



Collier Legacy Planning llc

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# Legacy Planner

Retirement • Income • Medicare

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"A (Guaranteed) License to Spend"
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Photo by Ray Loth

## • Mandarin Orange Cake •

This is such a refreshing and light cake recipe to serve your family and friends! —contributed by Barb Schlaefer



### Cake:

1 package yellow cake mix (not super moist or pudding mix)  
3 eggs  
3/4 cup vegetable oil  
1 (medium-size) can mandarin oranges and juice  
Preheat oven to 350 degrees.  
Beat cake mix, eggs, oil, mandarin oranges and juice for three minutes. Put into greased 9" by 13" cake pan.  
Bake for 30 to 35 minutes at 350 degrees. Cool cake, and then add topping.

### Topping:

1 9-ounce container frozen whipped topping  
1 teaspoon vanilla  
1 package vanilla instant pudding  
1 20-ounce can crushed pineapple and juice  
Mix above ingredients and spread on cooled cake.  
Refrigerate.



Mandarin oranges photo above left: GruncleNewton, Wikimedia Commons  
Maple leaves photo above: SCOTUS Operandi, Wikimedia Commons

By Raymond Loth

In 2004, Jimmy Buffett (officially) provided a "License to Chill" with an album and song bearing that title. Of course, relaxing in the sun without a license was widely practiced long before that! What though about a "license to spend"? Do you have one? How do you get it? What does that even mean?

A metaphorical "license to spend" during retirement involves having internal permission to spend your retirement funds according to a credible strategy, and then doing it in a responsible way. All three components are vital.

### How DO You Create a Personal "License to Spend"?

**1 • The first step involves considering what your happy picture of retirement includes!** Will your retirement be characterized by: extensive travel, volunteer work, babysitting grandchildren, fine dining, or quiet gardening etc.? Will your "camping" be in an RV or a tent, your fishing be guided trips to Canada or on the shore of your local waterway, your "aircraft" be a Cessna or a drone, etc.? These considerations are important not just for financial reasons, but also due to the social and emotional changes retirement presents. Whatever your personal retirement picture looks like, it should be somewhat engaging and rewarding.

*"If you think going to the moon is hard, try staying at home."*  
—Barbara Cernan, wife of astronaut Eugene Cernan

**2 • An important second step is developing an accurate budget.** This seemingly "pedestrian" advice is vital, and accuracy is important. We often spend more than we think. It's enlightening to look at our "take home" income over the past 12 months (or more). Then review how much of that we've added to savings and investments over that same time period. The remaining amount tells us how much we really spend! It can be helpful therefore to have a separate category in our budget for the "nice to have/lifestyle" expenses, things we can do without if necessary.

**3 • An important third step is developing a "credible strategy" for the income that you will need.** A "credible strategy" for income is one that you can count on during a wide range of economic circumstances. It is one that provides the highest level of certainty, even guarantees for (at least) your basic needs, current and future. This strategy should give some consideration to various unknowns such as: longevity, inflation, market risk, spousal loss, taxes, etc. While we don't have a crystal ball, with good communication and proper product selection, we can create a financial structure for your retirement that provides confidence and peace of mind for you.

*"Do You Have a 'License to Spend'...?" continues on the next page.*

## Do You Have a "License to Spend"—for Retirement?



“Do You Have a ‘License to Spend’...?” continued...

“Intelligent investors don’t bother trying to predict the unpredictable; they focus on controlling the controllable.”  
—Jason Zwieg, *WSJ*, 7-9-22

What Might a “Credible Strategy” Include?\*

For those with less time for advance planning or less retirement savings, this may suggest a primary focus on principal protected financial vehicles. Early in retirement it may good to try and avoid principal reduction and rather live primarily off the interest. In time, well managed withdrawals from principal may be done if in harmony with the primary purpose of these savings. While such a strategy may reveal a need to monitor spending more closely, **there are clear financial and psychological benefits to having and following such a credible strategy.**

“The purpose of the margin of safety is to render the forecast unnecessary’...pursuing things where a range of potential outcomes are acceptable—is the smart way to proceed.”  
—Morgan Housel quoting Benjamin Graham, *Psychology of Money*

Those with more retirement savings, and/or more time to prepare, may likely be able to supplement social security (and any pensions) with a guaranteed stream of lifetime income. This can provide immediate income, or be for the future. This type of planning has historically been held in very high esteem by professional planners of all types, as well as the individuals who have them. (See “Case Study” on page 3.)

“What could be better than a guaranteed paycheck that lasts as long as you live and is unaffected by the vicissitudes of the stock market?”  
—Sandra Block, *Kiplingers Personal Finance*, 10/2018

This income can be set up for either basic living expenses, or for “lifestyle/wish list” expenses like family vacations and bucket list items—periodic “fun money”. The income stream can also be considered as a future backstop for other things later in retirement like inflation, spousal income loss, home health care, longevity, etc. Sadly, without such surety and confidence, some with considerable finances may miss out on priceless experiences with family and friends that are well within their financial grasp.

Either way you have given yourself confidence, peace of mind, and surety from a credible strategy for LIFETIME INCOME! This planning becomes a “License to Spend,” **financial and emotional freedom to enjoy the retirement you’ve pictured.** It has also been suggested that this also better positions you to absorb volatility with other assets, plan wealth transfer to the next generation/charities, etc. with your remaining funds... since your primary needs are cared for.

