



# THE RETIREMENT REPORT

Monthly Medicare & Retirement Planning Newsletter



## Leaping into February with a financial challenge!

By Anne de Leon



Did you know this year is a Leap Year? That means you can count on an extra day in February. February is the perfect time to try a month-long saving challenge. Take your lunch to work every day, modify the 52-Week Challenge into a 28-Day Challenge or try going 28 days without spending any money on luxuries. Because this month is shorter than the others, it's even easier to hit your goals!

This newsletter provides information about what you need to know about Medicare for your spouse if they have not worked out of the home, what is happening with annuity payouts, and taking out your Social Security before the age of 70. I hope you find this newsletter helpful and informative. As always, if you need anything, I am here for you, so just reach out. Here's to a wonderful February!

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# What You Need to Know About Medicare Spouse Coverage

**Question:** Can individuals who haven't been employed outside the home, such as homemakers and stay-at-home parents, qualify for Medicare benefits? I have been employed for the majority of my adult life, while my wife has been dedicated to homemaking since our marriage and hasn't had a job-generating income since college. Is she eligible for Medicare?

**Answer:** Numerous couples find themselves in a similar situation when seeking Medicare eligibility. In most cases, the answer is generally yes — your spouse can meet the criteria for Medicare based on your work history. Let me explain how this process works.

## Medicare Requirements:

Medicare, the government health insurance program for older adults, covers around 60 million Americans age 65 and older, as well as those younger who have a qualifying disability or have End-Stage Renal Disease. To be eligible, you must have worked and paid Medicare taxes for at least 10 years to qualify for premium-free Medicare Part A hospital coverage when you turn 65. If you qualify, then your non-working spouse will qualify, too, based on your work record when she turns 65.

Divorced spouses are also eligible if they were married for at least 10 years and are single, as are surviving spouses who are single and who were married for at least nine months before their spouse died. In addition to Part A, both you and your spouse would also be eligible for Medicare Part B, encompassing doctor's visits and other outpatient services, but necessitating a monthly premium. The premium for Part B beneficiaries in 2024 stands at \$174.70 per month per person, with couples filing jointly and earning over \$206,000, annually incurring higher costs.

There are also a number of other caveats you should know about, depending on your wife's age.

## Older Spouses:

If your spouse is older than you, she can become eligible for Medicare based on your work record at the age of 65, even if you haven't enrolled in Medicare yourself, provided you are at least 62 years old. Additionally, a minimum one-year marriage duration is required for your spouse to apply for Medicare on your work record.

In the scenario where you are still employed, and your wife is covered by your employer's health insurance, she may opt to enroll only in the premium-free Medicare Part A until your retirement or the termination of your employer's coverage. Part B, along with its associated premium, can be added later without incurring penalties as long as your employer's group health plan remains your "primary coverage." It's advisable to consult with your employer's human resources department for more information on this matter. (Note: If your wife contributes to a health savings account, she may choose not to enroll in Part A, as contributions are restricted after enrollment).

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# What You Need to Know About Medicare Spouse Coverage cont'd

## Younger Spouses

If your wife is younger than you, she will need health insurance until she turns 65 and becomes eligible for Medicare. This may be through the Health Insurance Marketplace or if you're still working, through COBRA.

## Other Medicare Choices

Apart from Medicare Part A and Part B, once both you and your wife qualify for Medicare, it's essential for each of you to sign up for a Part D prescription drug plan if credible drug coverage is not provided by your employer or union. Additionally, considering the purchase of a Medicare supplemental (Medigap) policy is advisable. This can assist in covering expenses not included in Medicare, such as copayments, coinsurance, and deductibles. Alternatively, you might explore the option of an all-in-one Medicare Advantage plan.

