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The Economy Is Still Growing Which Is Terrible News For The Stock Market Heading Into 2023.....

By Thomas Shultz

The Federal Reserve has spent the past few months trying to break the US economy. In the face of scorching inflation, the Fed rapidly hiked interest rates in an attempt to slow down the wheels of the economy and get rising prices under control. Chair Jerome Powell made these intentions clear at a press conference earlier this year, telling reporters that "pain" would be required to bring inflation down.

But breaking the economy has proved quite difficult. Yes, the Fed has slowed activity in certain corners — most notably the housing market — but by and large the economy is still standing. In fact, rather than slowing down, it appears ready to get even stronger over the next several months.

The Fed has hinted that it may ease up on its rate hikes as inflation starts to improve, but a

suddenly surging economy may force it to put the pedal back to the metal. ***When that happens, investors and consumers better buckle up: There will be more pain ahead for the stock market and the US economy.***

The US Economy Continues To Grow

Despite the near-constant proclamations that the US has been teetering on the precipice of a recession all year, the real surprise is just how resilient it has been. And there are even signs it'll get stronger from here.

The most obvious reason is that supply-chain pressures are easing. Instead of looking at empty shelves or dealer lots, businesses have been able to get the products they need, and, in turn, people have been able to spend their money on the goods they want.

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December

Tis The Season....
Inside This Issue

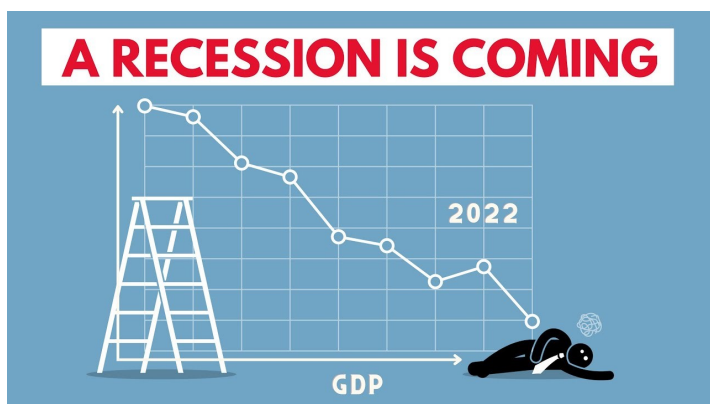
RETIREMENT 101	1
CORALYN'S CORNER	4
RITA'S REVIEWS	5
HEALTH CARE HACKER	6
FUN STUFF	8
SOCIAL SECURITY	9
MONTHLY RATES	11



Other industries are also digging themselves out of deep holes, and a long pipeline of demand will help them boost the economy well into 2023. Take aircraft manufacturers: Boeing had a stretch of bad years between the 737 Max problems and the coronavirus pandemic. Today, the company is seeing new orders roll in, pushing up aircraft production with plenty of runway for continued growth.

The other good news for the economy is that the bad news isn't getting any worse. Government spending dropped off in 2022 and helped drag down GDP growth, but with money set to roll out next year from the bipartisan infrastructure package and Inflation Reduction Act, this situation will reverse. The building markets, for homes and new commercial real estate, have been hammered by the Fed's rate hikes — declines in building investment have cut into US GDP growth for six consecutive quarters. But after the initial shock and a leveling off of mortgage rates, consumers' homebuying intentions have actually picked up.

Looking internationally, the problems that rocked the globe in 2022 — from the war and energy crisis in Europe to China's zero-COVID policies — almost certainly can't get more painful, and have even shown signs of improving.



Finally, financial market conditions have been easing of late. Bank of America's Global Financial Stress Index, a broad measure that tries to capture the health of the stock and bond markets,

has improved for over a month and is now where it was at the time of the June Federal Open Market Committee meeting. A stock-market rally and improving corporate debt markets don't exactly scream "a recession is here."

One way recessions work is through an element of surprise: Companies assume things will be OK, and when an economic shock hits they scramble to dump products, halt big investment plans, and stop hiring new workers. But this time, the opposite is true. The recession talk has been so pervasive that almost all companies are girding themselves for a downturn. So, if a recession doesn't come and the economy speeds up, what happens? The process works in reverse. Firms will be caught flat-footed, and that means a period of catch-up will ensue as they order more goods, try to hire more workers, and restart investments. For a Fed that is trying to slow the economy, this is not a welcome development.

