THE LYFE ADVISOR

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Is a Housing Market Crash The Next Black Swan Event?

By Thomas Shultz

The housing market has been under intense scrutiny lately. Plummeting home sales and rising mortgage rates have some economists calling for a real estate cool down. Some even believe a housing market crash could be the next black swan event that sends the wider economy into a tumble.

A black swan event is defined as an unexpected and devastating phenomenon that impacts a large number of people and is frequently considered obvious in hindsight. Many refer to the 2008 housing crash as an example of a black swan event. It sparked widespread turmoil across the country and globe, and came at what was then the peak of housing in the U.S. It is also often characterized as obvious for those who performed the proper due diligence.

By definition, a black swan event is difficult to see until it happens. For the housing market, however, there are barriers to a crash that make the event even more difficult to predict. Given the historic rise of home prices since the start of the pandemic, housing may seem an obvious candidate for the next major black swan event. On the other hand, despite signs of a receding market, there remains plenty of doubt surrounding the notion of a potential crash.

So What's Going On Really?

Housing has long been an integral aspect of the U.S. economy. Real estate is a major source of domestic wealth, and house construction employees are a large number of Americans. In fact, housing regularly contributes between 15% and 18% to gross domestic product, or GDP. As such, rumors of a housing crash

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AUGUST

Fall Is Upon Us...

Inside This Issue

are especially startling to economists. If housing falls, the U.S. economy would be liable to plummet as well.

The question remains: is housing really at risk of a crash? To that, the answer varies depending on who you ask. Home prices have soared since the start of the pandemic, largely as a product of rock-bottom interest rates and an undersupply of available properties. Indeed, since just Q2 2020, the median price of homes sold in the U.S. has climbed nearly 40%. Currently, the median sales price of houses sold in the U.S. is $440,300.

Now, especially with 2008 in the rearview mirror, it's no surprise some have started peddling rumors of a housing bubble. But there are also some major barriers to a substantial pullback in home prices.

Is a Housing Recession Really Possible?

Easily the most viable argument against a housing crash is the simple undersupply of homes in the U.S. While the demand for homes is quickly falling, reflected in plummeting completed home sales, the U.S. still only has a roughly three-month supply of homes. This is far from the five- to six-month supply typical of a balanced housing market.

Basic laws of supply and demand tell us that even if fewer people want homes, if there is still an undersupply of housing, the housing market is unlikely to undergo any sort of severe pull back.

Nadia Evangelou, a Senior Economist at the National Association of Realtors, says there's little room for home prices to fall:

"Due to the housing shortage, home prices will continue to rise in the following months. Although inventory is improving, it will remain tight as home builders have cut down on single-family home production. There will be continuing home price deceleration. Nevertheless, home prices will likely continue to experience double-digit year-over-year appreciation in August."

With that said, economists are split on the subject. In a recent interview with *Business Insider*, José Torres, a senior economist, argues housing is subject to a hefty pitfall:

"At this point, housing is unreachable when considering household incomes and individual incomes. The percentage of the average monthly payment to household incomes and individual incomes is at record highs — similar to levels that we saw during the 2008 financial crisis … We're going to see something very similar to what we saw during the Great Financial Crisis."

Housing is clearly closely related to the health of the overall economy. In that sense, both realms are currently operating in a state of uncertainty. Whether housing proves to be the black swan some make it out to be remains to be seen.

Does Housing Affect Your Retirement Assets?

The simple answer is **YES**. If the housing market corrects 15-30%, then we should expect our retirement assets (401(k)s, IRAs, Brokerage accounts) to do the same.

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Because we've made so many mistakes this time around as a country, interest rates will have to go very, very high. We will probably have a serious recession; many people will go bankrupt and as an economy we're going to have a lot of problems. There's no other way to solve the problem other than to have double-digit, Volcker-esque interest-rate hikes.

It's been 13 years since we've had big problems, and that's the longest in American history. It could go for 30 years, who knows, but it's already overdue on a historic basis. We have very high valuations, we have staggering debt, we have a lot of new investors and homebuyers coming into the markets.

Before you allow a Black Swan to change the future of your retirement, you still have time to make changes to protect yourself before it's too late.

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

CURRENT FIXED ANNUITY RATES AUGUST 2022

3.60%
2 Year Fixed Annuity

4.30%
3 Year Fixed Annuity

4.35%
4 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.