## Current Annuity Rates

February 2024

**5.90%**

3 Year Fixed Annuity

**5.83%**

5 Year Fixed Annuity

**5.80%**

7 Year Fixed Annuity

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

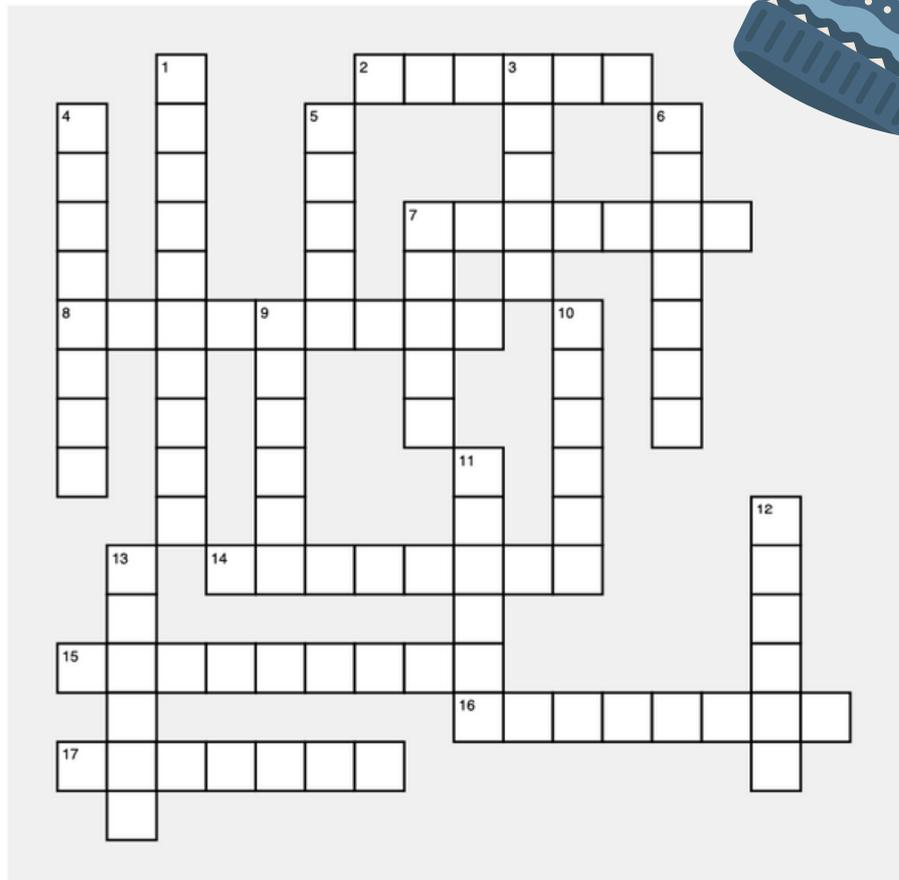
# Winter Crossword

## ACROSS

- 2 - Frozen spike
- 7 - Winter sculpture
- 8 - Present day?
- 14 - Winter coasting
- 15 - Hearth
- 16 - Rudolph and teammates
- 17 - Winter \_\_\_\_ Games

## DOWN

- 1 - White Rabbit's milieu
- 3 - Hot chocolate
- 4 - Winter outerwear
- 5 - Icy coating
- 6 - Rink dancing
- 7 - Neck wrap
- 9 - Snow remover
- 10 - Aspen activity
- 11 - Small shake
- 12 - Stanley Cup Sport
- 13 - Uncomfortably cool



# Is 2024 the End for Decade High Annuity Payout Factors?

It's an opportune moment to reassess your retirement-income strategy.

The recent decline in long-term interest rates over the past three months has brought joy to the stock and bond markets, as 2023 concludes. However, not everyone is reaping the benefits. Payout rates on income annuities, which are insurance products transforming savings into a lifelong pension, have also begun to decrease. Should interest rates continue their anticipated descent in 2024, it's likely that annuity payout yields will further decline. This poses a challenge for those on the brink of retirement, especially for those seeking to maximize their retirement income from limited savings.

Lifetime-income annuities, often referred to as single-premium immediate annuities, function as insurance products that convert savings into a guaranteed income for life—a structure akin to a traditional pension.

Considering how frequently people lament the disappearance of traditional pensions, one might assume that products like lifetime annuities would enjoy greater popularity. Surprisingly, they only contributed a modest \$10 billion in sales during the initial nine months of 2023, representing a mere 3% of the total sales of all "annuity" products. The remaining 97% largely comprised high-fee investment products.

Economists find this trend perplexing. Over nearly four decades, there has been ongoing debate about why a larger proportion of the population doesn't opt for lifetime annuities in retirement.

It's noteworthy that payout rates on annuities closely align with long-term interest rates. This correlation stems from the fact that insurance companies, the sellers of annuities, invest the premiums in Treasury bonds and investment-grade corporate bonds.

In mid-November, a 65-year-old man could still buy a single-premium immediate annuity with a 7.7% payout: In other words, if he paid \$1 million he could get a guaranteed income of \$77,000 a year for life. With rates for women lower because they tend to live longer; a 65-year-old woman could get a 7.3% payout, enough for \$73,000 a year.

Where are the rates today? In theory, they are - astonishingly - the same or even higher. Immediateannuities.com, an industry website, lists annuities of 8% and 7.7% for a 65-year-old man and woman, respectively. But these relate to one or two products in a thin market. Drill down a little, and you'll see that most yields are lower. If you want an insurer with the highest possible credit rating, you're looking at rates of 7.4% and 7.1%.

Given the wild moves in long-term interest rates in the bond markets over the past six weeks, it's surprising the rates haven't fallen further. Since mid-November, 10-year Treasury yields have plunged from 4.5% to 3.9%.

