

Life & Health Insurance Advisor



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Retirement

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Use the 4% Rule to Secure Your Financial Future

Visions of a fulfilling retirement often include travel, leisurely pursuits, and quality time with loved ones.

However, actually achieving this goal can seem overwhelming, especially if you aren't sure how much you need to save. The 4% rule is a widely accepted guideline that provides a practical approach to retirement planning. This article delves into the 4% rule, its applications, and how working backward can help you establish and reach your retirement savings goals.

Demystifying the 4% Rule

The 4% rule is a popular benchmark in retirement planning, suggesting that retirees should withdraw 4% of their investment portfolio during their first year of retirement, adjusting the amount annually for inflation. Historically, adhering to the 4% rule has led to a high likelihood of sustaining retirement sav-

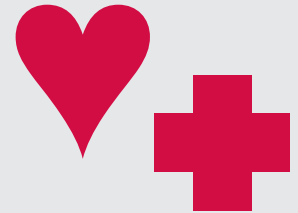
ings for at least 30 years.

Since its introduction in the mid-90s, the 4% rule has faced scrutiny and debate. Some financial planners now recommend a more conservative withdrawal rate of 3.3% due to factors such as increased life expectancy and potential shifts in Social Security benefits. Regardless of the percentage used, the rule remains a valuable starting point for retirement planning.

A Practical Approach to Retirement Planning: Working Backward with the 4% Rule

Determining how much you need to save for retirement can be simplified by working backward using the 4% rule. This method allows you to set your retirement savings goal based on estimated expenses and sources of income during retirement. The fol-

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Study Reveals Total Lifetime Medicare Costs

A recent Employee Benefit Research Institute study highlights how understanding your Medicare options is critical to evaluating your total lifetime healthcare costs during retirement.

Retirees typically face two choices for Medicare coverage.

- * **Basic Medicare with Medigap:** This option pairs basic Medicare (Part A and Part B) with a stand-alone Part D plan and a Medigap policy. Medigap covers cost-sharing, such as deductibles, copays, or coinsurance, but often has high premiums.
- * **Medicare Advantage Plans:** These plans include Parts A, B, and typically Part D, along with extras like dental and vision coverage. While many Advantage Plans don't have a premium, they have their own deductibles, copay or coinsurance, and out-of-pocket maximums.

According to the study, a 65-year-old man enrolled in Medigap Plan G needs to save \$96,000 for a 50% chance of covering premiums and drug expenses, while a woman needs \$116,000. For a 90% chance, it's \$166,000 and \$197,000, respectively for a man and a woman. A couple with high drug expenses would re-

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lowing steps illustrate how to apply this approach effectively:

1. Estimate Your Annual Expenses in Retirement

Begin by listing your anticipated annual expenses during retirement, including housing, healthcare, groceries, medications, transportation, travel, and other discretionary spending. Remember to account for potential healthcare and long-term care costs, which can significantly impact your financial needs.

2. Factor in Social Security Benefits

Use the Social Security Administration's online calculator to estimate your future benefits based on your current income and planned retirement age. Subtract your expected annual Social Security benefits from your total estimated yearly expenses to calculate the amount you'll need to withdraw from your retirement savings each year.

3. Calculate Your Total Retirement Savings Goal

Apply the 4% rule (or the more conservative 3.3% rule) by dividing your annual withdrawal amount by the chosen percentage to determine the total amount you'll need to save for retirement.

An Example in Action

Imagine you are 40 years old, earn \$60,000 annually, and want to retire at 65. You want to estimate how much you should save yearly for your retirement. You determine your target savings amount using the 4% rule to work backward.

First, you calculate your annual retirement expenses, totaling \$35,000 for housing, healthcare, groceries, medications, transportation, travel, and discretionary spending.

Next, you consult the Social Security Administration's online calculator to estimate your annual benefits. Based on your age, income, and planned retirement date, the calculator estimates you will receive approximately \$18,000. So, you'll need to withdraw \$17,000 from your retirement savings each year to cover your expenses.

Applying the 4% rule, you divide \$17,000 by 0.04, resulting in a retirement savings goal of \$425,000. For a more conservative approach using the 3.3% rule, divide \$17,000 by 0.033, resulting in a goal of \$515,152.

Achieving Your Retirement Savings Goals

With a clear understanding of your retirement

require \$383,000 for a 90% chance of covering costs. These amounts reflect average monthly Medigap Plan G premium expenses of \$204 plus average Plan D expenses and average life expectancies (which is why the total for women is higher, since they live longer on average).

