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## Is 2024 The End For Decade High Annuity Payout Factors?

*By Thomas Shultz*

Now is a good time to rethink your retirement-income strategy.

Plunging long-term interest rates over the past three months have the stock and bond markets cheering at the end of 2023. But not everyone is a winner.

Payout rates on income annuities - insurance products that convert a pile of savings into a lifetime pension - have started coming down, as well.

If interest rates follow predictions and keep falling in 2024, you can expect annuity payout yields to plunge further, too.

***And that's bad news for those nearing retirement, especially if they need to squeeze the maximum amount of retirement income out of limited savings.***

Lifetime-income annuities, typically utilized with Fixed Indexed

Annuities using an income rider, are insurance products that convert a pile of savings into a guaranteed income for life - in other words, into something resembling a traditional pension.

With the death of the traditional pension, these products are more popular now than ever before. According to recent data, nearly 40% of retirees are acquiring these types of products for supplemental income throughout retirement.

Payout rates on annuities follow long-term interest rates. That's because the insurance companies that sell annuities invest the premiums in Treasury bonds and investment-grade corporate bonds.

I write about annuities all the time and back in November, when long-term interest rates had only just started sliding, a 65-year-old man could still buy a single-premium

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# JANUARY

*Happy New Year....*  
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immediate annuity with a 7.7% payout. In other words, if he paid \$1 million he could get a guaranteed income of \$77,000 a year for life. With rates for women lower because they tend to live longer, a 65-year-old woman could get a 7.3% payout, enough for \$73,000 a year.

**Where are rates today? In theory, they are - astonishingly - the same or even higher.**

Annuityratewatch.com, an industry software, lists annuities of 8% and 7.7% for a 65-year-old man and woman, respectively.

Given the wild moves in long-term interest rates in the bond markets over the past six weeks, it's surprising the rates haven't fallen further. Since mid-November, 10-year Treasury yields have plunged from 4.5% to 3.9%.



It's a similar story if you look at annuities with a cost-of-living adjustment. A 65-year-old man who buys a single-premium immediate annuity with a 3% annual bump in income could theoretically start with a 6% payout, or \$60,000 as the first year's income, on a \$1 million premium. Rates have started to come down since mid-November, although slower than you'd expect.

### Why haven't they fallen further yet?

It's partly because of the way insurance companies operate and how they create annuities, explains Rajiv Rebello, principal and chief actuary at Colva Actuarial Services in San Diego, Calif. Payout rates on new annuities may reflect the yields on bonds that the companies bought weeks ago. "They do buy Treasurys and corporate bonds to back the annuities," he says.

"But there is a delay between the drop in yields in the market and when the insurance company drops the payout rates."

So, the annuities that insurance companies are selling right now may reflect bonds they were buying before interest rates went into free fall in late December 2023.

**By that token, we can expect these payouts to plunge in the weeks and months ahead - unless interest rates start rising again. And don't rule that out: Wall Street is so completely convinced that rates will keep heading down that the bond market is vulnerable to the slightest upset.**

Whether or not we should buy annuities when we retire depends on many factors, most economists note.

It's worth taking advice from a fiduciary adviser before taking the plunge. Standard advice usually suggests purchasing an annuity with some of your savings.

A payout of 5% a year plus a 3% annual rise may not seem like much. But it's a lot better than it was when bond yields were on the floor. Perhaps more important, it's also well ahead of the so-called 4% rule - the common strategy of investing in a balanced portfolio of stocks and bonds, withdrawing 4% in your first year, raising the withdrawal each year in line with inflation and hoping for the best.

**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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## CURRENT MARKET LINKED CD RATES

### JANUARY 2024

**4.95%**

**1 Month**

**5.05%**

**3 Month**

**4.95%**

**6 Month**

**4.60%**

**12 Month**

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## CURRENT ANNUITY RATES

### JANUARY 2024

**5.00%**

1 Year Fixed Annuity

**5.65%**

2 Year Fixed Annuity

**6.00%**

3 Year Fixed Annuity

**6.50%**

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](http://AZMedicare101.org), [LyfeAdvisors](http://LyfeAdvisors) and our family.



2024 is finally here and I must say, I am so happy that the Annual Election Period for Medicare is finally over. Now it's time to get back to my regular job, helping Thomas with securities.

Important news for our financial clients, our broker dealer Coastal



Equities officially decided to change its name on January 1st to Realta Wealth. So when your January statements come in, don't be confused when they say Realta instead of Coastal. Apparently the trend in the financial services industry is to rename/rebrand your company using some obscure word and I guess it makes you cool? I'm just glad we don't have to redo paperwork on anything.

This year for Christmas, Thomas, Jackson and I decided to do something different and we actually travelled for the holiday.