If You Don't Succeed, Try Again

At the moment, the Fed, like many companies, appears to be offside on economic growth. There are rumblings that the central bank is planning to pivot toward a slower pace of interest-rate hikes — a signal it believes the economy is weakening enough to bring down inflation. **But as I outlined above, the opposite is true: Real growth is picking up. This will make the Fed's job even harder and force it to dispense with the "pivot" before it really begins. At a minimum, it's tough to cut interest rates when the economy is defying expectations.**

For the average American, this resilient economy is a double-edged sword. On the one hand, the start of 2023 will seem great. Household finances and the labor market will be strong. But the happy New Year could result in pain down the line. Even with improving supply chains, a mad scramble by companies to catch up with higher-than-expected consumer demand would keep inflation higher than the Fed's 2% goal. This, in turn, would force the central bank's hand.

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Instead of a softening economy and moderating prices allowing the Fed to pivot toward a more relaxed policy, a robust economy and stickier inflation would push it to continue hiking interest rates for longer than anticipated. The Fed has explicitly said higher unemployment is a way to achieve its inflation objectives, so it could continue rate hikes until there is a meaningful deterioration of the job market — layoffs that have gripped a few sectors would start to broaden out and cause more widespread "pain" for households. **Americans could be faced with a boost in the first half of the year and a swift kick from interest rates further down the line in 2023.**

If American households are going to eventually face the payback of this stronger-than-expected economy, then markets are going to take it even worse. That's because investors are taking the Fed's current tone softening one step further and pricing in interest-rate cuts by the end of 2023. But given the strength of the economy and likelihood of a slower-than-expected decrease in inflation, there's little to no chance the Fed will be cutting by this time next year. At a minimum, I wouldn't expect a dovish bias. If that's right, we might be seeing yet another significant drop in the stock market.

In an economy where bad news is good news, and good news is bad news, Americans' ability to power through the Fed's rate hikes and record-high inflation may paradoxically hurt them down the line. **Powell's promised pain is going to come — it's just a question of when.**

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Thomas Shultz

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2 Year Fixed Annuity

5.36%

3 Year Fixed Annuity

5.65%

5 Year Fixed Annuity

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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.



It's Over.....

The last 45 days have been **STRESSFUL!!!!** The Annual Election Period for Medicare is without question our busiest time of year and this year was no different. We always think we make improvements and create efficiencies but it never feels like it in the moment. The good news is we had an extra set of hands with Beverly and it definitely made a difference.

Next year, we will have 3 or 4 of you (**yes, you**) clients that have all agreed to help us out. That should relieve some of the pressure.

Now comes the fun part, which is making sure that all the carriers actually process the applications the right way and get the cards out to their new members.

Remember, as long as your application was submitted the carriers can't reject you so even if the cards don't show up tomorrow, you will eventually get them. We are also on top of it to make sure everything gets processed correctly.



Through all of that we still did get the chance to celebrate a little for Thanksgiving. I slaved away in the kitchen to heat up our meal, which was provided courtesy of Mimi's Café, and as always ate way too much.

Thomas made us wear our LyfeBeast Thanksgiving sweatshirts because he says we need to always represent (**j/k**).

Thanksgiving feels different these days as there is no more rush to eat so Thomas and his dad can go Black Friday shopping. I think they miss it, even though they used to always complain about it in the moment, as it was something they had done together each year since he was a child. Jackson is sad that he didn't get to carry on the tradition but it's a different day and age.



On a different note, Thomas and I are obsessed with the series "Yellowstone". A client of ours insisted that we watch it and we are so glad we did! If you haven't seen it, check it out, you'll be pleasantly surprised.

Coralyn Shultz

RITA'S REVIEWS

Every month, my husband and I enjoy trying out places to eat. This month we decided to finally try out Angry Crab Shack in Scottsdale...



We have had a new restaurant in our neck of the woods open and had never gone because my mother does not like seafood. She has left for Kentucky to spend Christmas with my brother and his family, so my husband and I decided to check it out.



