



For Those Who Want to Prosper & Thrive in Retirement



Provided to you by:

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CPA©



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Written by Financial Educators

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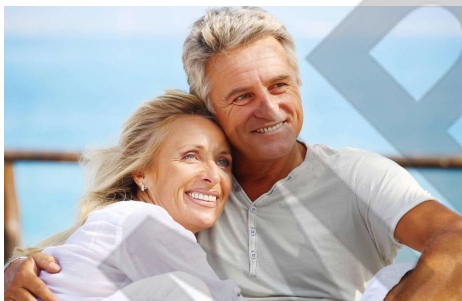
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The Four Important Financial Issues for Retirees

In this short booklet, we cover the most important issues:



- How to generate sufficient retirement income
- How to maintain affordable health coverage
- How to maintain your independence at advanced ages
- How to best leave assets to heirs

We can only touch on the major aspects of each issue and you're invited to phone us with your questions or concerns. Of great importance is to remember that you will likely live longer than you may realize. Here are the life expectancies for specific attained ages:¹

If you have reached age....	The AVERAGE person can expect to live this number of additional years...
65	23
70	19
75	15
80	11
85	8
90	6
100	3

Please keep your long life expectancy in mind when considering the issues in this booklet.

¹ IRS Publication 590-B, Appendix B, Table 1, life expectancy rounded to nearest whole number

https://www.irs.gov/publications/p590b#en_US_2022_publink100090444 visited 12/18/24

Having Sufficient Income

Many retirees want to generate sufficient income so that they never need to consume their principal. In fact, most invest in a manner that will increase the probability of using their principal. You may be doing this also. Many retirees think that they must keep their principal safe and available, so they invest in low yielding short-term investment such as money market funds and CDs.

These investments pay a very low return, but they are highly liquid. They include the following:

- Savings accounts
- Checking accounts
- Treasury bills
- Money market accounts

Most retirees are lulled into the false safety of these investments. Let me show you why. First, let's take a look at bank accounts. Bank investments typically pay low interest rates. After you subtract taxes and inflation, you have a negative return.

Interest CD: 1.75%²

Income Taxes: .38%³

Consumer Inflation: 2.7%⁴

Net real return to you: -1.33%



You must remember that while your money sits in a savings or money market account for the year, the prices at the supermarket are

² Average 1-year CD rate week of Dec.18 2024, www.bankrate.com.

<https://www.bankrate.com/banking/cds/cd-rates/> CDs are subject to availability and this does not constitute an offer to buy or sell.

³ For 2025, married couples filing joint returns are taxed on the first \$96,950 of their taxable income at the lower 10% and 12% rates and 22% for taxable income \$96,951 to \$206,700 IRS Rev. Proc. 2024-40

⁴ Bureau of Labor Statistics <https://www.bls.gov/news.release/cpi.nr0.htm> December 2024, increase in all items CPU previous 12 months.

rising. This inflation must always be subtracted from any investment return so that you see how much you are really ahead. In the case of the savings account, you're not ahead barely. Economists call this the "real return," because it represents what you are really receiving.

So why do retirees have such a preference for investments with a small return? First, most retirees do not even realize that they have a small return. Secondly, retirees like the flexibility of having the money liquid in case of an "emergency." What type of an emergency do you anticipate? Ill health? A nursing home stay? These concerns are legitimate. The cost of these catastrophes is so great that retirees could quickly wipe out their \$100,000 in savings in order to cover costs (e.g. average stay in a nursing home is 485 days x \$289 per day = \$140,165).^{5, 6}

Here's another idea to help safeguard your assets (assuming inflation remains 2%-3%). Take the money out of your bank accounts, invest it for a potentially higher return (e.g. from large bank preferred shares) and then use this extra income to get insurance for health care and long-term care insurance that could protect you in case of an emergency.

