



THE RETIREMENT REPORT

Monthly Medicare & Retirement Planning Newsletter



The Annual Enrollment Period continues on!

By Anne de Leon



You know it's fall when stores start selling early Christmas decor and offering flu shots - and your TV and mailboxes are filled with Medicare ads. The Annual Enrollment Period is in full swing until December 7th, meaning those ads aren't going away just yet.

My advice to you right now is to check, check, and double-check your current coverage because health and drug plans can change from year to year. My team is here to help you make the right choices for your health coverage in 2024, so please don't hesitate to reach out.

We are all watching the situation unfold in the Middle East, and analysts aren't sure where the markets go from here. I would caution against making rash, short-term financial decisions. Instead, I'm sharing information about other investment options that may work for you.

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Could you be too invested in stocks?

In a recent analysis of its retirement account clients, Fidelity Investments discovered that 37% of Baby Boomers, those born between 1946 and 1964, are overallocated in equity holdings. According to Fidelity, individuals in this age group should ideally have between 37% and 57% of their portfolio in stocks. However, more than a third of Baby Boomers exceed this recommended range.*

While there's no universal approach to asset allocation, experts concur that maintaining an excessive equity allocation in your portfolio as you grow older poses significant risks. With advancing age, less time is available to rebound from market downturns.



Fixed-Income Choices Include Annuities, Bonds and CDs

Options within the fixed-income category encompass annuities, bonds, and certificates of deposit (CDs). These financial instruments generate a regular income stream, making them integral components for reducing your exposure to equities (stocks and stock funds). When making a choice among these options, it's essential to weigh factors such as yield, guarantees, the security of your principal, liquidity, and tax implications.

For example, Treasury bonds and notes are widely favored due to their backing by the U.S. government. They guarantee you'll receive your initial investment back if you hold the bond until maturity. However, selling a bond before it matures can result in a loss. Treasury bond funds have fluctuating prices, so you might experience gains or losses when selling them. While the interest income is subject to federal income tax (unless held within an IRA or qualified account), it's exempt from state taxation.

Corporate bonds typically offer higher yields than Treasuries but come with increased credit risk. On the other hand, municipal bonds are not subject to federal income tax, and in-state municipal bonds enjoy exemption from state income tax. Given their relatively lower interest rates, they are most suitable for individuals in higher tax brackets.

Fixed annuities often outperform certificates of deposit (CDs). Bank CDs are attractive due to their ease of purchase and federal deposit insurance, which guarantees up to \$250,000 (FDIC for banks, NCUA for credit unions), covering both principal and interest. While CDs can be cashed in prematurely, early withdrawal typically incurs a substantial penalty. Interest earned on non-qualified CDs is subject to federal and state income tax in the year it is accrued.

Opting for a fixed-rate annuity can be a more advantageous choice for a portion of your funds. The multiyear guarantee annuity (MYGA) is the most popular variety, as it ensures a fixed interest rate for several years. It is often called a CD-type annuity due to its similar functioning, although notable distinctions exist.

One significant advantage that annuities hold over CDs is the tax-deferral benefit in non-qualified accounts. Interest earned within the annuity remains tax-free at both the federal and state levels as long as it remains within the annuity. This tax advantage fosters accelerated growth through compounding. When your existing annuity matures, you can transfer the proceeds to a new annuity via a 1035 exchange, preserving the tax deferral status.

Could you be too invested in stocks? cont'd

It's worth noting that this tax advantage does not apply to qualified retirement accounts like IRAs, Roth IRAs, 401(k)s, and similar accounts, where interest is already tax-deferred or tax-free in the case of Roth IRAs. Nevertheless, a MYGA can still be an excellent choice for an IRA or Roth IRA.

Annuities Pay Higher Rates

Multiyear guarantee annuities (MYGAs) frequently offer higher interest rates than bank certificates of deposit CDs of a similar term. While you may currently come across short-term CDs (ranging from six months to a year) offering yields exceeding 5%, annuities typically provide more attractive rates for those seeking longer-term security. For example, as of late September 2023, it appears that the highest national rate for a three-year CD is 4.75%. In contrast, a three-year MYGA can offer a substantially higher rate of 5.60%. If you are interested in securing a 10-year guarantee, you can potentially earn a 6% interest rate on an annuity.