This chain of restaurants was created by Ron Lou, a former Arizona State football player who played in the NFL. Ron was the first Asian American to play professional football. After his football career ended, Ron spent the next 35 years creating 5 different restaurant concepts including a breakfast, sports bar and three different Chinese restaurants. But Ron wanted something different to combine his love of seafood with bold Asian-Cajun flavors. The Angry Crab Shack concept came to life in Mesa in 2013. With 13 locations in Maricopa County, 2 in Tucson and one in Yuma the restaurant chain is

expanding nationwide. There are locations in Alabama, Texas, and Nevada, and new ones coming soon in Georgia, Washington and London, England.

There is a lunch and dinner menu. Lunch begins at 11:00 am and continues until 2:00 pm

serving soups (Gumbo and Clam Chowder) and salads plus lunch bowls. For the lunch bowl, you choose your protein, the sauce and then the



spice. But be careful of the spice when it says mild. "Wimpy" is still too hot for me so I guess I am a "Me No Likey Spice" person. The dinner menu begins at 3:00 pm and ends at 9:00 pm and consists of appetizers, soups and salads, sandwiches, baskets, and the famous seafood

boil. They also offer Jambalaya, shrimp and grits, red beans and rice, and grilled salmon.

The tables are covered with butcher paper and there are no utensils unless you ask for them.



I wasn't exactly feeling well and not very hungry, but I saw fried oysters on the menu and was excited to order them since it has been a long time since I had

eaten them. We also had the fried calamari and two small Ceasar salads.

My husband ordered the Jambalaya and loved it. I thought the oysters were fried too long and had no flavor at all, maybe

because they were all breading and no oysters inside. There are many locations so maybe at a different one the oysters would be perfect.



Rita Henderson

Medicare Hack #39

Should Doctors Warn Patients About The Downside Of Medicare Advantage Plans?



Many doctors tell variations of this same frustrating story after every new year. A long-time patient shows up for a routine scheduled appointment with "great news."

"Doc, I heard this terrific TV ad -- even had Star Trek's Captain Kirk -- about a better Medicare plan for me. So I called the number on the screen and an agent signed me up. He said I would save tons of money! So I dropped my drug and supplemental plans, and now my prescriptions, eyeglasses, and hearing aids will all be covered!"

The doctor groans to himself. This patient doesn't realize it, but he is no longer in Medicare. He has been enrolled in a commercial Medicare Advantage (MA) plan run by a private company with a provider network to which his long-time doctor does not belong. Or the doctor is contracted with the plan and in-network, but his practice is at capacity so he's not accepting new enrollees. Or the waiting list is long.

Doctors are left with a choice: send the patient home without care, ask the patient for payment, or be prepared to give the service for free. "It's very common for patients to come to my office thinking they still have Medicare when they've actually signed up with a Medicare Advantage plan and don't understand that they have given away their rights to that card," said James Grisolia, MD, a San Diego neurologist.

Doctors, especially specialists, said they have concerns about how exaggerated claims on TV ads and other marketing material mislead patients into thinking they can continue to see any doctor they had been seeing prior to their switch.

No Prior Authorization

If the doctor is not in that plan network, "they have absolutely no insurance coverage when they arrive," Grisolia said. But even if the doctor is in the MA plan's network, the MA plan required that the visit receive prior authorization, which wasn't obtained.

This troublesome issue occurs more often these days as an increasing percentage of Medicare-eligible patients -- now roughly 48% of 58 million beneficiaries -- are enrolled in Medicare Advantage plans. Some doctors think they should go out of their way to alert their naïve patients to the downsides of these plans before they change their coverage.

"We definitely have patients who join one of these plans and then ask us afterwards about it, when it's too late" because the enrollment deadline has passed, said David Podwall, MD, a New York neurologist who is president of the Nassau County Medical Society. "We tell them we're not in their new plan. They have to seek new doctors."

Texas Medical Association President Gary Floyd, MD, said that doctors in his state do reach out. They distribute information sheets listing the pros and cons. "But it's my impression that even if the patients look at that, they tend to get sucked into buying the plan with the cheaper premium."