This was the first year there was no Santa Claus at our house, so we opted for no tree and wrapped presents and went to New York City again for a week. We were in New York back in August, and Thomas and Jackson loved the trip so much we figured we might as well do it



again.

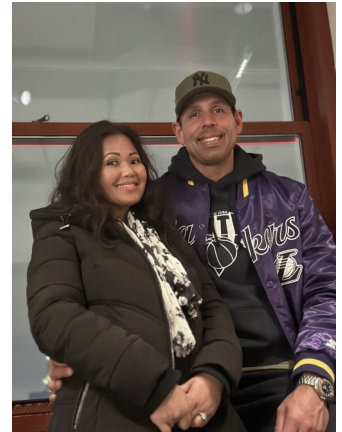
None of us had ever been to the Big Apple during



Christmas time, and I must admit, it was absolutely beautiful. The lights, the storefronts, the people, everything just seemed to have that holiday sparkle to it which is quite different than the west coast.

My favorite part of the trip was actually Christmas day.

Thomas has had a lifelong dream to go to an NBA game at Madison Square Garden on Christmas day and we were finally able to make that happen. It was in doubt for a moment, as Thomas procrastinated buying the tickets until literally 5 minutes before



the game started because prices were so high, but his waiting paid off and got us great seats for under face value. Definitely memories we will never forget.....



*Coralyn Shultz*

## RITA'S REVIEWS

*Every month, my husband and I enjoy trying out places to eat. This month we decided to try another Mexican place here in Scottsdale called "Los Olivos Mexican Patio"....*

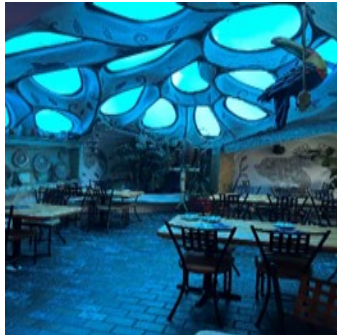


With Mexican food being our favorite cuisine, we found ourselves at another family run restaurant for over 70 years in Old Town Scottsdale, **Los Olivos Mexican Patio**. The Corral family left Mexico in 1919 to give their sons a different life instead of working in the mines. In 1949, Tomas Corral built the little adobe eating spot that has evolved into a charming structure with unusual architectural character.

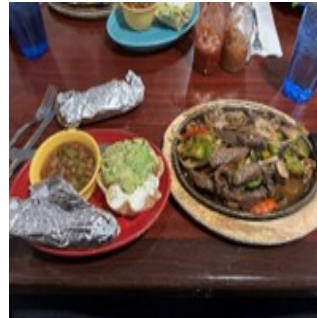


Saturday open from 11:00 am to 10:00 pm. This is their only location in the Phoenix area.

After seeing the pictures online, my husband and I chose to try the fajitas. As usual, he had the steak fajitas, and I had the shrimp. The tortillas were definitely homemade and quite thin. The entrée did not come with rice, only with beans, either refried or charro.

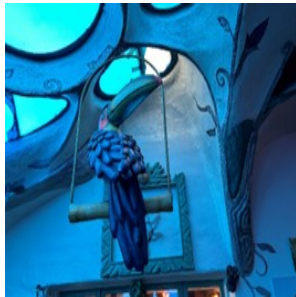


There are so many interesting areas in this restaurant to eat in as it has changed through the years. As you walk into the front, there is an area to the left that is indescribable. It is like a



We chose the charro beans and they were fantastic. We had large portions (*I couldn't finish mine*) and the fajitas were delicious. My mother chose the Spicy chicken Caesar salad and enjoyed that as well.

covered patio but is indoors. Every room is filled with interesting chandeliers, art pieces, and paintings.



They have an extensive menu with appetizers; soups and salads; specialties; beef, chicken and seafood entrees; combination platters; tacos; chalupas; tostadas; burritos; tamales; enchiladas; chimichangas; and desserts. They also have lunch specials and a happy hour menu Monday-Friday from 4:00 to 8:00 at the bar only. The restaurant is open Sunday through Thursday 11:00 am to 9:00 pm with Friday and

The prices were a bit higher for their fajitas but not that much. Definitely a spot to try again and back to my standard meal of a taco salad with shrimp.



*Rita Henderson*

## Medicare Hack #52

# New Weight Loss Drugs Are Out Of Reach For Millions Of Older Americans Because Medicare Won't Pay...



New obesity drugs are showing promising results in helping some people shed pounds but the injections will remain out of reach for millions of older Americans because Medicare is forbidden to cover such medications.

Drugmakers and a wide-ranging and growing bipartisan coalition of lawmakers are gearing up to push for that to change in 2025.