While there are bonds and bond funds that do pay more currently, they typically fall into the high-risk or junk bond category and thus entail more risk, and the goal of asset allocation is to reduce risk.

Typically, Annuities Provide More Penalty-Free Liquidity

Regarding CDs, you are typically free to withdraw interest without penalties. However, you will typically face substantial penalties if you wish to access any of the principal amounts before the agreed maturity date. The specific early withdrawal penalties can vary from one bank to another.

In contrast, numerous MYGAs offer enhanced flexibility by allowing you to withdraw up to 10% of the account's value annually without incurring penalties. It's important to note that all withdrawn interest is subject to taxation. This flexibility can prove beneficial if interest rates rise and you want to move that 10% without incurring taxes through a 1035 exchange to a higher-yielding annuity.

Certain annuities offer more favorable interest rates, but have less lenient withdrawal provisions. Almost all MYGAs include surrender charges for withdrawals exceeding the contractual limits. In some cases, insurers may waive these surrender charges if the annuity holder is dealing with a terminal illness or residing in a care facility for an extended period.

When you withdraw annuity earnings before reaching the age of 59½, you typically face a 10% penalty imposed by the IRS unless you qualify as totally disabled. While this is an essential factor for non-qualified funds, it's generally less significant for IRA annuities because individuals typically maintain their funds within an IRA past the age of 59½. It's an aspect where some might assume that CDs hold an advantage, but, in reality, this isn't the case.

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Current Annuity Rates November 2023

5.75%

3 Year Fixed Annuity

6.10%

5 Year Fixed Annuity

6.10%

7 Year Fixed Annuity

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

Could you be too invested in stocks? cont'd

Although annuities lack the federal deposit insurance that CDs enjoy, state annuity guaranty associations, mandated by law, exist to safeguard annuity purchasers up to similar limits. The extent of coverage and specific conditions can vary by state and are typically contingent on the state of residence.

Moreover, life insurers, subject to strict state regulations, maintain a commendable history of financial stability. AM Best assigns letter grades to most annuity issuers, and while some individuals may only be comfortable with A-rated insurers, numerous companies rated as B++ also deserve of consideration.

It's important to note that MYGAs aren't the sole category of annuities that can assist in reducing overreliance on equities. Fixed-indexed annuities and lifetime income annuities are also worthy of exploration, but that's a topic for a different discussion.



Fall Trivia

1. What marks the official start to the fall season in the Northern Hemisphere?
2. In colonial times, what were apples called?
3. What sport do folks gather together to watch every weekend in the fall months?
4. What happens if hay bales get too wet?
5. What was fall originally called?
6. Who was the first group of people in history to use scarecrows?
7. What do you call a male turkey?
8. What is the official word for the sound of leaves and trees rustling in the wind?
9. What kind of trees lose their leaves in autumn months?
10. What is the natural color of leaves?
11. What pigment is responsible for trees with red and purple leaves?
12. When is fall in the Southern Hemisphere?
13. How many pies can a bushel of apples make?
14. What fall month will you see a full corn moon?



Does Medicare Supplement Insurance Cover Long-Term Care?

As individuals progress through different stages of life, their financial priorities and requirements inevitably evolve.

While you might manage with a more modest health insurance plan in your younger years, the need for a more comprehensive policy becomes apparent. Additionally, you may discover that your health insurance and Medicare coverage are insufficient. In such cases, a Medicare supplemental policy could prove invaluable. You might also encounter challenges covering expenses related to in-home care, nursing homes, or assisted living facilities. During these distinct situations, various options become available for consideration.

However, a fundamental question arises: does Medicare supplemental insurance extend coverage to long-term care? Or do you need to explore alternative solutions to bridge the financial gap?

Does Medicare Supplemental Insurance Cover Long-Term Care?