⁵ Genworth Long Term Care Costs - Cost of Care Survey 2023, national median semi-private room cost of \$8,669 monthly,

<https://www.genworth.com/aging-and-you/finances/cost-of-care> visited 12/18/24

⁶ NATIONAL CENTER FOR HEALTH STATISTICS Vital and Health Statistics May 2022 https://www.cdc.gov/nchs/data/series/sr_03/sr03-047.pdf, visited 12/18/24

Preferred Stock : 5.9%⁷

Income Taxes: 1.2%

Consumer Inflation: 2.7%

Net real return to you: 2.0%

\$100,000 invested x 4.15% (difference between CD and preferred share nominal after-tax interest rates) = \$4,150 annually to pay for quality long-term care and health insurance (the premiums for these insurances may be tax deductible).

When most people stop to think this through, they'll realize the following - they have money that they consider to be core capital. In fact, for many of us, our core capital is money that we intend to never spend. It is money that we keep working; money that we depend on to generate either interest or dividends.

Our core capital should be designed to outlive us. In fact, it's important for you to start thinking about your money in terms of it outliving you, not the other way around. You don't want to outlive your money. That makes for a very difficult existence. Your money should actually be invested for a period longer than your life expectancy. That's the only way it will outlive you, and that's the way it should be planned. Unless, of course, you think that you can time it perfectly to die when all of your money runs out. But I don't think your timing is that good.

So, your objective should be to have your core capital earn the highest possible rates with appropriate safety. By planning to have your money outlive you, you can make sure that your money will be

⁷ Current Yield Bank of America 5.875% Non-Cumulative Preferred Stock, Series HH as of 12/18/24, <https://www.preferredstockchannel.com/symbol/bac.prk/>

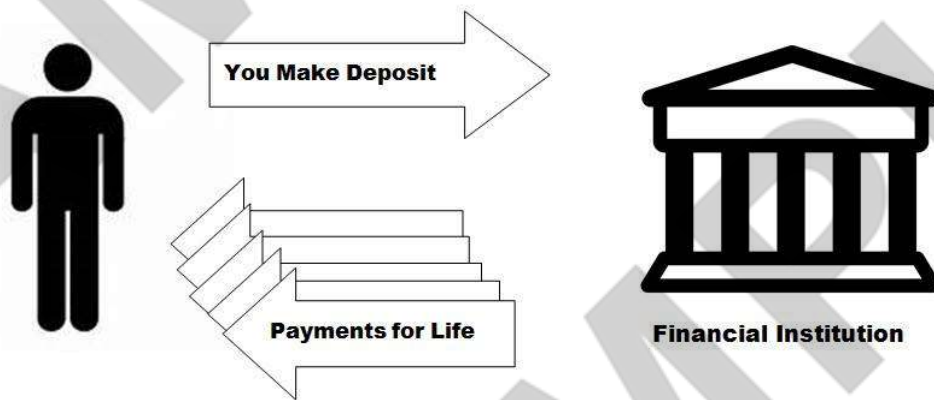
Note that preferred shares are not insured and the dividend is not guaranteed.

Qualified preferred share dividends are taxed at lower rates than ordinary income, in this case 15% federal plus 5% state assumed. If called at par, yield to maturity will be more than current yield. This issue is actively traded and liquid. CDs are federally insured, interest and return of principal is guaranteed, interest is taxed at ordinary income rates and redemption prior to maturity incurs a penalty.

working and providing for you until the day you go to a better place. The last thing you want to worry about is money when you retire. The one way to improve your chances for a bright financial future is to start putting your money to work for you now.

When looking at bonds or preferred shares, consider investing longer-term to potentially increase your interest income. The objective for your core capital is to have it conservatively earn as high a rate as possible without taking undue risks

Annuitization



If "annuitization" is a new term for you, you will be hearing it more and more. The idea is to use your principal to supplement your spending money - but do so in a way that the principal lasts as long as you do. Many people will have no choice but to use their principal to sustain themselves, and this is not a bad thing as long as it is done correctly. Since you can never be sure how long you'll last, the insurance industry provides some assistance with life annuities. You receive payments for as long as you live.

