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If The Fed Makes A Policy Mistake, It Could Spark A Major Correction In Our Markets Reminiscent Of 1972

By Thomas Shultz

The Fed could make another big policy mistake this year — one that could end up sparking a double-digit plunge in the stock market.

That's according to many economists and specifically Cole Smead, the CEO and portfolio manager of Smead Capital Management. While other Wall Street strategists have raised their hopes for a soft-landing and immaculate disinflation, Smead thinks the Fed is on the cusp of making the same error it did in the 70s, when the central bank saw cooling inflation and prematurely began to slash interest rates.

That ended up being disastrous for the economy, plunging the US into a stagflationary spiral and, eventually, a recession. Stocks, meanwhile, were obliterated, with the Dow Jones Industrial Average seeing 45% of its value wiped out over the course of two years.

Today's Fed looks poised to make that very same mistake — so much so that the current investing environment resembles 1972. That was right before the stock market saw one of its worst crashes in history.

The most likely outcome? Inflation will roar back up and stocks drop 30% from their current levels over the next few years, Smead warned. "It's the worst-case scenario. I would also argue, I think it's the most likely scenario."

FED RATE CUTS GALORE

That spells big trouble for the rest of Wall Street, where most strategists are expecting small upside for the S&P 500 in 2024. Investors have been waiting for the Fed to lower interest rates in the economy and are ambitiously pricing in rate cuts,

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FEBRUARY

The Month Of Love....
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six by the end of 2024, to be exact, according to the CME FedWatch tool as of January 31st, 2024.

That market-wide forecast could be tempered a bit after Fed Chair Jerome Powell was more hawkish than expected during remarks in early February, after the Federal Open Market Committee held rates unchanged. He expressed caution around the central bank's willingness to rush ahead with a rate cut at a time when inflation is "still too high" and the path forward is "uncertain." Stocks tanked as a result.

But if the Fed does forge ahead with cuts as early as March or April, there's a very real possibility it will do so at a time when inflation still hasn't been fully tamed, given that multiple price pressures still linger in the economy. The US debt, which is inherently inflationary, keeps climbing higher, with the total federal debt balance notching \$34 trillion this year. Meanwhile, the labor market is still suffering from a shortage of workers, which has helped push wages higher and risks stoking inflation.

Structurally, nothing has changed other than the supply chain has obviously gotten tighter and oil prices have come down," Smead said, referring to supply disruptions from the pandemic, which temporarily stoked inflation and oil prices. "The other structural problems have not changed." That suggests the Fed runs a serious risk of cutting interest rates too early. And if inflation ends up coming back to life, that could spark a disaster in markets, causing investors to get spooked and rush to take their cash out of overpriced stocks.



Most at risk are the "**Magnificent 7**" stocks, Smead said, which have dominated most of the market's gains last year.

Taking the 1970s parallel further, he points out that the "Nifty Fifty" — a group of large companies that dominated in the market during the first half of that decade — ended up crashing in 1973 and 1974, with stocks like Disney and Coca-Cola wiping out more than 50% peak-to-trough.

Smead sees a 50-50 chance that stocks will follow that same playbook, with the overall market losing around 30% of its value over the next two years as inflation spikes. In another scenario, he sees a 25% chance that stocks will do poorly without a spike in inflation.

That leaves just a 1-in-4 chance stocks will continue to do well in the next few years, Smead warned. In that scenario, inflation will remain low, though the US economy will be in a full-fledged recession.

Fears of a coming stock-market correction have grown in recent weeks as investors eye an uncertain economic backdrop and the looming risk of recession.

Investors are particularly concerned for the **Magnificent Seven**, as tech giants like Tesla look overvalued. In a previous research note, Smead Capital warned investors of the risk of a stock market failure, an event that could wipe out the most expensive stocks on the market as much as 70%.

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 MARKET LINKED CD RATES

FEBRUARY 2024

5.10%

1 Month

5.15%

3 Month

5.05%

6 Month

4.80%

12 Month

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CURRENT ANNUITY RATES

FEBRUARY 2024

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5.25%

2 Year Fixed Annuity

6.00%

3 Year Fixed Annuity

6.30%

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.



Already one month into the new year and all I feel like we have done is work, work, work. Every year, Thomas says that he is going to slow down and take it easy, but that lasts for about 4 days and then it's off to the races again. Since returning from our New York trip in late December, Thomas has worked every day except for 2 (*including Saturdays and Sundays*).