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# Is 2024 the End for Decade High Annuity Payout Factors? cont'd

A similar scenario unfolds when examining annuities with a cost-of-living adjustment. For instance, a 65-year-old man acquiring a single-premium immediate annuity with a 3% annual income increase could theoretically commence with a 6% payout, amounting to \$60,000 as the first year's income on a \$1 million premium. However, from an insurer boasting the highest credit rating, the actual starting rates for the 65-year-old man hover around 5.4% or 5.5%, while a 65-year-old woman faces a starting rate of 5.1%. Rates have experienced a decline since mid-November, albeit at a slower pace than anticipated.



Why haven't these rates dropped further? Rajiv Rebello, Principal and Chief Actuary at Colva Actuarial Services in San Diego, California, explains that the operational processes of insurance companies and their annuity creation contributes to this phenomenon.

Payout rates on new annuities may reflect yields on bonds purchased by the companies weeks before. Rebello notes, "They do buy Treasuries and corporate bonds to back the annuities. But there is a delay between the drop in yields in the market and when the insurance company drops the payout rates." Consequently, the annuities currently being sold may still be influenced by bonds acquired before the recent sharp decline in interest rates.

In light of this, we can anticipate a decline in these payouts in the upcoming weeks and months, unless there is a resurgence in interest rates. It's important not to dismiss the possibility of rates rising again, as Wall Street is currently strongly convinced of a continuous downward trend, rendering the bond market susceptible to even minor disturbances.

The decision to invest in annuities during retirement hinges on various factors, as financial advisers emphasize. Seeking guidance from a fee-only adviser before making such a decision is advisable.

Conventional advice often recommends acquiring an annuity with a portion of your savings. The true strength of single-premium immediate annuities lies in the life insurance component. Those who purchase them and pass away at a younger age subsidize those who live longer, ensuring that each individual receives a lifelong income—a structure reminiscent of traditional pensions.

While a 5% annual payout with a 3% yearly increase may not seem substantial, it surpasses the conditions prevalent when bond yields were at their lowest. Furthermore, it outperforms the commonly followed "4% rule," which involves investing in a balanced portfolio of stocks and bonds, withdrawing 4% in the initial year, adjusting the withdrawal annually to match inflation, and hoping for favorable outcomes.



# Why It Might Make Sense To Take Social Security Long Before Age 70

Numerous individuals nearing retirement in the United States are aware of the financial benefits associated with deferring Social Security claims. The optimal strategy for attaining the maximum retirement benefit involves postponing the claim until age 70.

However, this approach may not be suitable for everyone. Here's the most compelling rationale for opting to receive Social Security well before reaching the age of 70.

Let me initially acknowledge that there are several valid reasons to opt for Social Security retirement benefits before reaching the age of 70. If you have health issues, for instance, opting to collect Social Security could be a prudent decision. However, before filing for retirement benefits, you should check if you qualify for disability benefits.

Claiming Social Security retirement benefits well in advance of turning 70 is particularly sensible if you don't anticipate living until the break-even age for waiting. This refers to the age at which the lifetime benefits from collecting Social Security before 70 equate to the lifetime benefits of waiting until 70 to claim them.

Facing significant financial challenges is another compelling reason to commence receiving Social Security retirement benefits several years before reaching the age of 70. For instance, if you encounter a major financial setback, such as job loss in your early sixties with no immediate job prospects, Social Security benefits can provide crucial financial support.

## Upcoming MO Medicare 101 Workshops

### St. Louis County Library

#### Oak Bend Branch

842 S Holmes Ave

St. Louis, MO 63122

- Feb 27th at 1:00pm
- March 28th at 1:00pm

### Jefferson County Library

#### Arnold Branch

1701 Missouri State Rd

Arnold, MO 63010

- March 21st at 12:00pm

### University City Public Library

6701 Delmar Blvd

University City, MO 63130

- Feb 26th at 6:00pm

### St. Louis County Library

#### Grant's View Branch

9700 Musick Ave

St. Louis, MO 63123

- Feb 22nd at 6:00pm

### St. Louis County Library

#### Meramec Valley Branch

1501 San Simeon Way

Fenton, MO 63026

- Feb 20th at 5:30pm
- March 18th at 6:00pm

### St. Louis County Library Thornhill

#### Branch

12863 Willowyck Dr

St. Louis, MO 63146

- March 26th at 1:00pm



Register soon:

[usamedicare101.org/ad/!](https://usamedicare101.org/ad/)

## Why It Might Make Sense To Take Social Security Long Before Age 70 cont'd

I would contend, however, that the most compelling reason to claim Social Security before reaching the age of 70 is if you're prepared to retire from your current job. Many Americans simply prefer not to extend their working years beyond necessity.

