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## ANNUITIES SHINE BRIGHT IN 2023 When Ordinary Investment Options Seem Dim

*By Thomas Shultz*

Several factors, including gross domestic product, unemployment and inflation, affect the strength of the U.S. economy. Although the economy is strong, the market has been experiencing the highest inflationary rates in 40 years.

Combating high inflation requires increasing interest rates and encouraging people and businesses to borrow and spend less. On December 14, 2022, the Federal Reserve approved its fourth consecutive rate hike, bringing current lending rates to a new range of 4.25%-4.5% — the highest they’ve been since the 2008 global financial crisis.

**Analysts predict interest rates will continue to 5.5% before the end of 2023.**

In theory, higher rates mean less spending, which translates to lower demand and should slow down price increases. But this could also lead to less economic

activity. Rising rates and high inflation hit lower-income Americans the hardest as they face challenges purchasing necessities such as groceries and gas.

For retirees, it is a double-edged sword. While inflation diminishes a retiree’s purchasing power and increases lifestyle expenses, high rates on savings vehicles such as certificates of deposit or money market accounts mean they could potentially earn a little more.

Over time, however, inflation rates negatively impact how much retirement dollars can stretch. To combat this, individuals should consider products that help offset the cost of inflation. Annuities, for example, pay more as interest rates increase — casting a light when things seem grim. Rising rates may sound like music to the ears of investors debating whether to add an

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# January

*New Year, New You....*  
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annuity to their retirement portfolios.

## Interest Rates and You The Annuity Owner

In addition to being a safe accumulation vehicle, an annuity is also an income-generating product. Although there are different types of annuities, the good news is that interest rates determine their payouts. So, the higher the interest rate, the higher the annuity income payment.

**Data shows that average immediate annuity payouts have increased by more than 11% for men and 13% for women since 2022. The trend appears even more pronounced with longevity annuities, a deferred annuity that starts paying income later in life. Payouts have jumped 42% for men and women since the start of 2022.**

A fixed indexed annuity protects principal from market loss and will never decline in value so long as the annuity owner continues to hold it through the length of their contract. However, annuities also generate income from interest. The annuity's interest rate is based partly on changes in a market index, which measures how part of the market performs.

So, as far as the economy goes, the higher the interest rate, the higher the annuity income payment. At the same time, the interest earning potential will never fall below zero, even if the index declines in value. This protects the product from inflation and helps generate higher income payouts at retirement.

## How Fixed Indexed Annuities Work

Generally, FIAs calculate index-linked interest in the following manner:

- 1) A participation rate, which is the percentage of an index that is used to calculate interest crediting.
- 2) And/or a cap, which is the maximum interest that will be credited.
- 3) If the index loses money in any given year,

the FIA does not lose money but rather will credit 0% (the interest rate floor).

Together, the interest rate floor, participation rate and cap determine the amount of interest someone earns. The interest earnings rate will always remain between the floor and the cap, and it will not rise above the cap, even if the index goes higher. Conversely, it will never fall below zero, even if the index declines in value. The value of the money will never decline due to market loss for as long as it is in the Fixed Indexed Annuity, although it can increase with a rising index.

If your client withdraws their money from an FIA before an index term ends, the annuity may not add all the index-linked interest for that term to their account. Additionally, like many long-term financial products, such as certificates of deposit or mutual funds, FIAs have a surrender fee for early withdrawal, depending on the contract.

Market volatility and rising rates have created a perfect storm for investors looking for ways to protect their nest eggs and generate a guaranteed income stream in retirement. **Currently, lifetime fixed-income annuity payouts are up 29%-30% from a year ago.**

## Retirement Sentiments Among Americans

Americans have never been confident about their retirement futures. Research conducted by the Indexed Annuity Leadership Council found that 42% of Americans say the pandemic has made them more risk-averse regarding their finances, and 76% of Americans say protecting their retirement nest egg from loss is important to them.

Yet, as we face a potential recession, new research reveals that among those who have an annuity, 74% believe their savings and sources of income will last their

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lifetime, compared with only 43% for those without an annuity.

Americans do not want to outlive their income streams, and that suggests they are ready to move to annuities and other retirement products that can provide lifetime income.

