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The Misunderstood Cash Power Of Deferred Annuities

By Thomas Shultz

One of the major objections retirees have voiced about deferred annuities over the years is that they are concerned they can't withdraw cash if they need it for emergencies.

In many ways, retirees want their annuity contract to function as a fully liquid checking-account-like instrument. You hear this time and time again. Although annuities are not designed to be fully liquid, they do possess significant cash liquidity power that needs to be better explained and understood.

When annuities were first brought to market, there were only two contractual ways to gain access to cash from the contract prior to the time when surrender charges on withdrawals were no longer applicable. These were either full surrender of the contract or electing full annuitization using one of the contractually provided options.

Over the years, the need to provide consumers with more ways to gain access to their cash without any surrender charges became increasingly important to potential annuity buyers. Insurance carriers responded with continued product innovation to make this a reality today.

Deferred annuities are designed primarily as tax-advantaged, supplemental retirement income products. In addition to full surrender and annuitization, today's deferred annuity products offer a number of options for limited, penalty-free liquidity. The exact liquidity options depend on the deferred annuity contract purchased. These options can include:

Partial annuitization. In some cases, the owner of a deferred annuity contract may need cash and may wish to

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February

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apply only a portion of the annuity contract's cash value (**rather than the entire cash value**) to produce a series of annuity payments under the contract, while leaving the contract's remaining cash value in the deferral or accumulation stage. For example, the owner's current financial need may be for annuity payments that are less than the payments the contract's full cash value would produce, or the owner may wish to "**ladder**" or "**stagger**" annuity payments to take advantage of future changes in annuity purchase rates.

Prior to 2011, there was no specific rule in the tax code regarding such "*partial annuitizations*" of nonqualified annuity contracts. Starting in 2011, however, the tax code provided that partial annuitizations of nonqualified annuities are treated the same as other annuitizations, as long as the resulting annuity payments are made for a period of at least 10 years or over the life or lives of one or more individuals. In such cases, the annuitized and non-annuitized portions of the contract are treated as separate contracts and the after-tax investment in the contract is allocated pro rata between them for purposes of applying the rules governing the taxation of distributions.

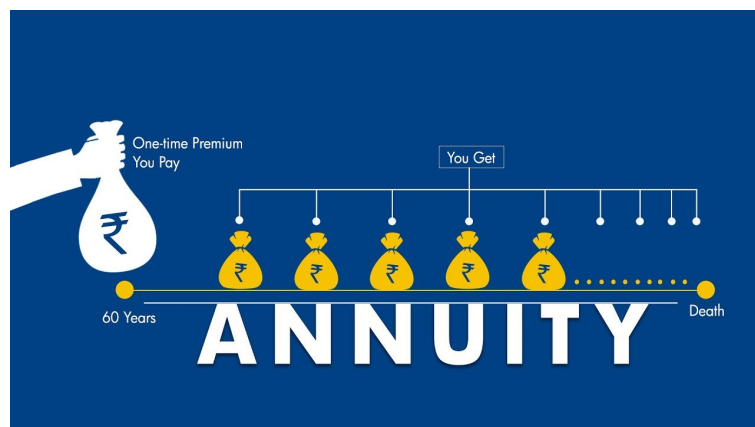


Free partial withdrawals. This option allows the contract's owner to take up to a certain percentage (**e.g., 10%**) of the contract's value or to withdrawal any interest earned each year without surrender charges. Certain contracts allow the owner to accumulate free withdrawals not taken up to certain limits. For example, if the 10% free withdrawal were not taken for three years,

30% of the contract could be taken. Some carriers cap such a feature at a maximum 50% of the contract's value.

Systematic withdrawals. This option allows the contract's owner to request automatic withdrawals of a certain percentage of the annuity's value each year (**e.g., 5%**) until the contract value is reduced to zero.

Terminal illness. This option allows the contract owner to gain access, usually without incurring any surrender charges, to most or all of the contract's value if they have been diagnosed with an illness that will result in their death within a certain timeframe – (**usually 12 to 36 months**).



Nursing home confinement. This option allows the contract owner to gain access, without incurring surrender charges, to most or all of the contract's value if the owner has been confined to a nursing home because of illness or incapacitation.

