower (1970)
- Man of La Mancha (1972)



Clint Eastwood

- Rawhide (1959 - 1965)
- A Fistful of Dollars (1964)



Shirley MacLaine

- The Trouble With Harry (1955)
- Terms of Endearment (1983)

When Will Medicare Cover Medical Marijuana?

Many older adults are using medical marijuana to treat a variety of conditions, but experts say that conflicting laws, unclear safety standards and complicated rulemaking processes mean it could be years before Medicare may cover the drug.



One in five Medicare recipients currently uses medical marijuana, according to an April 2022 poll by the Medicare Plans Patient Resource Center, an organization that provides Medicare guidance and information. And nearly a quarter have used it in the past. Two-thirds of Medicare recipients think Medicare should cover it, the poll found.

But Medicare doesn't cover medical marijuana because it's not federally legal and not approved by the Food and Drug Administration. Here's where the situation stands:

Why Cover Medical Marijuana For Older Adults?



In one analysis of data from a large cannabis dispensary in New York, 60% of patients were 50 or older, according to an April 2022 paper in the journal, *Cannabis and Cannabinoid Research*. The patients used cannabis for severe or chronic pain, cancer, Parkinson's disease, and neuropathy, among other things.

And marijuana isn't cheap: Patients might pay as much as \$5 per dose for edible products or \$5 to \$20 per gram for plant buds, according to New York Cancer & Blood Specialists, which provides care to patients with cancer and blood disorders. (That's about \$142 to \$567 per ounce.) Even in states where medical marijuana can be legally prescribed, patients might not be able to afford the prescription.

"This medicine is so expensive," says Debbie Churgai, executive director of Americans for Safe Access, a nonprofit dedicated to ensuring safe and legal access to cannabis for therapeutic use and research. "There are some states now where insurance will cover the cost of the doctor visit or the cost of the marijuana card, but no insurance will cover the cost of the actual products."

What Are The Federal Roadblocks?



Two significant issues stand between medical marijuana and Medicare coverage. The first is that the government classifies marijuana as a Schedule 1 drug, a category of drugs with "no currently accepted medical use and a high potential for abuse" in the United States, according to the Drug Enforcement Administration.

"There is no way the federal government is going to reimburse people through a federal program for a substance they deem as illegal," says Paul Armentano, deputy director of NORML, the National Association for Reform for Marijuana Laws.



The second issue is that Medicare requires that the FDA approve a covered drug as safe and effective. Although the FDA has approved one cannabis-derived drug product and three synthetic cannabis-related drug products for prescription use, the agency hasn't approved the marketing of cannabis for medical treatment.

When Will Medicare Cover Medical Marijuana? cont'd.



What About In States Where It's Legal?

Sure, marijuana is illegal at the federal level, but medical marijuana is now legal in 37 states and Washington, D.C. Could private insurers — companies that offer Medicare Advantage, for instance — decide to cover it?

Not likely, says Kyle Jaeger, a cannabis policy reporter and senior editor at Marijuana Moment, a cannabis news site. Like banking institutions that have hesitated to offer services to marijuana businesses, major health insurers will likely decline to cover cannabis as long as it remains a Schedule I drug under federal law.

Also, private insurers rely on the FDA to guide them on which drugs to cover. Consider that the FDA released a statement in January saying that current regulatory pathways are insufficient to allow the agency to classify CBD as a dietary supplement. "It's incredibly frustrating for consumers, because all they want is a safe, consistent product," Jaeger says.

How High Is The Bar For Cannabis Coverage?

Among other things, the marketplace needs more data on the medicinal use of cannabis. "(Insurers) need data to show that the outcomes from cannabis care are equivalent to, if not better than, existing options that they do cover," says Dr. Benjamin Caplan, founder and chief medical officer of CED Clinic, which provides services to people seeking cannabis treatment.

This is partly complicated by the free-market dispensary system in which patients are free to buy any product. "The system has to be tweaked," Caplan says. "Patients can't just have carte blanche to buy whatever they want and the insurance companies are on the hook to cover that."