In short, Medicare supplemental insurance, also known as Medigap, serves to bridge the coverage gaps left after your Original Medicare plan has been applied. However, it's important to note that this coverage does not extend to long-term care, and the support it provides for such care is limited.



Medicare.gov explicitly states, "Medicare and most health insurance, including Medigap, don't pay for long-term care."

The Department of Financial Services in New York reinforces this point, clarifying that these plans aim to fill certain gaps in Medicare coverage but are not designed to cover most long-term care services.

It's worth noting that while Medicare supplemental policies may offer some assistance, their coverage for long-term care is generally restricted. As Humana explains, "In general, Medicare supplement plans don't cover long-term care or care lasting longer than 100 days." However, Medicare supplement plans can help cover costs that Original Medicare doesn't. For example, Medicare supplement plans can pick up the cost of daily coinsurance when staying at a skilled nursing facility from day 21 through day 100."

Consider Long-Term Care Insurance

Should your Medicare supplemental insurance fall short of your long-term care needs, concern is unnecessary. There are alternative solutions available, most notably long-term care insurance. This specialized financial safeguard encompasses the expenses associated with various services, including in-home caregivers, nursing homes, and assisted living facilities.

Long-term care insurance functions in a manner familiar to your other insurance policies. You pay regular monthly premiums and then submit coverage claims when needed. However, the value of long-term care insurance extends beyond mere financial protection. There are multiple advantages to having a long-term care insurance plan, which seniors and older adults should know.

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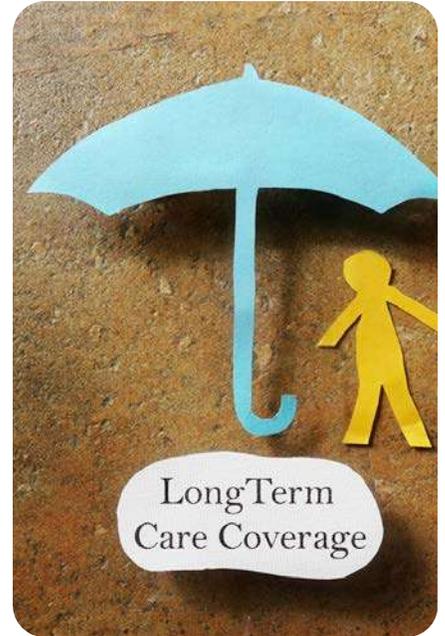
[Richardson, M. \(2023, October 3\). Does Medicare Supplemental Insurance cover long term care?. CBS News.](#)

Does Medicare Supplement Insurance Cover Long-Term Care? cont'd

Here are two major advantages:

Asset Protection: You have diligently saved for your retirement and to provide for your beneficiaries in the event of your passing. If possible, you aim to preserve your savings and assets rather than depleting them on long-term care expenses. Fortunately, a long-term care insurance plan can offer a solution. Such a policy offers a secure and dependable means to cover your long-term care requirements, ensuring your financial well-being.

Tax Advantages: Depending on the long-term care insurance provider and the policy you choose, the premiums you pay for a plan may be tax-deductible (and the benefits you receive will be tax-free). However, eligibility for that ranges based on age and other medical factors, so do your research in advance.



The Bottom Line

Even if a Medicare supplemental insurance plan falls short of providing comprehensive coverage for long-term care, alternative solutions are available. Long-term care insurance can effectively cover these expenses without complications, potentially resulting in long-term cost savings while promptly safeguarding your existing financial resources.

Furthermore, you may be eligible to deduct the premiums' costs from your annual taxes, providing an additional financial benefit.

[Richardson, M. \(2023, October 3\). Does Medicare Supplemental Insurance cover long term care?. CBS News.](#)

Upcoming MO Medicare 101 Workshops

Buder Library

4401 Hampton Ave

St. Louis, MO 63109

- Nov 8th at 6:00pm

St. Louis County Library

Thornhill Branch

12863 Willowyck Dr

St. Louis, MO 63146

- Nov 13th at 5:00pm

St. Louis County Library

Grant's View Branch

9700 Musick Ave

St. Louis, MO 63123

- Nov 15th at 5:00pm

St. Louis County Library

Meramec Valley Branch

1501 San Simeon Way

Fenton, MO 63026

- Nov 9th at 1:00pm

The Government Is Coming After Social Security Overpayments

The federal agency responsible for overseeing Social Security benefits is implementing fresh measures to recover overpayments, potentially seeking reimbursement if you have been receiving excessive payments. In a statement issued early in October, the Social Security Administration (SSA) announced its intention to establish a team focused on reviewing policies and procedures concerning overpayments.