Long-term care. This option allows the contract owner to gain access to the contract's value, without surrender charges, either in a lump sum or by requesting a monthly payout to pay the costs of a long-term care event.

Income riders. These riders, which are subject to an additional annual fee, trigger the payment of a certain percentage of the contract's value (**e.g., 5-7%**) for life upon reaching a certain age.

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This payment stream can be stopped at any time and restarted by the contract holder and is different from annuitizing the contract in that it can be controlled by the owner. Income riders offer buyers great flexibility over when and for how long to take annuity cash payments.

Deferred annuity contracts are not checking accounts, but they do offer contract owners a number of options to gain access to cash.

Deferred annuities are medium- to long-term contracts, but they have access to liquidity available through the options described above.

Retirees should use only a portion of their liquid net worth to purchase an annuity. They should keep a reserve of cash on hand to cover financial emergencies, including out-of-pocket costs of uncovered medical bills, large home repairs and other unexpected living expenses.

2022 is the year that every person either already retired or contemplating retirement should take a serious look at what an annuity could do for their future. With interest rates on the rise and market volatility back in full swing, there has never been a more important time to secure additional income in retirement.

Here at Lyfe Advisors, we take a lifetime approach to planning.

If you'd like a second opinion on your current portfolio or are getting ready to retire and would like to see what retirement could look like for you, we would love the chance to show you our skills!

Thomas Shultz

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Dividend Paid Monthly*

48 Month Coupon

7.00%

Dividend Paid Monthly*

60 Month Coupon

7.50%

Dividend Paid Monthly*

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CORALYN'S CORNER

Every month, my corner is to keep you updated on changes in our world, AZMedicare101.org, LyfeAdvisors and our family.



MEDICARE

Even though we are officially one month into 2022, the prescription drug companies are still lagging behind getting everyone's plans from the Annual Election Period finalized properly.

We still continue to struggle with Wellcare, as they do not notify us directly when there is an issue or a problem on their side and tend to send out letters that contradict themselves to clients without any regard.

So, if you are a Wellcare Part D plan participant in 2022, it would be a wise move to double check in your bank accounts that the correct amount of premium is being deducted (for Value Script it should be \$13.00 per month/for Classic it should be \$32.80/for Value Plus it should be \$59.00).

If your premium doesn't look right, please call us so we can contact broker services to get it corrected.

Also, if you elected to have it auto-deducted from your Social Security payment in 2022, there is a good chance it will not. Social Security is currently not processing these so expect to get a premium notice in the mail from your drug company and please pay this. We do not want you to think that it is already paid when it's not and lose your coverage so if you have questions surrounding this, please give us a call and we can check.

FINANCIAL PLANNING

This time of year, Thomas likes to do reviews and updates to your current accounts so be on the

lookout for a call from our office to schedule yours. We are completing most of them via zoom or over the phone but if you would rather come in person we would love to see your smiling face ([Thomas prefers in person actually](#)).

Personal

So our son Jackson has been bugging Thomas and I for months to get his hair braided. I don't know if this a trend or fad, but it's all he has been talking about. So, after discussions and arguments, we finally let him do it.



I have actually never had my hair "box braided" at a salon before and did not realize the amount of time it actually takes to get it completed. In total over a period of 2 days it took 5 hours, with 16 bathroom breaks, 3 eating breaks, and 4 cry breaks ([Jackson says he has a sensitive scalp](#)).

It turned out pretty good if I do say so myself but I don't know if he would ever get it done again because of the pain it caused him over the first week.

Coralyn Shultz

RITA'S REVIEWS

Every month, my husband and I enjoy trying out places to eat. This month we enjoyed a new location in East Scottsdale called "Ling & Louie's Asian Bar and Grill".



The family decided to celebrate my mother's birthday at a restaurant that none of us had been to and we chose one that was almost halfway between our homes. We all love Asian cuisine and after looking at the pictures of the food online we were ready to give Ling & Louie's a try. The one closest to us was located on Shea Boulevard in Scottsdale.