The TV ads, he said, are "almost false advertising, because they make the plans sound like the best thing since sliced bread, that a retired person doesn't have to pay anything. That's great for outpatient visits when they go once or twice a year, but when they get sick

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and go into the hospital, they realize they don't have coverage for that." Generally, said Floyd, most of the doctors who take care of adults tell them that **"if and when you go on Medicare, stick with the plain, regular Medicare system. Don't take Medicare Advantage because it's not going to give you the coverage you need if you get sick and have to be in the hospital."**

Dirty Little Secret

Complicating the issue is that once enrolled in a Medicare Advantage plan for 12 months it can be impossible to return to traditional Medicare without incurring enormous deductibles and co-pays of 20%. In addition, Medicare supplemental policies -- also called Medigap plans -- that pay those costs for the beneficiary can reject an applicant through underwriting questions on the basis of common pre-existing conditions. Only Maine, Massachusetts, New York, and Connecticut prohibit Medigap underwriting.

Gail Anderson, MD, a Bowie, Maryland otolaryngologist who retired earlier this year, said she knew nothing about Medicare choices while she was practicing. The office took care of all that. Now 69, she was faced with a "shock" at how difficult it was to

differentiate. "We weren't taught anything about this in medical school," she said. And if she, a physician, had difficulty, "how can the average person understand what to do?" she asked.

She finally turned to her hospital's former CEO, a long-time friend. "Look Gail, you don't want a Medicare Advantage plan," he told her. Anderson added that "he told me that with MA plans, I'd be limited to a network of doctors and you don't get covered when you travel."

If the doctors don't know, "they ought to direct patients to fiduciary Medicare experts, whether the patients ask or not. And it's especially true if the patient is overwhelmed and needs family or friends' involvement. Preventing fiscal toxicity and loss of access is an important, admirable, and virtuous thing to do if providers can do so."

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Decorations	Candy Canes	Christmas	Mistletoe
Celebrate	Ornament	Reindeer	Cookies
Lights	Presents	Family	Elves
Giving	Dinner	Wreath	Santa



December Quiz

Question 1:

Which country gave the world the tradition of the poinsettia as a Christmas flower?

- A. United Kingdom
- B. France
- C. Mexico

Question 2:

In the Christmas song "Jingle Bells", how many horses pulled the sleigh?

- A. 3
- B. 1
- C. 4

Question 3: In which year was the movie "Miracle on 34th Street" released?

- A. 1947
- B. 1949
- C. 1945

Answers for November

Question 1: In which year was Thanksgiving first recognized?

A. 1789

Question 2: What famous board game was introduced to the world on Nov 5th, 1935?

C. Monopoly

Question 3: According to the Roman calendar, November was which month of the year?

B. 9th



Social Security & The IRS

How To Pay Less Income Tax On Your Social Security Benefits

Most people collecting Social Security rely on the program for a big part of their retirement income. So, it's not surprising that when many hear that the IRS might be in line to take back a portion of their monthly Social Security checks, they're pretty unhappy and ready to do just about anything they can to avoid it.

Not all Social Security benefits are subject to federal income tax; you'll never have to pay taxes on 100% of what you get from the program. Moreover, by taking some prudent steps, you might be able to reduce or even eliminate your tax bill on your Social Security. First though, here's how Social Security works with income tax rules.

How Social Security Is Taxed

The key to determining whether you'll owe tax on a portion of your Social Security checks is what's called provisional income. Take your gross income, add in tax-exempt interest, and then add one-half of your total Social Security payments for the year. If that figure is above \$25,000 for singles or \$32,000 for joint filers, you'll potentially owe tax on at least part of what you get from Social Security.



Exactly how much gets added is complicated, as it depends on how far your provisional income exceeds those thresholds. From \$25,000 to \$34,000 for singles and \$32,000 to \$44,000 for joint filers, the maximum included amount is 50% of your benefits. Above those higher thresholds, up to 85% of your benefits can get taxed.

Here's how you can ease the blow and pay less to the IRS.

1. Control Your Capital Gains and Harvest Your Losses

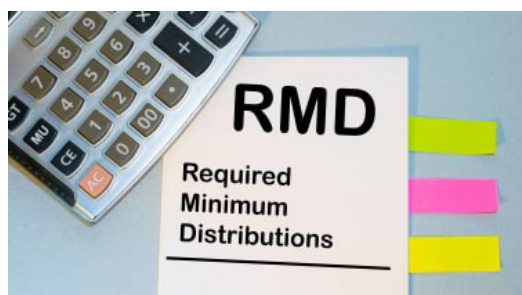
During bull markets, the capital gains that retirees can generate when they sell investments to cover living expenses can be a big contributor to getting more of their Social Security taxed. For every \$1,000 in additional capital gains you have, you could potentially add \$500 to \$850 to the amount of your Social Security benefits that you'll have to include as taxable income.