In the midst of all the financial work we have been doing for clients, I want to remind everyone to please check their bank accounts to make sure their auto drafts for their Medicare policies are going through. Carriers have become less communicative with us over these past couple of years and don't always notify us when there is a lapse due to nonpayment. **We are counting on you all to do your part and make sure they are charging you.** We have had quite a few clients over the past 30 days call us regarding a lapse of coverage notice due to nonpayment and it is very challenging to get these reinstated. So, please, double check again just make sure.

Also, for those of you who we set up as coupon book, send in the payment. These companies will give you about a 60 day grace period and then they will drop you so don't delay (*This is primarily for those of you on Silverscript Smart RX prescription drug plan*).

Once again, for our financial clients, remember that your next months' statements will have Realta Wealth on them instead of Coastal Equities. We just don't want you to throw away something that

may be important because you thought it was junk.

Because of all this work, we didn't really get to do much fun stuff in the month of January but Thomas did sneak in a concert that he, I, and



Jackson went to. Thomas **REALLY** loves country music, and his favorite artist is Cody Johnson, who had his first concert in Arizona in quite a long time.

Thomas was so excited and didn't want to miss anything, so he made us

get to the venue 1 hour early. I must say, it is quite entertaining to see Thomas singing at the top of his lungs and so in awe of someone.

Thomas likes Cody because of his beliefs, his message, his symbol of hard work and determination, and I would never tell him this but I secretly like that he drags Jackson and I to these events.

Coralyn Shultz

RITA'S REVIEWS

Every month, my husband, mother and I enjoy trying out places to eat. This month we decided to try another breakfast place here in Scottsdale called "U.S. Egg Breakfast & Lunch"....



I was in the mood for bacon this past weekend, so we chose a local family owned and operated restaurant called **US Egg Breakfast & Lunch**. The first restaurant was started in 1986 by the Gebran family when they moved from Iowa to Arizona after the oldest son attended ASU.



U.S. Egg started as one restaurant in Tempe but now has 6 locations in the valley, with two in Phoenix and Scottsdale, and one in Chandler. They do not consider the restaurant a chain because they are involved in everyday operations and are still working in the restaurants themselves, including their 83-year-old father. Each location is open 7 days a week from 6:30 am to 2:30 pm serving a full menu of breakfast items including omelets, pancakes, waffles, French toast, benedicts, skillet, specialty dishes and their famous protein pancakes. Their lunch menu consists of burgers, sandwiches, salads, and soups. There is also a junior/senior menu for children and those who prefer smaller portions like my mom.



My husband went with the triple play combo of two pancakes, two eggs and your choice of protein where he chose the bacon and substituted the regular

French toast for the pancakes. I had the Avocado



& jack omelet with a side of bacon. Mom was in heaven as they had biscuits and gravy with real sausage gravy and none of that healthy stuff with turkey.

Mom and I both substituted fruit for the hash browns. I was anticipating a small bowl with blueberries, grapes, strawberries and a few pieces of cantaloupe but we received these huge plates of sliced fruit. Everything was wonderful with very large portions.



Mom and I were not able to finish ours of course so we took home the fruit and mom's biscuits and gravy. My husband ate the rest of my omelet at the restaurant. This is definitely a restaurant that

will become one of our regular go-to spots for a great breakfast.

Rita Henderson

Medicare Hack #53

WHAT TO DO IF YOUR HOSPITAL DROPS YOUR MEDICARE ADVANTAGE PLAN



Slightly more than half of Medicare-eligible people are enrolled in Medicare Advantage — but hospitals around the country have been dropping Medicare Advantage plans due to issues with prior authorizations and denials. Hospitals and health systems in at least 11 states announced in 2023 that they would be out-of-network for some or all Medicare Advantage plans in 2024, according to reporting from Becker’s Hospital Review, a medical industry trade magazine.

“It’s a real problem for people,” says Katy Votava, who holds a doctorate in health economics and nursing and is president and founder of Goodcare, a consulting firm focused on the economics of health care. “This has always been a problem, but it’s getting worse. It’s not only the reimbursement rates, but the approvals have become so onerous for providers to deal with.”

Why are hospitals dropping Medicare Advantage?

Among other things, Medicare Advantage plans require patients to get prior authorization for more services than Original Medicare. Prior authorizations require time on the part of a medical provider, and the requests aren’t always successful. It’s not like you get paid more to compensate for the fact that you spent all this doctor’s time jumping through hoops. Essentially, it is a huge money loser for medical practices.

Nilsa Cruz, an administrator and patient advocate at a rheumatology practice in Milwaukee, recalls spending two hours trying to reach an insurance representative to advocate for a patient. “Many of the critical administrative and clinical functions have been outsourced by these plans,” she says.