According to data from the agency, approximately 1.5% of Social Security disbursements are classified as overpayments. These overpayments can arise from government errors or the recipients' mistakes. In both scenarios, beneficiaries are required to repay the excess funds received.

The specific sum the government aims to recover in Social Security overpayments remains uncertain.

Contrary to some media reports suggesting the SSA is pursuing \$41 billion in Social Security overpayments, officials clarified that this figure represents the cumulative total of overpayments throughout the program's history. The SSA emphasized that each individual's situation is handled case-by-case.

The prospect of an overpayment review may be disconcerting for Social Security recipients who are uncertain about the accuracy of their payments or suspect their checks may be larger than warranted.

The SSA attributed the challenge of overpayments to the extensive number of individuals it serves, the fluctuations in their circumstances, and the program's complexity.

According to an inspector general report, the SSA retrieved \$4.7 billion in overpaid Social Security benefits in 2022, a fraction of the annual \$1.4 trillion allocated for Social Security benefits. These benefits serve as a crucial source of income in retirement for 70 million beneficiaries. In response to heightened inflation, the annual cost-of-living adjustment (COLA) reached 8.7% in 2023, increasing the average monthly benefit to approximately \$1,700. While a 3.2% payment increase is expected for 2024, the final figure remains pending.

What Happens If You Were Paid Too Much in Social Security

If you have received excess payments, it is possible to establish a repayment plan with the government. Nonetheless, according to a report from KFF Health News, these repayment plans are placing a financial burden on certain affected beneficiaries, particularly those who are poor, retired, or disabled and have already spent the money, making it difficult for them to reimburse the government.

When an individual receives overpayments from Social Security, it can take several years before the error is identified, by which time the overpayment may have accumulated to tens of thousands of dollars, as reported by the health news publication.

Government officials assert that, by law, they are obliged to make efforts to recover overpayments, and in most instances, the recovery process is rarely exempted.



Classic Apple Pie

Everyone has to make this Classic Apple Pie Recipe for Thanksgiving. You will love the flaky pie crust and the apple pie filling will surprise you.

Ingredients

- 1 box (14.1 oz) refrigerated Pillsbury™ Pie Crusts (2 Count), softened as directed on box
- 6 cups thinly sliced, peeled apples (6 medium)
- 3/4 cup sugar
- 2 tablespoons all-purpose flour
- 3/4 teaspoon ground cinnamon
- 1/4 teaspoon salt
- 1/8 teaspoon ground nutmeg
- 1 tablespoon lemon juice



Directions

1. Heat oven to 425°F. Place 1 pie crust in an ungreased 9-inch glass pie plate. Press firmly against the side and bottom.
2. In a large bowl, gently mix the filling ingredients; spoon into a crust-lined pie plate. Top with a second crust. Wrap excess top crust under bottom crust edge, pressing edges together to seal; flute. Cut slits or shapes in several places in the top crust.
3. Bake for 40 to 45 minutes or until the apples are tender and the crust is golden brown. Cover the edge of the crust with 2- to 3-inch wide strips of foil after the first 15 to 20 minutes of baking to prevent excessive browning. Cool on the cooling rack at least 2 hours before serving.

Fall Trivia Answers:

1. The autumnal equinox
2. Winter bananas or a melt-in-the-mouths
3. Football
4. They can spontaneously combust.
5. Harvest
6. The Egyptians
7. A gobbler
8. Psithurism (pronounced sith-yuh-riz-uhm)
9. Deciduous
10. Yellow and orange
11. Anthocyanins
12. March through May
13. Approximately 21 pies
14. September
15. We gain an hour because we set our clocks back



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