They say July is supposed to be a slow month, but it definitely wasn't for us and it zoomed right by. Once again, we onboarded a large number of financial clients and it seems like just when I'm almost getting caught up on paperwork, it starts all over again. I guess that is a great problem to have though, and I would rather us be in that position than the alternative.

As rates have started to rise, more and more clients are looking to take advantage of annuities and lock in great income payouts which takes timing. Insurance companies seem to change these rates weekly and Thomas has been timing the purchases strategically which makes us have to stop what we're doing and switch our focus on a dime.

I'm glad that we will have more help moving forward, as our new employee, Beverly, just finished her first week with us and is a very fast learner. As a current Medicare and financial client, I think she will be able to fit in with us quickly and continue to allow us to provide the service that you all have gotten used to.

In the next 45 days, Thomas plans to start having her and Cat reach out to most of you to start preparing for this year's **annual election period** for Medicare, which starts on October 15th. The earlier we start, the smoother the process should go so be on the lookout for communication from us.

On a personal note, we sent our son Jackson to his first day of middle school a couple of days ago and it was challenging. I don't know how parents with regular 9-5 jobs do it, as this year his school hours changed to 7:45am—2:15pm. Luckily, I have the flexibility to go and pick him up but to have to stop in the middle of the day is difficult. On the recommendation of some of our clients, we are trying to allow him a little more freedom and will be letting him go to the library, which is across the street from his school, every afternoon on his own until sports practice. The goal is for him to do his homework and be caught up so when he gets home late from football he can relax and prepare for the next day. We will see how this goes as we have struggled getting him to do his homework but Thomas feels it's time to give him more responsibility and freedom.

Also, I am finally getting to cook again for Thomas and he is actually using our grill (first time in 2 years) as he has decided to try the KETO diet. If you know Thomas, you know he LOVES sweets, and seeing him not have any sugar for the last 3 weeks has been quite extraordinary. I must say I didn't know if he could last this long, but he seems to be over the sugar withdrawals and tells me he is sleeping better. So, thanks to one of our clients **(Mark)** for convincing him to give it a shot.

Coralyn Shultz

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RITA'S REVIEWS

Every month, my husband and I enjoy trying out places to eat. This is the 2nd month to showcase our three favorite places to eat from our recent trip to Disneyworld. Our second review is Jiko...

On our recent trip to Disney World, we let our grandson choose a restaurant that he wanted to go to which took us to the Animal Kingdom Lodge for **Jiko-the Cooking Place**.

I think he thought he was going to be able to cook something at our table but that wasn't the case. It is in reference to the African oven that is used which is in the dining area of the restaurant. You can watch the chef as he cooks. The menu is a blend of traditional African, Indian, and Mediterranean dishes. It was another wonderful meal which included visits with giraffes and zebras that were wandering around the resort making this restaurant an extremely special place to dine.

I think my grandson's favorite was the bread selections. He asked for seconds several times.

The bread selections were an assortment of African breads that all had different and unique flavors.

We also ordered the Jiko salad, which was a delicious combination of quinoa, peaches, pomegranate, radishes, assorted vegetables, and a tangy cashew cheese.

After an extremely hot and humid day walking throughout the park, this salad was the refresher that we all needed so badly. My grandson is picky, but even he enjoyed all the different textures.

When it came to the main course, we had the filet mignon entrée with a chocolate-red wine demi-glace accompanied by macaroni and cheese and rainbow cauliflower. We finished our meal with the Kilimanjaro chocolate mousse dessert because if it isn't chocolate my husband won't eat it. The restaurant was beautiful, a bit pricey, but so yummy. One of those places you make a point to visit for the atmosphere as well as the food.

Rita Henderson

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Medicare Hack #35

Medicare Just Turned 57

It's Time For Less Waste And Better Care

July 30th marked 57 years since President Lyndon B. Johnson signed Medicare and Medicaid into law as part of his "Great Society."

For almost six decades, the healthcare entitlements have grown increasingly costly and expansive while delivering subpar care to beneficiaries.

Consider Medicare, the health plan for Americans 65 and older as well as some people with disabilities. Many seniors believe that Medicare is "free" once they retire. They paid thousands in taxes to Medicare over the course of their careers. Now they get the payoff, right?