Considering the breadth of legal and regulatory obstacles facing the process, plus an overhaul of the dispensary system, the road to cannabis coverage is lengthy, says Jaeger. "I'd say we are many years from having that conversation and rulemaking for something like Medicare."

Upcoming MO Medicare 101 Workshops



St. Louis County Library Oak Bend Branch

842 S Holmes Ave.

St. Louis, MO 63122

- May 8th at 1:00pm
- June 28th at 6:00pm

Creek Valley Retirement Community Theatre

15950 Manchester Road

Ellisville, MO 63011

May 10th at 11:00am

St. Louis County Library Grant's View Branch

9700 Musick Ave.

St. Louis, MO 63123

- May 10th at 5:00pm
- June 22nd at 6:00pm

St. Louis County Library Daniel Boone Branch

300 Clarkson Rd.

Ellisville, MO 63011

- May 10th at 1:00pm
- June 24th at 11:00am

St. Louis County Library Thornhill Branch

12863 Willowyck Dr

St. Louis, MO 63146

- June 21st at 6:00pm

Register Today!

Social Security Sent Me Too Much Money...Do I Have to Pay it Back?



What is a Social Security overpayment and how does it happen?

According to the SSA, an overpayment occurs when the agency sends you more money than you should've received. The reason for an overpayment varies, depending on the type of benefits you receive, whether they're old-age, survivors, disability or something else. Maybe you started a new job while collecting Social Security retirement benefits and failed to notify the agency about the change in your income. Or your disability status changed and you returned to work but continued to receive Social Security Disability Insurance (a program for people with disabilities who can no longer work).

Overpayments can also happen to recipients of Supplemental Security Income (a program for the elderly and people with disabilities who make little to no income) for a number of reasons, like an increase in income or errors in the information you provided to the administration.



The most common reasons that overpayments happen, include:

Marriage, a roommate moved in or out (this one applies to SSI recipients), a child moved out, you began working, you earned more monthly income than previously estimated, you began receiving additional benefits, you began receiving child support, you received more income than an SSI recipient is allowed, you're no longer disabled, or you were convicted of a crime.

A lot of overpayments occur because a beneficiary failed to notify the Social Security Administration of a change that would affect their benefits amount. There's also the chance that a beneficiary was proactive and told the administration about these changes, but it didn't record the change in its system in time and still provided the same benefit amount month after month.

How do I know if the SSA overpaid me?



You will receive a notice from the administration. The notice will tell you by how much you've been overpaid, why you were overpaid, how you can repay the overpayment and what your appeal and waiver rights are. If you receive a notice, act on it quickly. Read through the notice carefully and confirm that the information -- the amounts and the dates -- are correct. Keep reading for what to do if it is or if it isn't correct.

How can I clear up the overpayment?

If you agree with the SSA's overpayment claims, you have 30 days plus five mailing days to repay the agency. If you're receiving Social Security benefits, the administration will withhold the full amount of your benefits 30 days after it notifies you of the overpayment, unless you request a lower withholding amount and the SSA approves your request.

For SSI recipients, the agency generally withholds 10% of the maximum monthly benefit rate.

If you no longer receive SSI but you are a Social Security beneficiary, you can have 10% of your monthly Social Security benefits withheld.

Anne's Updates

We are growing here at De Leon Retirement Services and want to welcome Holly Stiles as our new addition. She comes to us with many years of administrative experience. We feel she will be a benefit to our agency.

A little bio on Holly: She is a landscape and still life artist in her spare time, has two grown daughters and a five year old grandson. Her fitness regime is hiking almost daily with her rescue dog Stevie.



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

Guess the Celebrity Ages in 2023

1. Al Pacino: 83 - April 25, 1940
2. Anthony Hopkins: 86 - December 31, 1937
3. Jane Fonda: 86 - December 21, 1937
4. Clint Eastwood: 93 - May 31, 1930
5. Donald Sutherland: 88 - July 17, 1935
6. Julie Andrews: 88 - October 1, 1935
7. Sophia Loren: 89 - September 20, 1934
8. Shirley MacLaine: 89 - April 24, 1934



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