In contrast, for Medicare Advantage plans, a 65-year-old man needs \$56,000, and a woman needs \$67,000 for a 50% chance of meeting healthcare spending needs. For a 90% chance, the amounts are \$96,000 and \$113,000, respectively.

When selecting a Medicare plan:

- ✳ Compare the costs of Medigap policies and Medicare Advantage Plans, keeping in mind Medigap often results in fewer out-of-pocket expenses.
- ✳ Evaluate each plan's deductibles, copays, or coinsurance.
- ✳ Medicare Advantage Plans often have provider networks; basic Medicare with Medigap offers more flexibility.
- ✳ Review Part D coverages for premiums, deductibles, copays, and which drugs are covered.

savings target, you can devise a strategic plan to achieve your goal. Online tools can help you determine how much to save each month based on your current age, retirement age, initial investment, and expected rate of return.

Retirement savings vehicles like a 401(k) and IRA allow your investments to grow tax-deferred or tax-free, depending on the account type. In other words, if you have a traditional 401 (k) or IRA, you don't pay taxes on these funds until you withdraw them. Even better, when you have a Roth 401 (k) or IRA (which are funded with money that's already been taxed), you pay no tax on the money you withdraw or on any of the gains your investments earned.

The power of compounding interest should also be considered when saving for retirement. As your investments grow, the interest earned on your savings is reinvested, allowing your money to grow at an increasing rate over time. This compound growth can significantly impact your retirement savings and help you reach your goal more quickly. ■

New DEA Rules Could Reduce Telehealth Access

During the COVID-19 pandemic, telehealth became more popular and accessible, providing a convenient way for patients to connect with their doctors.



With telehealth, you don't have to travel long distances for routine check-ups and consultations. This makes healthcare easier to access and more efficient for everyone.

Telehealth Services Decline in Use

Despite its benefits, national telehealth usage declined by 3.7% in October 2022. The most significant declines were observed in the South, Midwest, and West, while the Northeast saw increased utilization. This decline is likely not because people don't appreciate its convenience but rather because barriers to access have been reinstated. During the pandemic, telehealth made it possible for people to access health services without leaving their homes. However, now as the situation is improving, some of these flexibilities are getting rolled back.

New Regulations May Impact Telehealth Access and Counter Benefits

Some new rules proposed by the Drug Enforcement Administration (DEA) could further limit the flexibility of getting prescriptions through telehealth. These rules aim to prevent over-prescribing certain medications on the internet but may also make it harder for some people to get the care they need.

For instance, some strong pain medications might require an in-person visit with a doctor before you can get a prescription. Other drugs, like those used to treat opioid addiction, can be prescribed through telehealth for a limited time but will need an in-person visit for a refill. Sleeping pills and anti-anxiety medications also fall under these new rules.

Interestingly, studies have shown that telehealth has actually helped with opioid addiction rather than making the problem worse. According to a 2022 study published in JAMA Psychiatry, the expanded use of telehealth

services during the pandemic reduced the risk of opioid overdoses. These new regulations, designed to protect people, could unintentionally negate telehealth's advantages, especially for individuals in rural areas or those with limited mobility.

The Impact of These Regulations

The new regulations could mean losing access to numerous telehealth benefits, such as:

- ✿ Comfort and ease: Telehealth enables you to receive medical advice and treatment from home, simplifying the balance between your health and daily life.
- ✿ Improved access: For individuals in remote areas or with limited mobility, telehealth provides healthcare access without the need to travel long distances.
- ✿ Time and cost savings: Telehealth can help you save on transportation expenses and time away from work by minimizing the need for in-person appointments.
- ✿ Consistent care: Telehealth ensures you can continue seeing your doctor even if you move or have trouble traveling, maintaining the continuity of your care.

The American Hospital Association (AHA) supports telehealth growth and is working on legislation to study its use during the pandemic and propose improvements. This stance suggests that the AHA recognizes telehealth's importance in enhancing healthcare accessibility and is dedicated to making it more accessible and better for everyone.