Wrong. Each year, the average beneficiary spends more than $4,000 on premiums, out-of-pocket costs, and supplemental insurance that covers various services Medicare doesn't.

Those costs have steadily increased in recent years. According to the Kaiser Foundation, the combined cost of Medicare deductibles and premiums is equal to nearly 20% of the average Social Security benefit — up from just 15% 20 years ago.

Taxpayers are paying more for Medicare, too. Spending on the entitlement increased more than 2% faster than GDP between 1980 and 2010. Today, Medicare accounts for one of every five dollars the United States spends on health care — roughly $830 billion in 2021.

That bill is only slated to go up. According to U.S. Census Bureau projections, roughly 20% of Americans will be older than 65 in 2030. By 2034, seniors will account for a greater share of the population than kids under 18.

This demographic shift is expected to add about 26 million people to Medicare's payrolls and send yearly spending on the program to nearly $1.4 trillion dollars.

The entitlement can barely afford to cover its current enrollees. Medicare's trustees estimate that the program's hospital insurance fund, Part A, will be exhausted by 2028 without change soon.

To keep the program solvent, Medicare may be forced to cut payments to healthcare providers, which are already lower than those for private insurance. The program reimburses hospitals at just 86.8% of the cost of caring for a Medicare enrollee. Cutting rates further could cause providers to opt out of the program — and thereby reduce patient access to care.

The nearly 88 million Americans on Medicaid, the healthcare entitlement for low-income people, already struggle to find doctors who will see them. Just seven in 10 physicians accept new Medicaid patients, according to a 2020 report from the Medicaid and CHIP Payment and Access Commission, or MACPAC.

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As a result, beneficiaries must compete for scarce appointments. A review of more than 30 studies concluded that having Medicaid was associated with a three times lower likelihood of successfully scheduling a specialty appointment compared with private insurance.

And the supply-demand mismatch is only growing worse. As part of Obamacare, politicians opened Medicaid to able-bodied adults making up to 138% of the poverty level. Most states have embraced this expansion, adding 21 million new Americans to the program's costs.

That has sent costs ballooning. In 2019, spending on enrollees in the expansion population alone totaled $80 billion. That same year, roughly one of every three dollars states spent went to Medicaid.

Much of that money is lost to waste, fraud, and abuse. In 2021, more than one-fifth of Medicaid payments were "improper," according to the Centers for Medicare & Medicaid Services.

Over half of the improper payments stemmed from instances in which a beneficiary's eligibility for Medicaid was never verified — meaning that many enrollees are benefiting from coverage to which they're not entitled. Cases of fraud, administrative oversight, or other insufficient documentation accounted for much of the rest of the error rate.

On their 57th birthdays, Medicare and Medicaid are wasting more taxpayer dollars on inadequate health care and bureaucratic blunders than ever before. Nearly six decades on, it's long past time to rein in the programs.

Need Help With Medicare?

CALL US at

(480) 626-0296

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We're on the corner of Hayden & McCormick Ranch Parkway right beside Luci's and right above Crumbl Cookies

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August Quiz

Question 1:
Which term refers to the fear of going to school?

A. Didaskaleinophobia
B. Ergophobia
C. Latrophobia

Question 2:
Which of the following is not a real branch of Science?

A. Astrology
B. Astronomy
C. Astrophysics

Question 3: Which of the following elements is the smallest?

A. Cell
B. Atom
C. Neutron

Answers for July

Question 1: July 31st is the birthdate of what fictional character?

B. Harry Potter

Question 2: Which amusement park was first opened on July 17th, 1955?

A. Disneyland

Question 3: Which prestigious golf tournament is held annually in July?

C. British Open

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Regret Claiming Social Security Early?
It might not be too late to fix it...

Choosing the right Social Security claiming age is crucial to maximizing your lifetime benefits. Wait too long, and you could miss out on Social Security altogether. Sign up too early, and you could cost yourself tens or even hundreds of thousands of dollars over your lifetime.

It's pretty easy to sign up for benefits initially, but once you've done so, it's much tougher to deal with the consequences of a premature Social Security application. But you may not be out of luck. There are a few things you can try to correct your mistake and boost your future checks.

What if I sign up for Social Security too early?

If you signed up for Social Security early and now regret the decision, you might be able to withdraw your application as long as it's been less than 12 months since you applied. But there are a few catches.