There is a covered outdoor patio, and the interior is lovely. This location has been in business for more than 13 years. This restaurant concept was the brainchild of Randy Schoch in 2006. He wanted to create modern Asian cuisine with American flair and hospitality. The name, Ling & Louie, is based on fictional characters symbolizing the marriage



of the East and West. He created this elaborate storyline to go with the name. There is another location in Maricopa County at the Wild Horse Pass Resort in Chandler.



Ling & Louie's is open every day and the menu consists of a generous offering of appetizers, soups, salads, and their versions of the most popular Asian dishes for chicken, pork, beef and seafood. They have



recently added on Saturday and Sunday a Weekend Blitz Brunch menu from 11:00 am to 3:00 pm offering an Asian flare to some of your breakfast favorites such as Tempura Chicken and

Waffles, Char Siu Pork Benedict and Ling's Avocado toast to name a few.

When looking at the menu, I was excited to try the sizzling platters, in particular the Shanghai Shrimp and Scallops. It was so good but a bit too spicy for my taste.



My husband chose the beef & broccoli and my mom and grandson always get orange chicken. Of course, we had to have Uncle Fe's fried rice and the Lucky Lo Mein noodles. My daughter-in-law had the Asian chopped salad which I regretted not getting after seeing it and my son chose the Mongolian Beef. All were large portions and really good. We had a huge amount to take home for later. I would go back but this time I would try the Buddha's feast scallops. That looks yummy, too. To finish off our meal, we were treated to a wonderful chocolate dessert with sparklers to celebrate Mom's 84th birthday.



Rita Henderson

Medicare Hack #29

AARP LEADING THE ARGUMENT

For The Feds To Lower 2022 Part B Premiums Mid Year



This historically high increase in Medicare's Part B monthly premium is **"unsupportable"** and should be lowered, given the dramatic price cut of the Alzheimer's drug Aduhelm, AARP says in a Jan. 25 letter to U.S. Department of Health and Human Services (HHS) Secretary Xavier Becerra.

Becerra this month ordered the Centers for Medicare and Medicaid Services (CMS), which is part of HHS, to reassess the Part B premium increase in light of the Aduhelm price drop. Medicare Part B covers doctor visits, diagnostic tests and other outpatient services.

The 2022 monthly premium was set at \$170.10, up from \$148.50 in 2021. That \$21.60 hike was the largest dollar Part B basic premium increase in the health insurance program's history.

Among the reasons CMS gave for the outsize increase was that it needed to set aside money in its reserves in the event it decides to cover Aduhelm, the new Alzheimer's drug approved in June by the U.S. Food and Drug Administration (FDA). At the time, Biogen, the manufacturer, estimated the drug's price would be \$56,000 a year per patient. Since then, and after considerable pushback, Biogen cut its price estimate roughly in half, saying the drug would cost \$28,200 annually effective Jan. 1. CMS has issued a proposal to cover Aduhelm on a limited basis for people enrolled in clinical trials. The agency is expected to make a final decision in April about covering the medication.

Becerra said in a one-paragraph statement Jan. 10th that with the 50 percent Aduhelm price drop, there is "a compelling basis" for CMS to

re-examine its Part B premium increase.

"At a time when the typical Medicare beneficiary has an income of less than \$30,000 per year, the standard Medicare Part B monthly premium of \$170.10 represents a substantial financial burden," Nancy LeaMond, AARP executive and chief advocacy and engagement officer, says in the letter to Becerra supporting his call for a reconsideration of the premium increase. "In light of Aduhelm's recent price reduction" and CMS' proposal for limited coverage of the new drug, "we strongly urge CMS to reassess the 2022 premium calculation and provide immediate relief to seniors who are paying higher premiums."

LeaMond also said that the impact one expensive drug had on the 2022 premium increase "highlights how high prescription drug prices affect all Americans and underscores the need for comprehensive reform. Rather than give pharmaceutical companies a free pass to charge outrageous prices that lead to higher costs for everyone, policymakers must swiftly enact comprehensive prescription drug pricing reforms."

CMS said the other factors that contributed to the large premium hike were rising prices to cover health care, some of which were attributed to the COVID-19 pandemic, and the action Congress took in 2021 to curb that year's Part B premium increase in the midst of the health emergency.

In 2021, the Part B premium increased by only \$3 a month, but Congress directed CMS to begin paying that reduced premium back, starting in 2022.