Here's how it works. In exchange for a single payment, the insurance company will immediately start making monthly payments to you. Part of these payments is considered income and part comes from your principal investment. These payments can last for a term of years or even for your lifetime if you so choose. Note that life annuity payments could incur premium taxes in some states. Maintenance

expenses and contract fees charged by the insurance company could also reduce your payments - but when you get a quotation, it will be net of these expenses.

The amount of money you receive each month is dependent on several factors, including your estimated life expectancy, the amount of money you have invested, and the current interest rate being paid by the annuity company (which is locked in at the time of purchase). The payout will typically be higher the older you are because the insurance company does not expect to have to make payments as long as they would to a younger person. Assuming that you have chosen the lifetime payment option, your annuity company will continue to make payments to you even if you live past your normal life expectancy.⁸

If you die sooner, the insurance company keeps the balance of the annuity if you selected lifetime payments. You may also be able to elect to receive a lower payment in exchange for having the payments continued to your heirs until the entire amount of your original premium has been paid out. For whom may a fixed immediate annuity be suitable?

- A retiree needing increased monthly cash-flow
- A person with no heirs or who is not concerned about leaving an estate
- Someone who has set aside other funds to leave to heirs if they desire to leave an inheritance
- A retiree desiring the fixed payment and wanting to avoid maturities, rolling over investments, and the maintenance and administration required of investing on one's own

⁸ Subject to the claims-paying ability of the insurance company, please note immediate annuities are designed to enhance cash flow and save taxes but are not the only investment vehicles by which these goals may be achieved. Immediate annuities cannot be surrendered for value. Always consider all possible investment options before you invest.

What can you expect to receive on an immediate annuity?

\$100,000 Premium, Male	
Age	Monthly
65	\$634
70	\$717
75	\$854

Life annuity payments, highest rates shown, Comparative Annuity Reports, August 2024, male, \$100,000 investment,
<https://www.immediateannuities.com/pdfs/comparative-annuity-reports/Current-Issue.pdf>

Health Insurance



The health insurance scenario for retirees is scary. You read and hear a lot about Medicare running out of money and benefits being cut. Seniors have been asked to pay for more for their Medicare benefits. The good news is that through a better understanding of your options, you can secure some

peace of mind knowing that you have selected appropriate health coverage.

No retiree should rely on Medicare alone. You must have supplemental coverage - as Medicare typically pays 80% of your health care costs. That 20% that you must pay can be a very large sum if you have a serious illness.

The Medicare Literacy Study revealed that three out of four Medicare beneficiaries describe the program as "confusing and difficult to understand." A high percentage of Medicare beneficiaries lack critical knowledge about Medicare eligibility rules, enrollment processes and available benefits. These knowledge gaps may be costing beneficiaries money, creating lapses in coverage and causing

beneficiaries to miss out on important benefits. Therefore, it is important that you understand how you can receive proper medical coverage.⁹

Medicare offers different ways to get health care benefits. Once you understand what you get, you can then get the appropriate coverage for what Medicare does not provide. The Medicare coverage options depend on which plan you select. And based on where you live, you may have more than one plan to choose from (note that available plans can vary from zip code to zip code)!

There are two basic Medicare health plans (see next page for table with breakdown):

- Medicare + Choice plans include Medicare Managed Care Plans and Medicare Private Fee-for-Service plans. These plans provide care under contract to Medicare. They may offer benefits such as coordination of care or reducing out-of-pocket expenses. Some include additional features, such as prescription drugs. The availability of plans vary among geographic areas. Many people loosely refer to all of these plans as "HMOs."
- The Original Medicare Plan (sometimes called fee-for-service) - everyone with Medicare can join the Original Medicare Plan that is available nationwide. Many people in the Original Medicare Plan also have a Medigap (Medicare Supplemental Insurance) policy or supplemental coverage, provided by their former employer to help pay health care costs that this plan does not cover. This supplement is a separate policy which we will discuss shortly.