## Things To Consider When Purchasing a Fixed Indexed Annuity

When discussing the purchase of an FIA or any other type of annuity as part of your retirement plan, start with two things:

1. Know your financial goals and risk tolerance, how long you have before you retire, and what you will need your annuity payouts to fund. Understanding how and when to use the money will help you decide what product is best for you.
2. Know the roll-up rate (**percentage at which the guaranteed side of the annuity keeps growing**) and the payout rate (**percentage of the annuity you will receive**) of an annuity. An insurance company's portfolio of investments and profits may determine rates' variations and can significantly vary between providers. Be sure to shop around to get the best quotes from different insurance companies.

In addition to a steady, guaranteed and lifetime income stream with secured principal, FIAs offer predictable earnings and tax-deferred growth. Increasing interest rates present an opportunity to consider annuities as part of a diversified retirement portfolio. Other tactics to consider as you prepare for inflation in retirement include rebalancing portfolios, pursuing alternative assets, liquidating assets to increase cash holdings, adding dividend-paying stocks to retirement portfolios and moving portfolios away from equities.

**Retirement readiness shouldn't be left**

**to chance. And with the right amount of research and guidance, even uncertain times such as these can pave the way for thoughtful retirement 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*

## CURRENT ANNUITY RATES

### January 2023

# 5.35%

## 3 Year Fixed Annuity

# 5.55%

## 5 Year Fixed Annuity

TO FIND OUT MORE

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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.



December came and went extremely fast but was a really enjoyable month for us as a family. Open enrollment is exhausting, and really during those 6 weeks there is no time to do anything other than work, but we got through it again and I am excited not to have to tackle that again for another 10 months.

After AEP, we continued to work hard here in the office making sure that all our clients who are over the age of 72 took their required minimum distributions for the year and Thomas decided to do a lot of tax harvesting on stocks at the end of the year.

In between all that, we still did manage to have a little fun. We got together with a few of my friends and their families and enjoyed the festivities at the Princess Resort here in Scottsdale. The night we decided to go, Thomas flew in from Orlando and we went directly from the office to the resort, and let's just say he wasn't dressed for the occasion. Luckily though, myself and Jackson were, and there was an indoor bar that the dads could go and hide in to stay out of the cold to let the rest of us enjoy the night. Jackson has really started to like ice skating and he was super excited to go.



The following weekend, Jackson got to march in the Fiesta Bowl parade, which was super cool. Thomas and I followed him the whole time, and even though Jackson was probably embarrassed at the time, he is happy we did so he can watch the videos over and over.



Heading into Christmas weekend, we had our first party ever at our house (after living there over 2 years) and it was pajama themed. We had 15 adults and 9 kids all under the age of 13 running around our house and somehow nothing managed to get broken

and no one had to be taken to the hospital :) I love having parties and spending time with my friends. Thomas on the other hand is more of a loner and doesn't like to have big get togethers like that but even he enjoyed it this time (the cleanup not so much).



Hoping you all had a wonderful holiday as well and got to spend it with the people that mean the most to you!

*Coralyn Shultz*

## RYTA'S REVIEWS

*Every month, my husband and I enjoy trying out places to eat. This month we decided to try out the brand new Italian restaurant 2 years in the making and right below us, Fratelli La Bufala...*



The newest restaurant in Scottsdale which we have been dealing with nearly two years of construction below our office finally opened in December and my husband and I decided to give it a try. This is the second location in the US for the Fratelli



Brothers from southern Italy. Their father had a very successful mozzarella cheese business made with buffalo milk before his untimely death. The three brothers sold the



business, took their share and went off to follow their dreams. The oldest brother, Giuseppe, ended up in New York working as a pizza chef until he was able to open his own pizzeria. The second brother, Antonio, went to



Madrid and started a flamenco dancing school. And the youngest brother, Gennaro, went to Paris to become a painter. I believe he is responsible for the paintings of the three brothers as children and the other artwork inside the



restaurant. After several years, in 2003 the brothers came together to buy back their father's business and begin their own family pizzeria business, Fratelli la Bufala brand (the buffalo brothers). They expanded their franchise throughout Europe, the Middle East and in Mexico City. Their first US location was opened in 2005 in Miami FL and now in 2022 their second location in the US opened here in Scottsdale AZ.