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February Quiz

Question 1:

What is the biggest organ belonging to the human body?

- A. Heart
- B. Skin
- C. Lungs

Question 2:

What is the longest running American television show?

- A. Family Guy
- B. Simpsons
- C. Friends

Question 3: How many bones are in the human body?

- A. 103
- B. 206
- C. 309

Answers for January

Question 1: Which Artist is signing the National Anthem at the 2022 Super Bowl?

B. Mickey Guyton

Question 2: How many Harry Potter movies are there?

B. 8 movies

Question 3: Who became the first male co-host of "The Talk" in 2021?

C. Jerry O'Connell



Social Security Vows To Curb Mistakes, But Field Offices To Remain Closed Until At Least The End Of Spring

The Social Security Administration is expanding service to taxpayers that it had restricted to just one hour a day, allowing drop boxes at its closed field offices to accept sensitive documents and forms for more hours as it eases toward opening some facilities.

The agency is putting the workaround in place while its network of 1,230 local offices remain closed until at least mid-April, apart from a smattering of in-person appointments. Most Social Security employees have been working from home since March 2020, but officials say they are trying to improve assistance to low-income elderly and disabled people who rely on their local Social Security office to navigate one of the government's most complex systems of benefits.

The agency announced last week that it reached agreement with its major unions to begin a return to the office hopefully this spring. Bargaining over the timing of the move was contentious for months, officials on both sides acknowledge. The deal followed criticism from advocates for the disabled and members of Congress about Social Security largely closing its doors while most government offices opened months ago or never closed to the public during the pandemic.

Field offices are expected to reopen for appointments and walk-in visits that are crucial for disabled and elderly claimants who have trouble negotiating the internet and the phone. Many details are unresolved, including how many days the field staff will continue to work from home. Administrative law judges who hear appeals of denied claims for disability benefits — and are now conducting hearings on the phone or through

video conferencing — will resume in-person work in June, the agency said.

Social Security has dramatically curtailed its public services during the coronavirus pandemic. Absent open offices, the agency was depending on the public leaving birth certificates, divorce records, green cards and other primary documents required for them to verify their identity in drop boxes that were open as little as one hour a day. **Forty percent of all field offices provided no drop boxes at all.**

For months, congressional Republicans had pressured Social Security to improve service and return its staff to providing it in person. Concern expanded at the beginning of 2022 to include Senate Democrats, who demanded answers from acting Commissioner Kilolo Kijakazi to how the agency plans to “provide timely and quality service to the public” during the pandemic.

An incorrect denial of benefits, inaccurate payments or lack of processing Medicare enrollments can be the difference between a beneficiary having a home or being evicted, or whether or not they can fill their prescription drugs.

Additional changes Social Security has put in place since March 2020 make it extremely difficult for Medicare beneficiaries to get questions answered or get documents processed in a timely manner, ultimately leading to numerous interruptions in coverage.

For Part D Enrollees:

In past years, the option to have your Part D premium deducted from

Cont. next page

your Social Security benefit payment was a popular choice but in 2022 the Social Security Administration is refusing to process the payment services until they return to "full time" service standards.

So, if you had elected to have the premium for your Part D plan auto deducted from Social Security, expect to receive a bill in the mail from your Part D plan provider asking you to set up payment arrangements directly with them.

Social Security stops processing simultaneous spousal benefits when enrolling into Social Security:

In the past, if you were enrolling for your Social Security benefit and were currently married or had been married for 10 years or longer previously, Social Security would process the greater of either (1) half of the spousal benefit or (2) your full benefit amount.

As of today, they have turned this into a two-step process, with no answer on when step two (the greater amount) will begin or be calculated.

Why Is Social Security So Far Behind?

Attrition, the shift to remote work and a shortage of physicians willing to see

claimants in person are causing the delays, advocates said.

The advocates had a meeting scheduled with agency officials Jan. 31st to discuss a range of proposals they have made to halt punitive policies affecting disabled and elderly beneficiaries until person-to-person service fully resumes.

If they're going to serve the public with the field offices closed, it should be in a helpful way to keep the focus on things that help people maintain benefits and put the things that suspend benefits on the back burner.