⁹ Medicare Literacy Study Updated October 2023, <https://www.medicareadvantage.com/original-medicare/medicare-literacy-survey> site visited 12/18/24

Medicare Comparison Table

	Medicare Advantage		
	Original Medicare Plan	Managed Care Plan	Private Fee-for-Service Plan
Costs Total Out-of-Pocket Costs	High	Low to Medium	Medium to High
Extra Benefits In addition to Medicare covered benefits.	None	Most May offer prescription drugs, eye exams, hearing aids, or routine physical exams.	Some Possibly foreign travel or extra days in the hospital.
Doctor Choice	Widest Choose any doctor or specialist who accepts Medicare.	Some Usually must see a doctor or specialist who belongs in your plan.	Wide Choose any doctor or specialist who accepts the plan's payment.
Convenience	Varies Available nationwide.	Varies Available in some areas. May require less paperwork and have phone hotline for medical advice.	Varies Available in some areas. May require less paperwork and have phone hotline for medical advice.

Why Would Retirees Want Medigap Insurance As Opposed to An HMO Arrangement?



With a Managed Care Plan, you don't need to buy Medicare Supplemental (Medigap) insurance. This could result in several thousand dollars of savings each year. In fact, some Managed Care Plans may have no monthly premium at all.

There are potential repercussions, though, that could make you wish that you would have spent the additional money for the insurance and stuck with traditional Medicare.

The companies sponsoring a managed care plan might limit the number of doctors, hospitals, and other health care providers within the network. Also, they can abandon the Medicare benefits program if the insurance network finds it unprofitable. This could leave you with significantly higher out-of-pocket expenses, especially if your health has declined.

The government can create another problem if you are not happy with managed care. For instance, suppose you cancelled a Medigap policy to join a Managed Care Plan. Medicare could possibly penalize you if you decide that you don't like managed care and try to buy a new Medigap plan. Instead of having a choice of 10 plans, you might only be able to select from four. Consequently, your new policy might not be as good as the one you previously canceled.

Even though Medigap policies will not cover all the gaps in the Original Medicare Plan, they may help retirees:

- Lower their out-of-pocket costs, and
- Get more health insurance coverage

Some examples of Gaps in Medicare covered services.	Amount Clients will Pay in 2025	A Medigap Policy May Help Pay These Costs
Hospital Stays	\$1,676 for the first 60 days \$419 per day for days 61 - 90 \$838 per day for days 91 - 150	Yes
Skilled Nursing Facility Stays	Up to \$209.50 per day for days 21 - 100	Yes
Blood	Cost of the first 3 pints	Yes
Medicare Part B yearly deductible	\$257 per year	Yes
Medicare Part B covered services	20% of Medicare-approved amount for most covered services	Yes

Source: Centers for Medicare and Medicaid Services

<https://www.cms.gov/newsroom/fact-sheets/2025-medicare-parts-b-premiums-and-deductibles>

Note: Some Medigap policies also cover other extra benefits that aren't covered by Medicare. Examples include:

- Routine yearly check-ups.
- At-home recovery.
- Medicare Part B excess charges (the difference between the doctor's charge and Medicare's approved amount). The excess charge only applies if the doctor doesn't accept the assignment.
- Prescription drugs.

Maintain Your Independence



Statistics indicate that over half of all people over age 65 will require long-term care. In fact, the most current research statistics are below:¹⁰

- More than half of people turning 65 who will have a long-term care need during their lifetimes. The average duration of nursing-home stay for men is 11 months. The average duration of nursing-home stay for women is 17 months.
- Females face a 58% probability of having at least one nursing home stay, compared to 47% for males.
- The probability of needing more than one year in a nursing home: men 22%, women 36%.

With such a great risk, doesn't everyone need insurance? After all, the cost of long-term care can run up to \$8,669¹⁰ or more monthly in some locations. So if you have an extra \$200,000 to \$300,000 to pay for long-term care, you can self insure and just pay out-of-pocket in case of mental or physical incapacity.

¹⁰ Genworth Long Term Care Costs - Cost of Care Survey
2023 <https://www.genworth.com/aging-and-you/finances/cost-of-care> visited 12/18/24

But if you want to remain in your home, get quality in-home care and do not have plenty of excess funds, then you want insurance.