My husband and I have a New Year's resolution to eat better so we decided to share a salad and a pizza. We chose the Mista salad with shrimp. The salad was amazing but on the small size. They only



serve a 12-inch pizza, and I was surprised that it was a thinner crust than I had anticipated. Maybe some of the other pizzas have a thicker crust, I didn't ask. We chose the Capricciosa pizza with artichoke hearts, mushrooms, and

prosciutto. The pizza was very good. I am not a fan of a lot of tomato sauce and this pizza was perfect. Just the right amount and very mild, not too tomatoey. It is a bit pricey for pizza and a salad, but I would like to go back when I reach one of my weight goals. Their desserts looked wonderful and who doesn't love a cannoli?

*Rita Henderson*

## Medicare Hack #40

### The Annual Enrollment Period Is Over For Medicare...So What's Next?



Medicare has ended its annual enrollment period, the time when those on Medicare do their dance comparing their current drug plan or Advantage plan to other plan offerings.

Beneficiaries on Medicare Advantage plans essentially get a "do-over" from Jan. 1st to March 31st to pick a different plan, while those on a Medicare Supplement/Part D Rx plan do not.

There have been several changes for 2023 that could directly impact Medicare beneficiaries. The first change is a requirement for drug companies to pay a rebate should the prices of their drugs rise faster than inflation. Lawmakers considered this a problem having seen drug prices steadily rise faster than inflation. The rule will use 2021 as the base year for determining price changes relative to inflation.



The next provision for 2023 is the new rules regarding insulin. The cost of insulin will be capped at \$35 for a month's supply through 2025.

After 2025 it will be \$35 or the lesser of 25% of the negotiated price.

According to the Kaiser Family Foundation, under the new Inflation Reduction Act requirement, all Part D plans do not have to cover all insulin products at the \$35 monthly co-payment amount. Part D plans will only cover insulin products that are listed on their plan's formulary.

So, what could this mean for a person on an Advantage plan? It would mean that if the brand of insulin being used is not covered by that plan, the plan beneficiary could change to a different plan that covers it. For those on just a Part D plan and without any special circumstances, the plan beneficiary would be locked-in to that plan for the remainder of the year.



Also, for 2023 Medicare is improving vaccine coverage for adult vaccines. All Medicare Part D plans will be required to cover all ACIP (Advisory Committee on Immunization Practices) recommended adult vaccines with no cost sharing, regardless of the phase of the benefit. Advantage and Part D enrolled beneficiaries will now have access to ACIP-recommended Part D vaccines without cost sharing.

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Further down the road in 2024, Medicare will eliminate the 5% coinsurance in the catastrophic coverage phase and will be expanding subsidies for beneficiaries making less than 150% of the federal poverty level.



## Need Help With Medicare Costs?



The biggest news doesn't happen until the beginning of 2025 when Medicare will add a \$2,000 out of pocket cap on Part D expenses.

As Medicare and its many facets continue to evolve, it is becoming critical for Medicare beneficiaries to evaluate their health plans from year to year and to seek the assistance of a trusted health coverage professional.

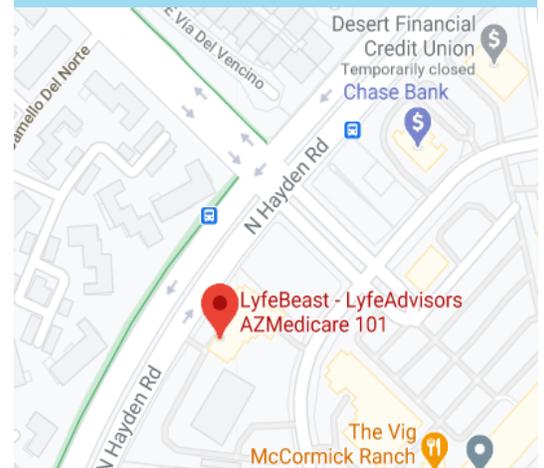
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Cold	Winter	Flu	Quilt
Parka	First	Garnet	Thermometer
Fireplace	Blizzard	Carnation	Evergreen
Holidays	Icy	Resolution	Ski
Snowboard	Mittens	Skate	Hibernate

## January Quiz

**Question 1:**

What was January named after?