When I refer to being "ready to retire," I encompass both mental readiness and financial readiness. While some individuals may be ready in one aspect but not the other, it's crucial to carefully assess your anticipated income and expenses to ensure you are financially equipped for retirement.

For numerous Americans, commencing the collection of Social Security retirement benefits at least by the age of 65 could be an optimal choice. This aligns with the eligibility age for Medicare, and considering the substantial costs associated with healthcare for seniors, having access to Medicare instead of employer-sponsored health insurance can be significant.

On the other hand, some may conclude that waiting until their Full Retirement Age (FRA) is more advantageous for securing financial readiness. Postponing the collection of Social Security retirement benefits until reaching your FRA enables you to sidestep any financial penalties linked to receiving benefits earlier.

Note, though, that I used the phrase "you're ready to retire from your current job." For many individuals, continuing to work part-time or full-time in another job is attractive.

Keep in mind that part of your retirement benefits could be withheld if you make more than a specified annual earnings limit. In 2024, \$1 of benefits will be withheld for every \$2 you make above \$22,320 if you're younger than your FRA throughout the year. If you reach your FRA in 2024, \$1 for every \$3 you earn above \$59,520 will be withheld. The good news is that all of those withheld benefits will be repaid once you reach your FRA.

I'd be remiss if I didn't point out that waiting until age 70 to collect Social Security retirement benefits is still the best financial option for most Americans. A National Bureau of Economic Research (NBER) study published in 2022 found that over 90% of workers would receive greater lifetime benefits from Social Security if they began collecting them at age 70.

But money isn't everything. If you're ready to retire from your job (even if you're not ready to fully retire), claiming Social Security well before age 70 could be the best overall option for you.

If you're like most Americans, you're a few years (or more) behind on your retirement savings. But a handful of little-known "Social Security secrets" could help ensure a boost in your retirement income. For example: one easy trick could pay you as much as \$21,756 more... each year!

Once you learn how to maximize your Social Security benefits, we think you could retire confidently with the peace of mind we're all after.



# Chocolate Chip Blondies

*This is the most delicious and easiest chocolate chip blondie recipe.*

## Ingredients

- 1/2 cup Melted Butter
- 1 cup Brown Sugar
- 1 large Egg
- 1 large Egg Yolk
- 2 teaspoons Vanilla Extract
- 1 cup Flour
- 1/4 teaspoon Baking Soda
- 1/4 teaspoon Salt (if using unsalted butter, increase to 1/2 teaspoon)
- 1 cup Chocolate Chips (divided)

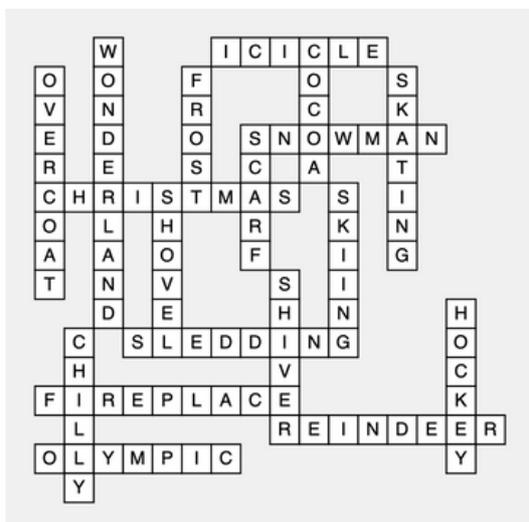


## Directions

1. Preheat oven to 350 degrees. Melt butter in the microwave in a microwave safe bowl or in a pot on the stove. Stir in brown sugar for about 2 minutes or until smooth and completely dissolved.
2. Let cool for 5 minutes. Add vanilla extract and stir. Add egg and egg yolk and stir until smooth.
3. Fold in flour, baking soda, and salt.
4. Check to ensure the cookie dough isn't too warm before adding the chocolate chips. Fold in 3/4 cup of chocolate chips, reserving 1/4 cup for the top.
5. Line a 8 x 8 aluminum or metal pan with parchment paper. I don't suggest using a glass pan for these blondies.
6. Spread the cookie dough in the pan and sprinkle with the remaining 1/4 cup chocolate chips. Bake for 19-26 minutes. The center will still look underbaked but the blondies will continue to bake once removed from the oven.
7. Allow to set up for at least 15-20 minutes before cutting into bars. For easier cutting, place in the freezer for at least 15 minutes. Use a plastic knife for smoother cutting. Cut into 9 or 16 bars.

**Thanks for reading! Please contact me with any questions about Medicare or your retirement planning.**

## SOLUTION



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