Medicare Advantage companies say prior authorization has benefits, but they’ve taken steps to ease the burden on providers and patients. UnitedHealthcare, for instance, announced last year that it would eliminate almost 20% of its prior authorizations. “Prior authorizations help ensure member safety and lower the total cost of care, but we understand they can be a pain point for providers and members,” said Dr. Anne Docimo, chief medical officer of UnitedHealthcare, in a press release.

Hospitals are also frustrated by administrative delays and denials for care. In October 2023, St. Charles Health System in Oregon announced it would be dropping three Medicare Advantage providers in 2024. “We care deeply about our patients and the care they receive, which is why we are unwilling to continue with the status quo with Medicare Advantage plans that result in restrictions to patient care, longer hospital stays and administrative burdens for providers,” said Dr. Mark Hallett, chief clinical officer for St. Charles, in a press release.

It doesn’t make clinical sense for providers to have to go back to insurance companies multiple times. The cost of doing that — which is, by the way, extremely wasteful — doesn’t gain anybody good care.

How big of an issue is it?

If your preferred hospital stops accepting your Medicare Advantage plan, you might have to make a change. Tens of thousands of Medicare Advantage beneficiaries in California, for instance, had to scramble to switch their

Cont. next page

insurance or their providers when health care system Scripps Health announced that two of its medical groups would no longer take Medicare Advantage in 2024.

“Scripps tried to negotiate with private insurers for reimbursements that would cover our costs but was unsuccessful,” said Scripps spokesperson Janice Collins in an email.

If your hospital system drops your plan and there isn’t another Medicare Advantage plan that works for you, you may be in a predicament. You can switch back to Original Medicare during certain enrollment periods, but you may not be able to get an affordable Medicare Supplement Insurance, or Medigap, plan.

Except in a few states, Medigap is “guaranteed issue” — meaning an insurance company must offer you a plan and not charge you more for pre-existing health conditions — only for six months that start when you’re at least 65 and signed up for Medicare Part B.

What can patients do?


Although Medicare’s fall open enrollment period has ended, Medicare Advantage open enrollment runs from Jan. 1 to March 31 each year. During that time, Medicare Advantage

enrollees can switch plans or return to Original Medicare. If you’re outside of an open enrollment window, you might be able to take advantage of a 5-star special enrollment period, which allows you to switch from your current Medicare Advantage plan to a 5-star plan in your area. You can do this once between Dec. 8 and Nov. 30 of the following year. “That hinges on whether you have access to a 5-star plan,” says Meredith Freed, senior policy manager for the Program on Medicare Policy for KFF, a health policy think tank.

Do your research before jumping to another plan, though. “If you’re considering switching because you’re concerned about having access to a specific provider or hospital, I would suggest calling the provider to make sure they’re in-network for any plan you’re considering,” Freed says.

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J	D	N	T	C	V	J	N	R	U	Y	P	S	V	Y	P	G	U	P	Z
V	U	C	Q	A	L	O	V	E	L	E	T	T	E	R	F	R	C	M	H
C	A	D	F	R	A	Q	F	E	B	R	U	A	R	Y	E	V	O	A	N
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C	U	P	I	D	L	S	S	G	I	F	T	S	Z	W	S	I	S	E	Q

- ADMIRER BE MINE
- BOW AND ARROW CANDY CARD CHERUB
- CHOCOLATES CONVERSATION HEARTS CUPID FEBRUARY
- GIFTS HEART HUGS KISSES XOXO
- LOVE LETTER ROMANCE ROSES SWEETHEART VALENTINE

February Quiz

Question 1:

The amount of money given in red envelopes during the Chinese New Year will never include what number?

- A. 6
- B. 4
- C. 13

Question 2:

What do you call people that are born on February 29th?

- A. Leaplings
- B. Weirdos
- C. Angelos

Question 3: What are your odds of being born on leap day?

- A. 1 in 11,403
- B. 1 in 18,252
- C. 1 in 1,461

Answers for January

Question 1: Which pop star broke the record for most Grammy wins of all time in 2023?

- C. **Beyonce**

Question 2: You can get a sunburn from playing in the snow on a cold January Day?

- A. **True**

Question 3: In Chinese Astrology, what element and animal are associated with 2024?

- B. **Wood + Dragon**



2 Social Security Tips Every Married Couple Should Consider

Social Security spousal benefits have some important rules to understand.

Many couples' wedding vows include the traditional phrase "for better, for worse, for richer, for poorer, in sickness and in health." Perhaps the words "in retirement" might be appropriate too.