As obesity rates rise among older adults, some lawmakers say the United States cannot afford to keep a decades-old law that prohibits Medicare from paying for new weight loss drugs, including Wegovy and Zepbound. **But research shows the initial price tag of covering those drugs is so steep it could drain Medicare's already shaky bank account.**

### WHAT OBESITY DRUGS ARE ON THE MARKET AND HOW DO THEY WORK?

The Food and Drug Administration has recently approved a new class of weekly injectables, Novo Nordisk's Wegovy and Eli Lilly's Zepbound, to treat obesity.

People can lose as much as 15% to 25% of their body weight on these drugs, which imitate the hormones that regulate appetites by communicating fullness between the gut and brain when people eat.

The cost of the drugs, beloved by celebrities, has largely limited them to the wealthy. A monthly supply of Wegovy rings up at \$1,300 and Zepbound will put you out \$1,000. Shortages for the drugs have also limited the supplies. Private insurers often do not cover the medications or

place strict restrictions on who can access them.

### WHY DOESN'T MEDICARE COVER THE DRUGS?

Long before Oprah Winfrey and TikTok influencers alike gushed about the benefits of these weight loss drugs, Congress made a rule: Medicare Part D, the health insurance plan for older Americans to get prescriptions, could not cover medications used to help gain or lose weight. Medicare will cover obesity screening and behavioral treatment if a person has a body mass index over 30. People with BMIs over 30 are considered obese.

The rule was tacked onto legislation passed by Congress in 2003 that overhauled Medicare's prescription drug benefits.

Lawmakers balked at paying high costs for drugs to treat a condition that was historically regarded as cosmetic. Safety problems in the 1990s with the anti-obesity treatment known as fen-phen, which had to be withdrawn from the market, were also fresh in their minds.

Medicaid, the state and federal partnership program for low-income people, does cover the drugs in some areas, but access is fragmented.

### THE CONVERSATION IS SHIFTING

New studies are showing the drugs do more than help patients slim down. Last year, about 40% of the nearly 66 million people enrolled in Medicare had obesity. That roughly mirrors the larger U.S. population, where 42% of adults struggle with obesity, according to the

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Centers for Disease Control and Prevention.

Notably, Medicare does cover certain surgical procedures to treat medical complications of obesity in people with a BMI of 35 and at least one related condition. Congress approved the exception in 2006, noted Mark McClellan, a former head of the Centers for Medicare and Medicaid Services and the FDA.

The 17-year-old law may provide a blueprint for expanding coverage of the new drugs, which mirror the results of bariatric surgery in some cases, McClellan said.

Evidence showed that the surgery reduced the risks of death and serious illness from conditions related to obesity.

### COST IS NOW THE ISSUE

Still, the upfront price tag for lifting the rule remains a challenge.

**Some research shows offering weight loss drugs would assure Medicare's impending bankruptcy.**

A Vanderbilt University analysis this year put an annual price of about \$26 billion on anti-obesity drugs for Medicare if just 10% of the system's enrollees were prescribed the medication.

Lakdawalla said it's nearly

impossible to put a cost on covering the drugs because no one knows how many people will end up taking them or what the drugs will be priced at.

The Congressional Budget Office, which is tasked with pricing out legislative proposals, acknowledged this difficulty in October 2023, with the director calling for more research on the topic.

Overall, the agency "expects that the drug's net cost to the Medicare program would be significant over the next 10 years."

Advocates for groups such as the Obesity Society have been pushing for Medicare coverage of the medications, citing the growing evidence that the obesity drugs can prevent strokes, heart attacks, even death.

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AWAKE	CLOCK	FRIENDS	REFLECT
BALLOONS	CONFETTI	HORN	RESOLUTION
CALENDAR	COUNTDOWN	MIDNIGHT	SPARKLER
CELEBRATE	DANCE	NOISEMAKER	STREAMERS
CHEERS	FIREWORKS	PARTY	TOAST

## January Quiz

### Question 1:

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

- A. Taylor Swift
- B. Dolly Parton
- C. Beyonce

### Question 2:

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

- A. True
- B. False

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

- A. Water + Pig
- B. Wood + Dragon
- C. Sand + Snake

## Answers for December

**Question 1:** What year was the movie "Elf" released?

**A. 2003**

**Question 2:** What's the name of the town "It's A Wonderful Life" takes place in?

**B. Bedford Falls**

**Question 3:** Where do the Griswolds live in "National Lampoon's Christmas Vacation"?

**C. Chicago**





## Why It Might Make Sense To Take Social Security Long Before Age 70

Waiting to claim Social Security retirement benefits isn't for everyone. Many Americans who are approaching retirement age understand the financial advantages of waiting to claim Social Security. The only way to achieve the maximum retirement benefit is to hold off until age 70.