- A. Roman God Janus
- B. Greek God Horatio
- C. Egyptian Queen Isla

**Question 2:**

Which country is first to enter the new year?

- A. Russia
- B. Kiribati
- C. Japan

**Question 3:** Dolly Parton was born on the 19th of January of which year?

- A. 1949
- B. 1951
- C. 1946

## Answers for December

**Question 1:** Which country gave the world the tradition of the poinsettia as a Christmas flower?

**C. Mexico**

**Question 2:** In the Christmas song "Jingle Bells", how many horses pulled the sleigh?

**B. 1**

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

**A. 1947**



## THE FUTURE OF SOCIAL SECURITY THE TOP ISSUE TO TACKLE IN 2023

Around 70% of workers are concerned that Social Security will not be there for them when they're ready to retire, according to a 2022 survey by the Transamerica Center for Retirement Studies. Millions of seniors rely on their benefits in retirement, and many people are worried that the program is on the verge of bankruptcy.

There's bad news and good news about the future of Social Security. The bad news is that benefit cuts could be on the horizon. But the good news is that the problem isn't as dire as many people believe. Here's everything you need to know about what is on the table for discussion so far.

### Is Social Security Running Out of Money?

It's true that Social Security is facing a cash shortage, and if the problem is left unchecked, it could result in major benefit cuts.

The root of the problem is that the program's expenses outweigh its income. This is due, in part, to baby boomers retiring in droves and older adults having longer life spans. As a result, the Social Security Administration (SSA) has been paying out more in benefits than it's receiving from taxes.

To cover this deficit, the SSA has been dipping into its trust funds. This has allowed it to continue paying out benefits in full, despite the cash shortfall.

However, those trust funds are expected to be depleted by 2035, according to the latest estimates from the SSA Board of Trustees. Once that happens, the money coming in from taxes and other income sources will only be enough to cover around 80% of projected benefits.

In other words, if nothing happens over the next decade, benefits could be cut by around 20% by 2035. But benefits aren't going away completely, and there are several proposals to potentially solve the problem and avoid cuts.

### Big Changes Could Be Coming to Social Security

Fortunately, lawmakers have several potential solutions on the table. So far, though, they haven't been able to agree on anything. A few of the most popular ideas include: **Raising taxes on the wealthy (up to \$400,000), increasing the full retirement age to 68 and above, and decreasing benefits for highest lifetime annual earners (top 20% nationwide)**

Again, nothing is set in stone yet, as lawmakers haven't agreed to any of these solutions. Also, none of these solutions on their own would solve **ALL** of Social Security's cash-flow problems, so Congress may need to implement multiple ideas to avoid future benefit cuts. While Social Security may be facing financial setbacks, it's not going bankrupt. As long as workers continue paying taxes, there will always be some money to pay out in benefits. But if Congress is unable to find a solution before 2035, benefit cuts to every American could be on the table.

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

Gender	Age	Plan	Carrier	Premium*
Female	65	G	Medico	\$117.48
Male	65	G	BCBS	\$127.10
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 01/01/2023

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

Duration	Institution	Yield to Maturity*
1 year	CFG Comm	4.75%
2 year	Quorum FCU	4.60%
3 year	Sallie Mae	4.50%
4 year	First Internet Bk	4.44%
5 year	CFG Comm	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 01/01/2023

## Highest Fixed Annuity Rates Highest Arizona Rates

Duration	Institution	Yield to Maturity*
3 year	Upstream Life	5.35%
4 year	Nassau Life	5.15%
5 year	Farmers	5.55%
7 year	Nassau Life	5.50%
10 year	Farmers	5.40%

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 01/01/2023

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**Online Workshop**  
Monday, January 23rd  
11:30am to 12:30pm



**Online Workshop**  
Tuesday, January 24th  
5:30pm to 6:30pm

**Online Workshop**  
Wednesday, January 25th  
1:30pm to 2:30pm

**Online Workshop**  
Thursday, January 26th  
1:30pm to 2:30pm

**Online Workshop**  
Thursday, January 26th  
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in Blue**

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