Retirement is an important stage of life for married couples, and knowing how to navigate Social Security as a team can increase their financial security during those years. Here are three Social Security tips that every married couple needs to know.

1. Understand How Spousal Benefits Work

Arguably the most important thing for married couples to understand about Social Security is how spousal benefits work. Husbands and wives may be able to receive Social Security retirement benefits based on the earnings of their spouses.

The eligibility requirements for spousal benefits are relatively straightforward. First, the spouse whose work history you're claiming benefits based on must already be receiving Social Security retirement benefits. Second, you must be at least 62 or have a qualifying child in your care. For a child to qualify, they must be either under 16 or receive Social Security disability benefits.

A spousal benefit can be up to one-half the amount of your spouse's Social Security benefit at their full retirement age (FRA). If you begin collecting spousal benefits before your own FRA, though, the amount you receive each month will be reduced. For each of the first 36 months before you reach your FRA, the size of your spousal

benefit will be reduced by 25/36th of 1%. Before then, your benefits will be further reduced by 5/12th of 1% per month.

2. Coordinate When To Claim

You'll definitely want to coordinate when to claim Social Security benefits with your spouse to maximize how much you'll get from the program as a household. The key principle to keep in mind is that the longer you and your spouse wait, the more you'll receive each month -- up to a point, anyway.

For example, consider a case when the lower-earning spouse plans to take the spousal benefit. If the higher-earning spouse waits past their full retirement age to start claiming benefits, the size of their monthly Social Security check will increase for each month they delay, up to as much as 24% if they wait until they're 70. However, their delay won't increase the size of their spouse's spousal benefits because those max out at half of the higher-earning spouse's benefits at their FRA.

Ideally, the higher-earning spouse should wait at least until their FRA to start collecting retirement benefits. There's no financial incentive, however, for the lower-earning spouse to wait beyond their FRA to begin receiving spousal benefits. That said, it's possible that by delaying when they begin collecting benefits, the lower-earning spouse could increase the amount they'd be entitled to based on their own work record to a level that would exceed the spousal benefit they'd be entitled to.

Medicare Supplement Rates Lowest Medicare Supplement Rates For 85258 Maricopa County

Gender	Age	Plan	Carrier	Premium*
Female	65	G	Allstate	\$121.16
Male	65	G	Blue Cross Blue Shield	\$139.13
Female	65	GHD	New Era Life	\$40.37
Male	65	GHD	New Era Life	\$44.41
Female	65	N	Cigna	\$92.17
Male	65	N	Cigna	\$103.23
Female	70	G	LifeShield	\$130.46
Male	70	G	Allstate	\$149.02
Female	70	GHD	New Era Life	\$45.61
Male	70	GHD	New Era Life	\$50.17
Female	70	N	Medico	\$100.88
Male	70	N	Cigna	\$113.11

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 02/01/2024

Interest Rates Highest CDs and Share Rates Highest National Rates

Duration	Institution	Yield to Maturity*
1 year	CIBC Bank	5.51%
2 year	TAB Bank	5.00%
3 year	1st Internet Bk	4.75%
4 year	BMO Alto Bk	4.60%
5 year	Schools First CU	4.60%

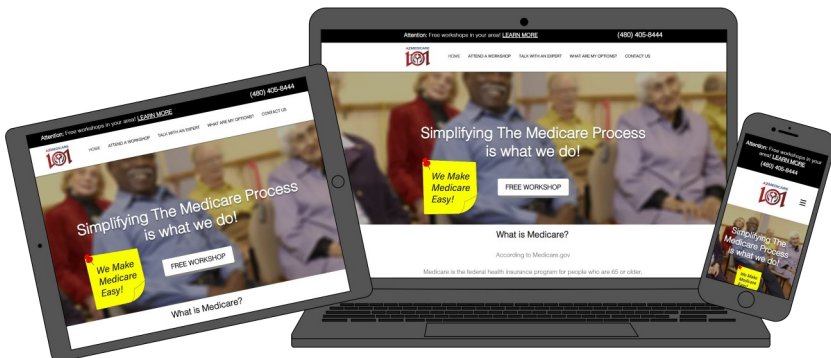
Rates are accurate at the time of production. We include banks and federal credit unions in our national search. All have FDIC or NCUA Insurance. *Source: BankRate.com 02/01/2024

Highest Fixed Annuity Rates Highest Arizona Rates

Duration	Institution	Yield to Maturity*
3 year	CL Life	6.00%
4 year	Upstream Life	5.70%
5 year	Wichita National	6.30%
7 year	Nassau Life	5.80%
10 year	Equitrust	6.00%

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 02/01/2024

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