Collier Legacy Planning llc

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Legacy Planner

Retirement • Income • Medicare

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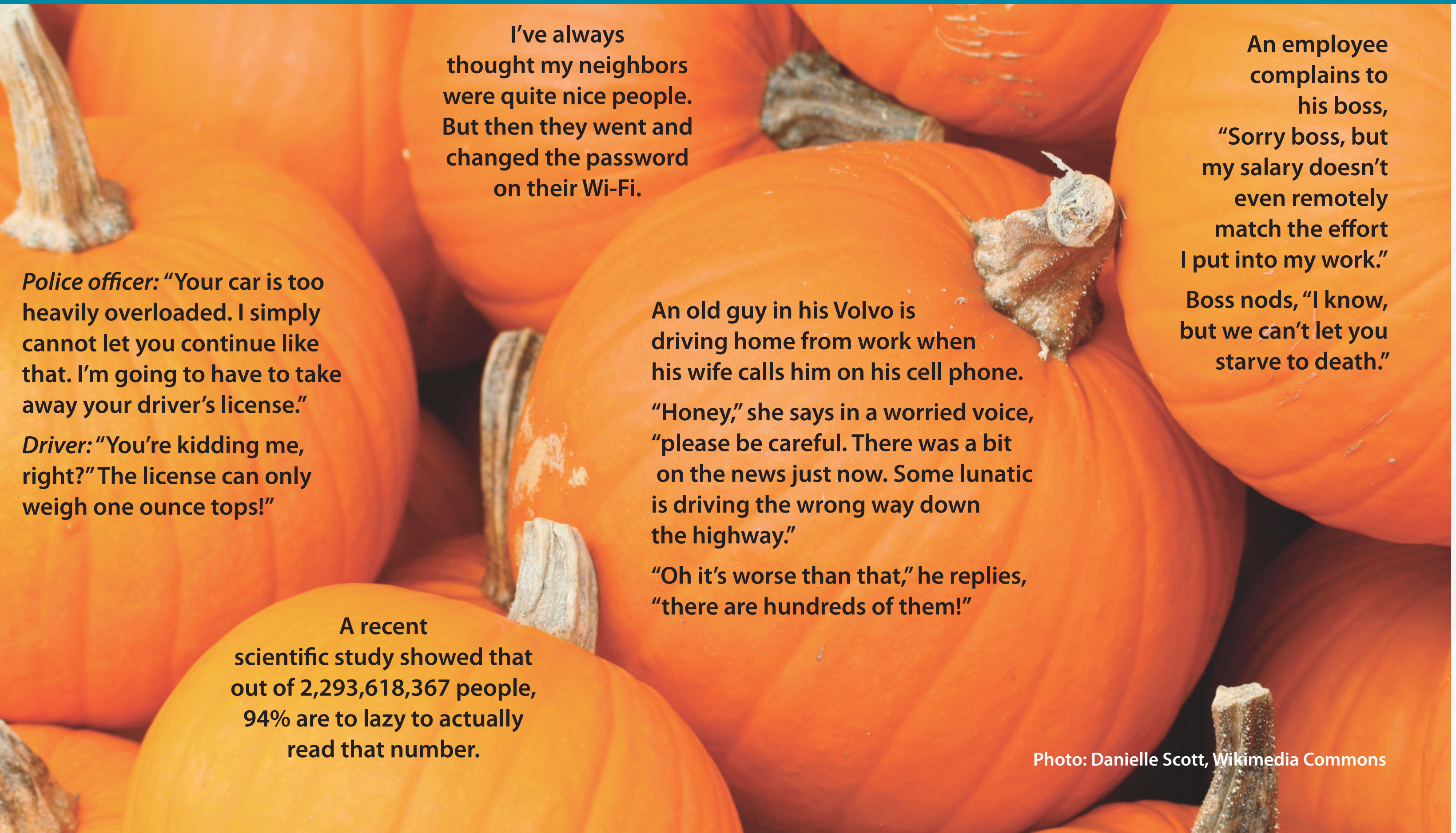
Devil's Lake, Sauk County, Wisconsin

••• JOKES! •••



I've always thought my neighbors were quite nice people. But then they went and changed the password on their Wi-Fi.

An employee complains to his boss, "Sorry boss, but my salary doesn't even remotely match the effort I put into my work."

Boss nods, "I know, but we can't let you starve to death."

Police officer: "Your car is too heavily overloaded. I simply cannot let you continue like that. I'm going to have to take away your driver's license."

Driver: "You're kidding me, right?" The license can only weigh one ounce tops!"

An old guy in his Volvo is driving home from work when his wife calls him on his cell phone.