If you can avoid those gains or defer them to another year, it could help you avoid paying more taxes on your benefits. Moreover, if you can harvest capital losses on losing investment, it could help offset not only gains on other investments but also up to \$3,000 of other types of income each year. That could end up saving you hundreds of dollars in taxes.

2. Giving Away Your Required Minimum Distributions (if you're 70 1/2 or older)

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One problem many older retirees face is that traditional IRAs and 401(k) plans force them to take required minimum distributions (RMDs) from their retirement accounts. Those RMDs can often be the decisive factor in pushing provisional income above the taxation threshold for Social Security benefits.



Most of the time, charitable gifts won't reduce your provisional income because most people have to itemize their charitable deductions. However, those 70 1/2 or older can make qualified charitable distributions (QCDs) of up to \$100,000 per year from their retirement accounts. Unlike most distributions of RMD amounts, using QCDs means RMD income never hits your taxes in the first place. That, in turn, can keep your provisional income lower than it otherwise would be, saving you on Social Security-related income taxes.

3. Balance Retirement Distributions Across Roth and Regular IRA Accounts

Lastly, those fortunate enough to have both traditional and Roth-style retirement accounts can control their provisional income by planning their distributions from both types. Roth distributions don't count toward provisional income, so taking more from a Roth in a given year can reduce the amount of your Social Security that gets taxed.

Nobody wants to pay more tax than they have to and having your hard-earned Social Security benefits go to the IRS adds insult to injury. By following these three suggestions, though, you might be able to pay less in income taxes on your Social Security.



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For 85258 Maricopa County

Gender	Age	Plan	Carrier	Premium*
Female	65	G	Amerigroup (Anthem)	\$115.52
Male	65	G	Amerigroup (Anthem)	\$124.74
Female	65	GHD	New Era Life	\$40.37
Male	65	GHD	New Era Life	\$44.41
Female	65	N	Aetna	\$90.80
Male	65	N	Blue Cross Blue Shield	\$102.12
Female	66	G	Medico	\$117.48
Male	66	G	Medico	\$132.16
Female	66	GHD	Medico	\$40.53
Male	66	GHD	New Era Life	\$45.54
Female	66	N	Medico	\$91.24
Male	66	N	Medico	\$102.65

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 12/01/2022

Interest Rates

Highest CDs and Share Rates

Highest National Rates

Duration	Institution	Yield to Maturity*
1 year	Merrick Bank	4.70%
2 year	Merrick Bank	4.65%
3 year	Sallie Mae	4.50%
4 year	Merrick Bank	4.50%
5 year	CFG Comm Bk	4.60%

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 12/01/2022

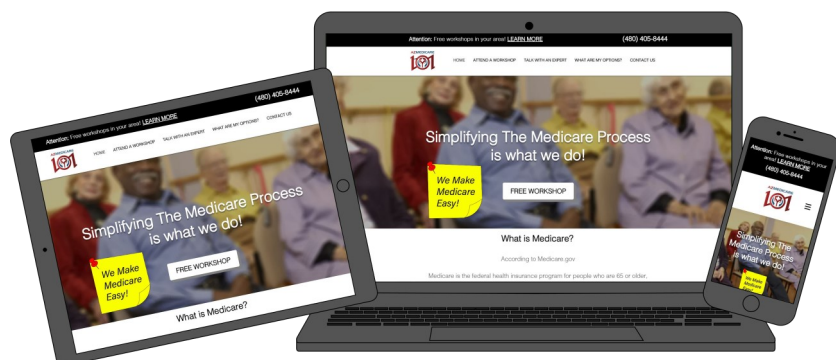
Highest Fixed Annuity Rates

Highest Arizona Rates

Duration	Institution	Yield to Maturity*
3 year	American Life	5.36%
4 year	Nassau Life	5.15%
5 year	Ohio State Life	5.65%
7 year	Ohio State Life	5.55%
10 year	Ohio State Life	5.50%

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 12/01/2022

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