But delaying isn't for everyone. Here's the best reason to take Social Security long before age 70.

Let me first acknowledge that there are several valid reasons to claim Social Security retirement benefits before reaching age 70. If you have health problems, for example, collecting Social Security could be a wise move. Before filing for retirement benefits, though, you'll want to see if you're eligible for disability benefits.

Claiming Social Security retirement benefits well before age 70 especially makes sense if you don't expect to live until the break-even age for waiting. This is the age at which your lifetime benefits from collecting Social Security before 70 will equal the lifetime benefits of waiting until 70 to take them. Major financial challenges are another good reason to begin receiving Social Security retirement benefits years before you reach 70. For example, if you lose your job in your early sixties and can't find another one, Social Security benefits can help you make ends meet.

The best reason of all I'd argue, though, is that you're ready to retire from your current job. Many Americans simply don't want to continue working longer than they have to.

When I use the phrase "*ready to retire*," I mean both mentally ready and financially ready. Some people might be ready in one of those senses but

not the other. It's important to closely evaluate your projected income and expenses to make sure you're financially prepared to retire.

Many Americans could find that waiting until at least age 65 to begin collecting Social Security retirement benefits is ideal. That's the eligibility age for Medicare. With healthcare ranking among the highest expenses for seniors, being able to receive Medicare in place of employer-sponsored health insurance can be a big deal.

Others could determine that holding off until their full retirement age (FRA) is better for ensuring they're financially ready. Waiting to collect Social Security retirement benefits until your FRA will allow you to avoid any financial penalties associated with receiving benefits earlier.

Note, though, that I used the phrase "*you're ready to retire from your **CURRENT** job.*" For many individuals, continuing to work part-time or full-time in another job is attractive.

Keep in mind that part of your retirement benefits could be withheld if you make more than a specified annual earnings limit. In 2024, \$1 of benefits will be withheld for every \$2 you make above \$22,320 if you're younger than your FRA throughout the year. If you reach your FRA in 2024, \$1 for every \$3 you earn above \$59,520 will be withheld. The good news is that all of those withheld benefits will be repaid once you reach your FRA.

But money isn't everything. If you're ready to retire from your job (*even if you're not ready to fully retire*), claiming Social Security well before age 70 could be the best overall option for you.

## Medicare Supplement Rates Lowest Medicare Supplement Rates For 85258 Maricopa County

Gender	Age	Plan	Carrier	Premium*
Female	65	G	Medico	\$121.00
Male	65	G	Allstate	\$136.86
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	66	G	Medico	\$121.00
Male	66	G	Allstate	\$136.86
Female	66	GHD	New Era Life	\$41.40
Male	66	GHD	New Era Life	\$45.54
Female	66	N	Allstate	\$87.73
Male	66	N	Allstate	\$99.26

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 01/01/2024

## Interest Rates Highest CDs and Share Rates Highest National Rates

Duration	Institution	Yield to Maturity*
1 year	CIBC Bank	5.66%
2 year	TAB Bank	5.00%
3 year	Popular Bank	4.75%
4 year	BMO Alto Bk	4.60%
5 year	Schools First CU	4.60%

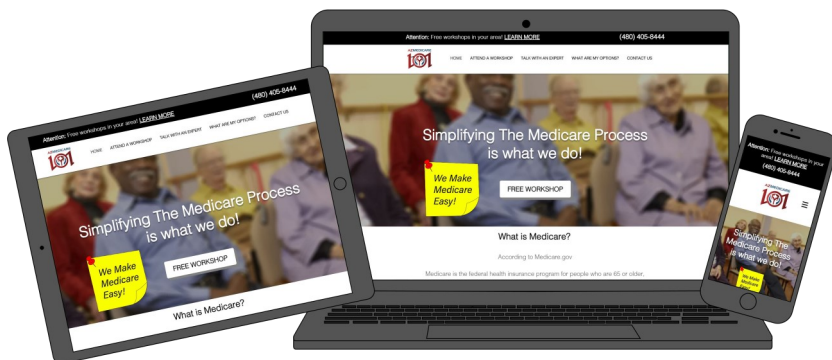
Rates are accurate at the time of production. We include banks and federal credit unions in our national search. All have FDIC or NCUA Insurance. \*Source: BankRate.com 01/01/2024

## Highest Fixed Annuity Rates Highest Arizona Rates

Duration	Institution	Yield to Maturity*
3 year	CL Life	6.00%
4 year	Americo Life	5.85%
5 year	Wichita National	6.50%
7 year	Americo Life	5.95%
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 01/01/2024

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**Online Workshop**  
Tuesday, January 30th  
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