First, you must pay back all the money you and your family members have received from Social Security thus far. This includes spousal benefits and benefits for dependent children, if you have any. That means you need your family's written permission to proceed with the application withdrawal.

The other catch is that this is a one-time deal. If you withdraw your Social Security application, then the next time you claim, it's final. You can't change your mind again.

Should you decide to proceed with the application withdrawal, just fill out Form SSA-521 and submit it to your local Social Security office. Once this is done, the Social Security Administration will treat you as if you'd never applied for benefits.

What if I'm too late to withdraw my Social Security application?

You cannot withdraw your application if it's been more than a year since you began claiming Social Security, or if you're unable to refund all the benefits you've received thus far. But if you've reached your FRA, you can ask the Social Security Administration to suspend your benefits.

Once you do this, you'll stop receiving checks until you either turn 70 or request the Social Security Administration start sending them to you again. In the meantime, you'll accumulate delayed retirement credits. When you start receiving benefits again, your future checks will be larger than before, but they won't be as big as they would've been if you'd delayed your Social Security application until 70 in the first place. Benefit suspension doesn't require you to pay back any of the money you or your family members have already received from Social Security. That said, it's still a good idea to talk the move over with anyone else claiming on your work record. Once you suspend benefits, they'll stop receiving checks too.

To request benefit suspension, contact your local Social Security office by phone, in person, or in writing. Suspension begins the month after the month in which you make the suspension request. So if you request the government suspends your checks in August, it will do so beginning in September.

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Medicare Supplement Rates
Lowest Medicare Supplement Rates 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	Medico	$40.53
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	Blue Cross Blue Shield	$133.57
Female	66	GHD	Medico	$40.53
Male	66	GHD	New Era Life	$45.54
Female	66	N	Aetna	$91.80
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 08/01/2022*

Interest Rates
Highest CDs and Share Rates Highest National Rates

Duration	Institution	Yield to Maturity*
1 year	1st National Bk	2.80%
2 year	Merrick Bank	3.10%
3 year	Pentagon FCU	3.25%
4 year	1st National Bk	3.05%
5 year	Synchrony Bank	3.25%

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 08/01/2022*

Highest Fixed Annuity Rates
Highest Arizona Rates

Duration	Institution	Yield to Maturity*
3 year	ASPIDA	4.30%
4 year	Nassau Life	4.35%
5 year	ASPIDA	4.65%
7 year	ASPIDA	4.80%
10 year	Sentinel Life	4.60%

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 08/01/2022*

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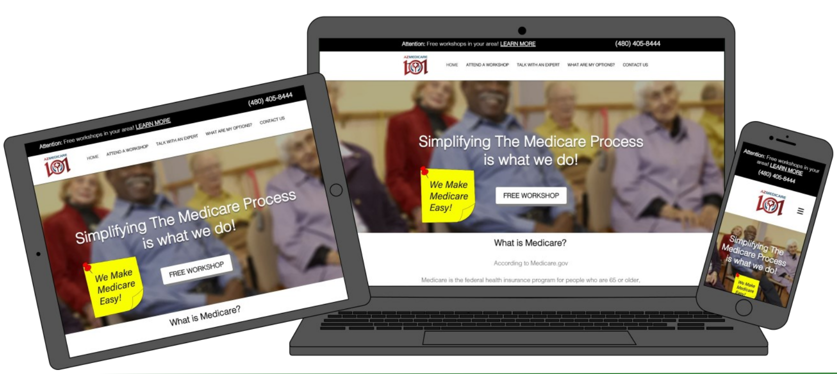

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Medicare Workshops

1 Hour Presentation - Everything you need to know about Medicare. We explain how Medicare works and what you can expect before you choose!

THIS PRESENTATION HAS BEEN APPROVED BY MEDICARE

Online Workshop
Monday, August 22nd
5:30pm to 6:30pm

Online Workshop
Tuesday, August 23rd
1:30pm to 2:30pm

Online Workshop
Wednesday, August 24th
1:30pm to 2:30pm

Online Workshop
Thursday, August 25th
5:30pm to 6:30pm

Online Workshop
Saturday, August 27th
11:30am to 12:30pm

Maricopa/Pinal County in Blue
Pima County in Red

"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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