"Honey," she says in a worried voice, "please be careful. There was a bit on the news just now. Some lunatic is driving the wrong way down the highway."

"Oh it's worse than that," he replies, "there are hundreds of them!"

A recent scientific study showed that out of 2,293,618,367 people, 94% are to lazy to actually read that number.

Photo: Danielle Scott, Wikimedia Commons

Medicare Simplified!

By Raymond Loth

"How do people navigate this without you? Thank You! Thank You! Your clarity and thoughtfulness are so appreciated. You go the extra miles to take care of others so thoroughly."
—Oshkosh Client, October, 2015

Medicare understandably becomes a confusing and stressful subject for many as they approach age 65. I believe that it can be simplified, and I enjoy helping people to understand it. **When we sit down together we can connect a lot of dots, and save you a lot of time trying to figure it out on your own.**

Let me address some basic questions. If you are new to Medicare, this will form a foundation for you to understand more details in the future. If you already have Medicare, this will serve as a good review.

• When and how do I sign up for Medicare?
If you are already collecting Social Security your Medicare card will automatically be sent to you about 3 months before your 65th birth month. If not, you then have to apply through the Social Security administration, also 3 months before. Benefits will begin on the first day of your birth month (or one month earlier if your birthday IS the first day of the month). Some access Medicare benefits in connection with Social Security Disability benefits before age 65.

• How much does Medicare cover (or pay for)?
The Medicare card includes Part A for hospital and Part B for doctor and outpatient services. Part B has a monthly premium of usually $134. Your basic Medicare covers some, but not all of your approved medical expenses. **A common generalization is that Medicare covers about 80%** of your costs (not including prescription drugs). Uncovered expenses can be paid for by private insurers who offer supplements ("medigap"), Medicare Advantage (Part C), and Part D (drug) plans which we'll address in a couple minutes.

Medicare actually requires someone turning 65 to have qualifying coverage. A common alternative to Medicare is an employer based plan.

• Should I keep my (or my spouse's) employer based plan?
I often assist clients in evaluating their options in this regard, and the answer usually becomes clear. There are **a number of factors to consider** like monthly premiums, out-of-pocket expenses, health, etc. Some employer plans may also include dental, optical, or other benefits. If your employer has over 20

"Medicare Simplified!" continues on the next page.

employees then you have the choice to retain their coverage as primary, if that is your preference, and then would not need to carry Medicare Part B with its $134 monthly premium.

I promise to be fair and honest with you in discussing your employer plan versus your Medicare options. I am not in a rush to get your business and hope that you'll come back to me down the road when you are ready for Medicare as well as with any referrals. When leaving employer coverage later, there is a routine process to get Medicare Part B started which is something that I can also assist with.

- ***What is the difference between Medicare Advantage and Medicare Supplements?*** **(This is really a KEY QUESTION as respects your decision making.)**

You'll want to choose either one or the other. These are **provided by private companies** and have some combination of monthly premiums and/or out of pocket expenses for medical care. With either type of plan you will **STILL have Medicare Part B $134 monthly premium** to pay.

A Supplement plan "supplements" basic Medicare and is used in connection with your Medicare card. You will pay a monthly premium for this added coverage and then will have little or no out-of-pocket expenses for Medicare approved services. You would also need separate prescription drug coverage. With a supplement, you can go to any provider that accepts Medicare.

A Medicare Advantage plan is used instead of, or you might say sub-contracts for, your basic Medicare card. You therefore do not use your actual Medicare card (even though it needs to be set up). They also often include prescription drug coverage. Advantage plans often have lower or even no monthly premium to pay, however you will then have out-of-pocket expenses for your medical activities, with a cost limit for the year. Advantage plans usually either require, or prefer, certain provider groups.

- ***Which COMPANY is best and why?***

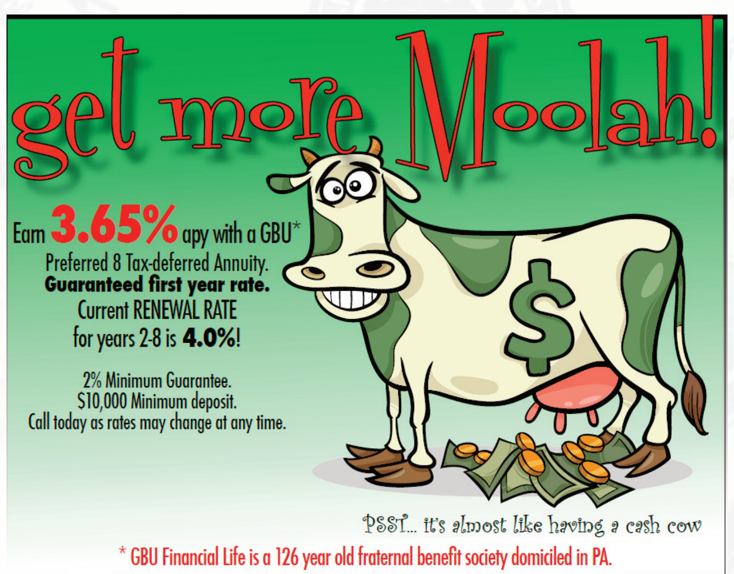
We are not supposed to use the word "best," but I do work with many very good companies. It is very important to me to have satisfied clients and with some 700+ clients, **I have a vested interest in putting you with a company that you will be happy with.** I choose companies that I believe are not only financially advantageous for you but also have a business model that I agree with. I also look for a very good history of client satisfaction and customer service. Since the aforementioned is cultural, I also pay close attention to how these companies treat and work with me and my staff.