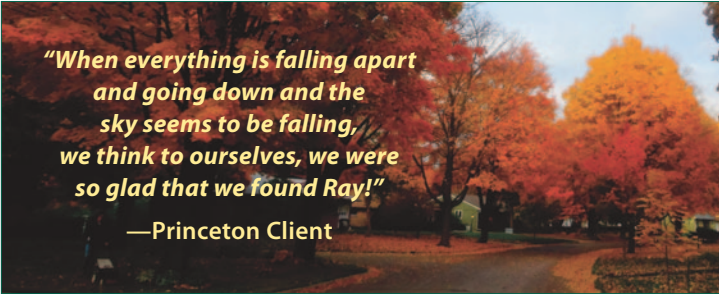


Photo: Corey Coyle, Wikimedia Commons



Photo of Jimmy Buffett by Ray Loth

IN CONCLUSION: While some may do it, we do not recommend operating without a “license” when it comes to your finances during retirement. Have, and stick to, a credible plan. Leave room for the unpredictable. But not so much room that you miss out on doing what you want, and are able to do during retirement. **In the end, we hope that your “License to Spend” doubles as a “License to Chill”, and that you enjoy your personally crafted retirement to the full! Please let us know if we can help!** —Raymond Loth

\*This is not intended to offer specific advice or details on any particular asset type. While we do work with certain financial institutions, this is not intended to represent any specific company or account terms which are available only in company specific and approved materials. We also do not represent or claim to offer advice on securities.

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“Certainty provides confidence. This is one of the reasons that retirees who’ve incorporated income annuities into their retirement planning report higher levels of satisfaction.”  
—Wade Pfau, Ph.D., CFA, and Michael Finke, Ph.D., CFP

Case Study

“A (Guaranteed) License to Spend”

A number of years ago some existing clients approached us regarding a pension buyout option they received from an employer. They had already progressively placed over \$300,000 through our office. They expressed some concern over the employers’ reasons for the buyout option and wanted to know what we suggested. We explained that many of the income options we represent have added benefits that may not typically be available with company pensions such as: ongoing liquidity, flexible beneficiary payouts at death (including for non-spouse beneficiaries), and LTC type payment increases.\* However, we also explained the need to make sure that we could guarantee a competitive income payment for the client. The research revealed some very beneficial income options were available.

The client took advantage of the company buyout option and rolled the \$165,000 over in harmony with our recommendation. After 13 years, at age 65, the guaranteed income will be \$18,496/yr. **This guaranteed annual payout is 11.2% of the original amount invested EACH YEAR, for LIFE! The lifetime income amount is guaranteed. It will not be reduced due to recent, or future, stock market declines or mediocrity.** The account retains liquidity before and during the distribution phase. Additionally, if Long-Term Care type help is needed, the payment may double to \$36,992/yr. for up to 5 years, after which it returns to the normal amount.

While these clients haven’t retired quite yet, they have often expressed how happy and confident they are from having this as part of their important retirement strategy—especially given recent market volatility.

**Please contact us for more information on retirement income options.^** —Raymond Loth

\* Please see main article footnote on page 2.  
^ The example shown is for illustrative purposes only and is not guaranteed. It should not be construed as advice designed to meet the needs of an individual situation. Please seek the guidance of a professional regarding your specific financial needs. Consult with your tax advisor or attorney regarding specific tax or legal advice.

**PLEASE NOTE:** For information on Medicare, please consult [www.medicare.gov](http://www.medicare.gov), [www.cms.gov](http://www.cms.gov), your local Social Security office, or other such official sources for information on actual government programs. Additionally, this newsletter is generally intended to be educational, and not sales or promotional in nature; it is primarily for our established clients. It therefore also comments on other important services and products that many of these clients have, like annuities, life insurance, etc. Any reference to non-Medicare related services is not intended divert the attention of newly interested Medicare beneficiaries. We do not offer every plan available in your area. Any information we provide is limited to those plans we do offer in your area. Please contact Medicare.gov or call 1-800-MEDICARE to get information on all of your options.

Ask the Professional...

Do I Need to Do Anything During Medicare’s AEP October 15 to December 7?

We are once again in Medicare’s **AEP**, or **Annual Election Period**!! What is it? How does it affect you? Should you be doing something?

**What is AEP?**  
**AEP is the universal opportunity that Medicare beneficiaries\* have to make changes** to their drug (part D) plan or Medicare Advantage (part C) plan for January 1st. Changes at other times in the year are only allowed under special circumstances.

**How does AEP affect you?**  
**Most Medicare Advantage and Drug plans renew automatically** each year unless you are informed otherwise. Plan participants will receive updates and a new card for next year during this time of the year.

**Medicare Supplements** also typically renew automatically, however on your personal anniversary date. If you want to drop your supplement and switch to an Advantage plan, or change drug coverage, then AEP would be the time to make such changes.

**SHOULD you be doing something different?**  
Many should not, however that varies. **Here are three scenarios to consider:**

- 1 •** If you have or expect significant changes in your medical activity, including more expensive new drugs, then a review may be worthwhile. **However OFTENTIMES your current plan may still be preferable.**
- 2 •** Some people don’t like paying a monthly premium. Others may have a low premium, but don’t like paying copays. AEP is a good time to review your options.
- 3 •** Most of our clients are generally very happy with their current plan.

Unfortunately, all of the options and excessive advertising this time of year can sometimes be overwhelming to consumers. We recommend a balanced approach in your reactions to this. As always, I invite you to please get in touch with me if you have any specific concerns or questions. **Thank you very much for your business, your loyalty, and your many referrals over the years!** —Ray Loth  
**\* We are not associated with, or representing, the Federal Government Medicare program. nor is this article intended to explain or define the specific benefits of this program. See “PLEASE NOTE” at left.**