However, organizations like the DEA are proposing new rules that could potentially limit your access to telehealth services. Furthermore, these rules might only be the starting point. Although the DEA intends to protect people, it's a slippery slope. If not carefully considered, stricter regulations could inadvertently create more barriers to telehealth access, ultimately doing more harm than good. ■

Why You Should Buy Life and Disability Insurance Together

Life insurance and disability insurance each play an important role in ensuring the financial security of your family. There are advantages to purchasing both products together

Why Life Insurance Is Necessary

Life insurance is designed to provide financial protection for your family in the event of your untimely death. With a policy in place, your beneficiaries receive a tax-free death benefit that can be used for various expenses, such as funeral costs, mortgage payments, college tuition, and even vacations. Securing a life insurance policy ensures that your family will be financially secure, even when you're no longer there to provide for them.

Why You Need Disability Insurance

While life insurance is essential, it doesn't cover you if you become disabled and cannot work. That's where disability insurance comes in. This type of policy provides income protection, replacing a portion of your salary if you become disabled due to illness or injury. Considering that one in four people experience a disability at some point in their careers, having this protection in place is crucial.

The Benefits of Buying Both at the Same Time

Now that you understand the importance of each policy, here are the advantages of purchasing life and disability insurance simultaneously:

A Streamlined Process

Applying for life and disability insurance concurrently allows you to consolidate the application process, making it more efficient and less time-consuming. Both policies require a medical exam, which can be used for both applications. Additionally, underwriting information can often be shared between the two insurers, further streamlining the process.



Cost Savings

The cost of life and disability insurance increases as you age. By applying for both policies while you're younger and potentially healthier, you can lock in lower premiums and save on your overall insurance costs. This proactive approach to insurance can yield significant financial benefits in the long run.

Comprehensive Coverage

Combining life and disability insurance ensures you have a complete financial safety net. Regardless of life's challenges, whether it's an unexpected disability or untimely death, you and your family will be financially protected.

Coordinated Financial Planning

Purchasing both policies simultaneously allows you to coordinate your overall financial plan with a comprehensive approach. This can help you make more informed decisions about the coverage amounts and policy durations that best suit your needs and financial goals.

Tailored Coverage Solutions

By applying for life and disability insurance together, you can work with your insurance advisor to create customized solutions that address your

unique needs and concerns. This personalized approach allows you to craft a comprehensive insurance plan that matches your financial objectives and family situation, offering the most effective protection.

Simplified Policy Management

Managing multiple insurance policies can be challenging, especially when purchased at different times and from different insurers. By buying life and disability insurance simultaneously, you can simplify policy management, making it easier to keep track of premiums, coverage details, and renewal dates. In some cases, you may be able to bundle the policies under one insurer, further simplifying the process.

Obtaining Both Types of Coverage

To acquire life and disability insurance, begin by consulting with a qualified insurance professional who can help you assess your needs and identify the best policies for your situation. Independent brokers can compare multiple insurers to find the most suitable coverage at competitive rates.

During the application process, you'll typically undergo a medical exam, and the insurer will collect underwriting information about your health, job, income, and personal details. This information determines your eligibility, coverage amounts, and premium rates. ■

Biden Administration and Congress Attempt to Secure Future of Medicare

As Medicare faces the risk of depleting its reserves by 2028, the Biden administration, Congress, and healthcare industry stakeholders are working to address healthcare affordability and Medicare Advantage payment issues.

Biden Administration Addresses Medicare Advantage Payment Concerns

One focus of the Biden administration targets “coding intensity,” which refers to the practice of choosing medical codes with higher reimbursements without proper justification.

MedPAC estimates this practice could mean as much as \$23 billion in overpayments in 2023.

The new proposals also include making sure that Medicare Advantage plan providers use a higher percentage of premium dollars for actual medical care, rather than for administrative and overhead expenses.

Additionally, the administration has proposed covering mental health and substance abuse treatment sessions (up to three per year) without any out-of-pocket costs for patients starting in 2025. They also want Medicare to pay the same rates for services regardless of where the care is provided,

such as a doctor’s office or hospital.

Addressing Healthcare Affordability Through Hospital Outpatient Billing Reform

Congress is also working on reforms that aim to reduce the higher prices hospitals charge for outpatient services that could be provided in less-expensive settings. These reforms could save Medicare over \$100 billion within a decade, easing some of the financial pressure on the program.

Furthermore, several states have started implementing measures to help people understand when a hospital adds an extra charge, called a “facility fee,” for receiving care at a hospital outpatient department. These efforts aim to make healthcare costs more understandable and affordable for everyone.

Combined Efforts to Ensure Medicare’s Future

By reducing unnecessary spending, revising payment models, and increasing transparency, the Biden administration and Congress are working to ensure Medicare remains financially sustainable and continues to provide essential benefits to those who rely on it. ■

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