How to Leave Assets to the Heirs



This whole arena of asset protection would be incomplete if I didn't include a small section devoted to estate planning. Many people not only want to protect their assets for themselves, but also for their heirs. If you do not plan ahead, it's easy to watch estate taxes and poor planning rip away the value of your estate.

First, let me mention a big mistake I see most retirees make regarding estate planning. Many times, I see a single retired individual who makes an investment. Then he or she puts the name of his or her son or daughter on it as a joint tenant because he or she knows that when he or she passes away, his or her son or daughter will then inherit that asset automatically. This is true.

However, such superfluous estate planning can lead to a very severe problem. If that son, for example, happens to be a physician

and gets sued for malpractice and the son's assets get attached, legally, the son appears to own half of your investment because your son's name is on it.

As a result, your son's creditors could attach that money, which is yours. So, you may not want to expose your assets in that way, and I strongly advise that you don't. Instead, you probably want to own the investment in just your name, passing it by will, or have a living trust created so that the name of your trust is on the assets at all times. In this way, you don't have exposure to the creditors of your sons or daughters, and everything is well protected. Additionally, with living trusts you also avoid probate for very quick and immediate transfer to your heirs.

There are some basics that you need to understand about estate planning. Currently, every individual is allowed to pass \$13.99 million of assets to his or her beneficiaries without gift or estate tax for 2025.¹¹ Be aware that tax laws, exclusions and estate exemptions are subject to change. Now, there's another great mistake that a lot of married retirees make. Say the husband has a will and he leaves everything to his wife. The wife has a will and she leaves everything to her husband. Each of us has \$13.99 million exclusion on passing along assets to our heirs, or we can leave our exclusion to our spouse. So when the spouse passes, the surviving spouse has \$27.98 million he can bequeath estate tax free. Caveat--the surviving spouse only gets the unused \$13.99 million exemption from the deceased spouse IF he files for it in a timely manner with IRS.

Generally, when an attorney draws up a living trust or will for you, what happens is that he or she segregates the exclusion amount of assets directly to your heirs, not to your spouse, so that you, in fact, get the full benefit of your exclusion. This way, if you're married, you

¹¹ IRS Tax changes for 2025 <https://www.irs.gov/pub/irs-drop/rp-24-40.pdf> visited 12/18/24

get the exclusion of \$13.99 million, your spouse gets \$13.99 million, and a married couple can pass a \$27.98 million estate to their heirs with no estate taxes. That's exactly what you want to do. For people whose estates are larger, you definitely want to consider the idea of using some type of insurance to pay your estate taxes.

Let me give you an example, and note that this is a hypothetical example that does not reflect any particular products. Let's say you have the fortunate situation of a \$20 million estate. Now, that may not be the current value of your estate, but you've got to remember, if you're 65 years old now, it's likely you might live to age 85 or even longer¹². So, the question is, not what is your estate worth today, but what will it be worth in 20 years?

But let's say you have the terrible misfortune of an early death and have done no estate planning. In that case, the first \$13.99 million is not going to be subject to estate tax, but the other \$6.01 million will, and unfortunately, the estate taxes are very high. On \$6.01 million, you (or your heirs) pay \$2,404,000 for estate taxes.

Total estate: \$20 million
Potential exemption from tax: \$13.99 million
Taxable estate: \$6.01 million
Estate tax due: \$2,404,000¹³

Who pays that? Actually your heirs do. It comes right out of their inheritance. So, how do you protect it? It may be very useful to invest in an insurance policy in the amount of \$2,404,000. What specifically would you do?

¹² IRS publication 590-B, life expectancy for age 65 is 23 years visited 12/18/24

¹³ IRS Estate Tax

<https://www.irs.gov/businesses/small-businesses-self-employed/estate-tax> visited 12/18/24

The first step is for you to get a quote on what it would cost you to buy an insurance policy for \$2.5 million. Let's just assume that would cost you \$47,566 a year.¹⁴ You would have to deposit that in premiums each year.

Now, before you shudder, "That's ridiculous," remember you (or your heirs) will save \$2,404,000. So let's just see if you can, in fact, pay your estate taxes for a heck of a lot less than \$2,404,000.