Before shutting in March 2020, Social Security field offices served 43 million people a year.

SOCIAL SECURITY TIP:

IF NEEDING TO CONTACT SOCIAL SECURITY, THE OPTIMAL TIME TO REACH THEM IS 3:30PM M-F FOR THE SHORTEST WAIT TIME IN ARIZONA

Map to our NEW Scottsdale Office



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Medicare Supplement Rates

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For 85258 Maricopa County

Gender	Age	Plan	Carrier	Premium*
Female	65	G	Amerigroup (Anthem)	\$115.52
Male	65	G	Blue Cross Blue Shield	\$120.25
Female	65	GHD	New Era Life	\$40.37
Male	65	GHD	New Era Life	\$44.41
Female	65	N	Aetna	\$88.96
Male	65	N	Blue Cross Blue Shield	\$94.82
Female	66	F	Medico	\$142.23
Male	66	F	Aetna	\$163.68
Female	66	G	AARP United Health Care	\$118.93
Male	66	G	Blue Cross Blue Shield	\$126.36
Female	66	GHD	Medico	\$40.53
Male	66	GHD	New Era Life	\$45.54

Rates are accurate at the time of production. Included in the list are fraternal organizations, service organizations, and carriers with ratings above B+.

*Source: CSG Actuarial effective dates 02/01/2022

Interest Rates

Highest CDs and Share Rates

Highest National Rates

Duration	Institution	Yield to Maturity*
1 year	Pentagon FCU	0.85%
2 year	Pentagon FCU	1.25%
3 year	Live Oak Bank	1.20%
4 year	Live Oak Bank	1.25%
5 year	Pentagon FCU	1.30%

Rates are accurate at the time of production. We include banks and federal credit unions in our national search. All have FDIC or NCUA Insurance. *Source: BankRate.com 02/01/2022

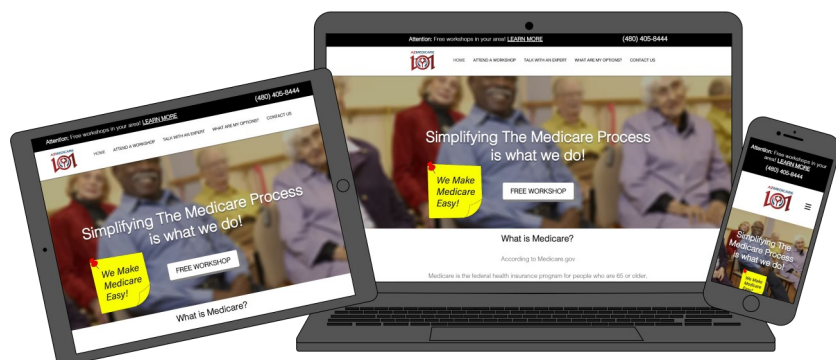
Highest Fixed Annuity Rates

Highest Arizona Rates

Duration	Institution	Yield to Maturity*
3 year	American Life	2.85%
4 year	Oceanview	2.90%
5 year	Guaranty Life	3.50%
7 year	Guaranty Life	3.55%
10 year	Guaranty Life	3.55%

Rates are accurate at the time of production. Excluded from the list are fraternal organizations, service organizations, and carriers with ratings below B *Source: AnnuityRateWatch 02/01/2022

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Online Workshop

Monday, February 21st
11:00am to 12:00pm



Online Workshop

Tuesday, February 22nd
5:30pm to 6:30pm

Online Workshop

Wednesday, February 23rd
1:30pm to 2:30pm

Maricopa &
Pinal Counties In Blue

Online Workshop

Wednesday, February 23rd
5:30pm to 6:30pm

Pima County In Red

Online Workshop

Thursday, February 24th
11:00am to 12:00pm

Online Workshop

Thursday, February 24th
6:30pm to 7:30pm

"As a fiduciary, it is our responsibility to make sure that both the Health and Wealth areas of your retirement have been planned for accordingly. You can't have a sound financial plan without addressing both and here at LyfeAdvisors we believe that it starts with Healthcare! For the last 13 years, we have been helping thousands of retirees all throughout Arizona and we'd love to help you as well." - Thomas Shultz, Managing Partner





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