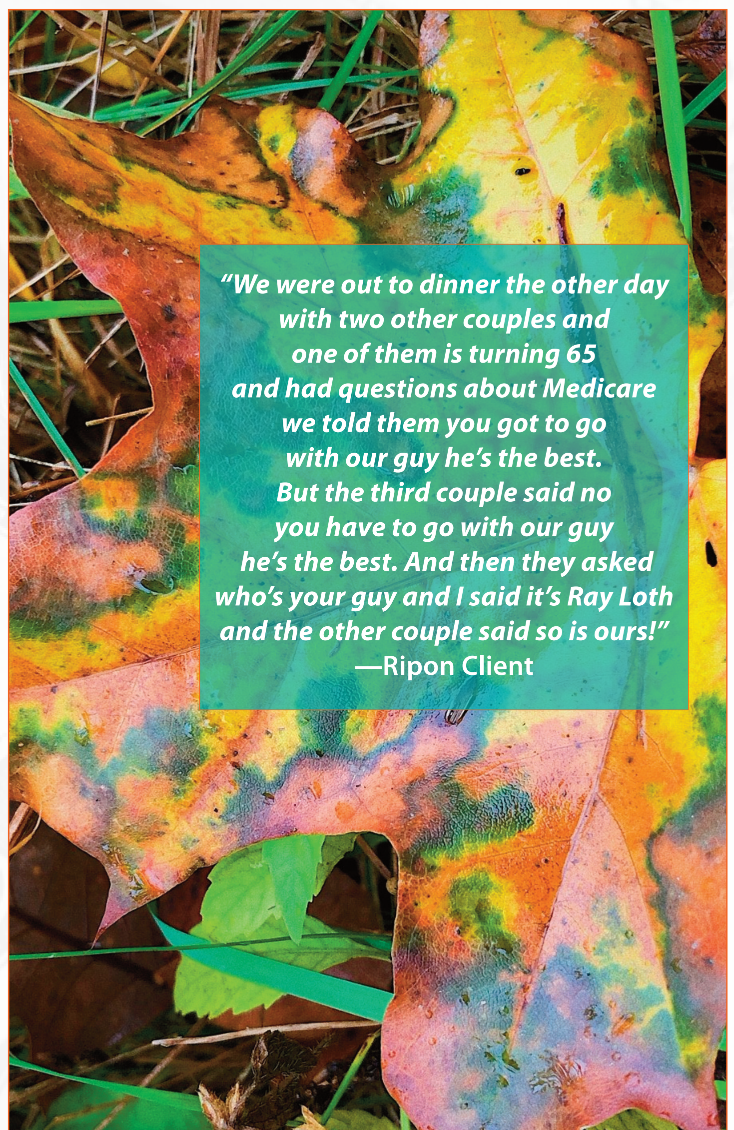
IN CONCLUSION, I promise you that if you ***give me 1 hour of your time I will save you many hours*** of reading through junk mail and the headaches that come with trying to figure Medicare out on your own.*

My family and I are longtime Ripon residents and I am a Wisconsin native. We have an independent family office representing various companies and have helped hundreds of people just like you make the transition to Medicare. We regularly do **Medicare programs at the Ripon Library and Oshkosh Mercy hospital.** For further questions please call Ray at (920) 233-0033 or email at raymond@clpwi.com

"Thank you for going above and beyond. Thank you for all the time you spent on the phone."
—Oshkosh Client, June, 2013

** We are not affiliated with the federal Medicare program.*





"Living longer is a blessing. But how to fund extra years has emerged as a global conundrum, one that will not be solved with the pension systems now in place. Life spans have stretched by more than a decade since 1970, making lifetime income too costly for governments or corporations to guarantee… The 401(k) may have life in it yet. The search is on for ways to seamlessly convert some or all of your 401(k) assets into guaranteed lifetime income…Treasury and the IRS recently cleared the way for target-date funds inside a 401(k) to make deferred annuities a default option." —Time magazine, March 22, 2016

Case Study

A Case for Income —that you can count on

A few years ago Mr. & Mrs. T came to me with a $193,136 account. They have other accounts but really wanted to derive a dependable future income stream with these funds. Let me first explain a **common approach and then share the solution we implemented together**.