Let's say you can go out and get an insurance policy for yourself. The annual premium is \$47,566 a year. What you do is take \$47,566 a year and you gift it to your children, or you can use an irrevocable life insurance trust. (Preparation of trusts can incur significant expenses). The gift helps you reduce the size of your estate and in itself reduces your estate taxes.

Your children then pay the premium on the insurance policy so that your children actually own the insurance policy. It is critical that your children or someone other than you own the insurance policy. (In fact, if you have life insurance policies right now that you own, please see your attorney, financial advisor or insurance agent, or contact us right away about why these policies must be owned outside of your estate.)

When you have passed away and the IRS comes knocking for \$2,404,000 in estate taxes (assuming your estate has not grown and the current tax rates are in effect), the children merely take the money they receive from the life insurance company, turn around and pay the IRS to offset the tax due on the estate. What were the premiums to the insurance company? Assuming you live 20 years, approximately \$951,320 (\$47,566 annually for 20 years). However, the premiums in your situation could be higher

¹⁴ Protective Life Advantage Choice UL A100 12/18/24 quote
[https://peachtreelifeinsurance.com/sample-guaranteed-universal-life-insurance-rates/California Male, Preferred Plus, age 65](https://peachtreelifeinsurance.com/sample-guaranteed-universal-life-insurance-rates/California%20Male,%20Preferred%20Plus,%20age%2065). The purchase of life insurance involves costs, fees, expenses and potential surrender charges and depends on the health of the

applicant. Not all applicants are insurable. If a policy is structured as a modified endowment contract, withdrawals will be subject to tax as ordinary income and withdrawals prior to age 59 ½ are subject to a 10% penalty

or lower depending upon your age, your health, the company that places the policy, future interest rates, and your actual longevity.

So, that's the way to pass a sizeable estate to your heirs and avoid as much estate tax as possible. You can do this by doing what the wealthy do - using life insurance to pay the taxes.

Instead of paying \$2,404,000 out of pocket, you have paid \$951,320 for insurance premiums. A savings that is hard to beat! Remember, the figures will vary in each situation, and this is a realistic but hypothetical example of how to use insurance to pay estate taxes. (Note that the time value of money has not been considered in this analysis nor has the possibility that death can occur at any time making the total premium payments less or more).

Even if you have a modest estate and estate taxes are not a concern, there are several other planning concerns involving wills and trusts, medical wills, living wills, and directives for health care and powers of attorney. Please contact us for a complete review of your financial situation so you can make the best possible decisions concerning your retirement planning and wealth preservation strategies.

About Bob Planner



Bob Planner has been assisting seniors for 12 years to protect their assets and invest wisely. In fact, he has assisted over 1000 retirees to safely invest over \$500,000,000 into secure investments. He has advised retirees of IBM, AT&T, Chevron, and General Electric. First Name Last Name is a junior partner with Mid America Financial Services and an expert in helping retirees preserve their assets and increase their income.

Bob graduated from Colgate University in 1972 after some undergraduate work at the University of Chicago. After initial coursework at George Mason University, he received a master's degree from Western Illinois University in 1996. He also holds a master's degree from Christian Bible College in Rocky Mount, North Carolina. To avoid the most frequent ways that many retirees ruin their finances, do not miss one of Charlotte's best speakers. Call for seats today.

About ABC Company Name

Bob Planner Investment Advisory LLC seeks to preserve clients assets and our style would be properly considered "conservative." Most of our clients are age 60+ and most are retired. Our approach has been successful in preserving client account values even during volatile times.

- **Estate Planning** - Includes assistance with living trusts and elimination of estate taxes.
- **Wealth Management** - preserve your capital.
- **Financial Planning** - help you maximize all of your financial opportunities--lower debt expense, reduce taxes, prepare for future events and required income streams
- **Insurance Services** - assure that your risks in life are insured for so that an unforeseen event does not destroy your savings and financial plan

**Phone today with questions or to see if we can help you.
There is no charge for an initial meeting.**

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