A common industry planning strategy is to "invest for the longterm" and assign probabilities to the likelihood of your deriving a certain amount of income up to a certain age that you think you'll die. This annual income amount is usually determined by using an initial withdrawal (wd) percentage, often 4 or 5%, of a hypothetical future account value. That is then the established annual dollar withdrawal amount to be taken whether account performance is up or down in a given year. This approach might be supported by something like the Monte Carlo simulation. Such calculations may then conclude that you have a (?)93% chance of $(?) amount of annual income up to age (?)91.

A very important point is that this approach assigns "probabilities" based on (multiple) assumptions—for an objective that I (and many others) would argue, ought to be guaranteed if possible. That is what we all like about Social Security and pension plans: they are income that is guaranteed, and for your lifetime. Guesswork and uncertainty are thereby eliminated. This is especially important now that we are living much longer.

So, with this **common, non-guaranteed approach,** what might Mr. & Mrs. T project for income in 10 years?

THE COMMON APPROACH—

$193,136 x 10 yrs @ **(?)6%/yr. growth** = (?)$345,877
Then start with a **(?)5% wd rate = (?)$17,293 annual inc. for (?) yrs.**

Let's get a little more risky. (Maybe your kids will cover any shortfall!)

$193,136 x 10 yrs @ **(?)7%/yr. growth** = (?)$379,927
Then start with a **(?)6% wd rate = (?)$22,796 annual inc. for (?) yrs.**

That sounds better but it still isn't guaranteed. In fact it is **statistically less likely to last**

(Please note that for the S&P, the **average 10 yr annualized return is actually 4.52%**).

OUR SOLUTION— *

So what did WE do for Mr. & Mrs. T? We created an income plan that GUARANTEES: (1) the annual growth for income purposes, (2) the withdrawal rate, and (3) LIFETIME payments!

The Result? $193,136 in 10 years = **$27,700 annual LIFETIME income GUARANTEED**

This strategy is also very beneficiary friendly, meaning no one gets skunked if the owner dies prematurely. It also allows the clients to retain access to their account value if they need to take out additional funds.

Please take a moment to reflect on the significant differences of these two approaches, not just as respects the numbers, which are not even close, but also as respects the **peace of mind from guarantees versus guesswork.** Since the guarantee gets you MORE than guessing, what is the point of guessing when it comes to ones' income? Please feel free to inquire about how these principles may be applied to your specific circumstances.
—Raymond Loth

**While these concepts are still used, this specific account is no longer available.*

Ask the Professional...

Should I rollover my 401k (or other retirement account)?

What is a 401k?

A 401k is **the IRS designation for a common type of employer based retirement account.** Some other such IRS designations include 403b, 457, SIMPLE, SEP. The following information generally applies to other such types of accounts as well as IRAs. These designations describe the **nature of the account only as respects the IRS and employer but give no information about the type of financial vehicle** (or company) that your asset is in.

A 401k plan will have preselected investment options for you to pick from.

What is a rollover?

A rollover is a movement of the funds from one institution (or "custodian") to another while still retaining certain tax benefits. This is often referred to as a "direct rollover", versus a "60 day rollover" where the individual actually takes temporary possession of the funds—which I do not recommend. A rollover thereby allows you to change to a more preferable financial institution and/or representative.

Can you roll it over?

That depends on your circumstances. If the 401k is from a former employer you definitely can roll it over to a different custodian (institution). If you still work for the employer you may be able to roll it over depending on plan provisions, which we can find out together.

Will a rollover incur costs or taxes?

Rollovers are very common and when **done properly rollovers are non-taxable events.** There may be a nominal transfer processing fee. Occasionally, there may be a vesting period or other unique time sensitive feature of a plan. We always review these matters with the original institution before any decisions are made.

Should you roll it over?

Many employees report having little to no face to face interaction or relationship with an actual 401k plan advisor. This will be worse once you leave the company. The industry as a whole has been moving away from personal interaction to what are called "robo-advisors."

A rollover therefore gives you the opportunity to have direct control over, and communication regarding, the individual(s) that you work with, the way your funds are growing, and any fees for such services.

We do not charge for consultations and welcome you to call our Oshkosh office at 233-0033 to set up a time to review your circumstances and objectives with respect to your 401k or similar plan. *—Raymond Loth*