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Are Annuities Actually As Valuable As They Seem?

By Thomas Shultz

A new study titled “How Much Do People Value Annuities and Their Added Features?” from the Center for Retirement Research at Boston College finds that while just 12% of investors with assets of more than \$100,000 open an annuity, more than 50% of investors who could benefit from a simple annuity don't buy one because the process is too complicated or they don't know how.

The report notes that a longstanding puzzle in economics is why so few people take advantage of annuities to provide a guaranteed stream of income during retirement. The answer, according to the report's authors, economists Karolos Arapakis and Gal Wettstein, is "the difficulty of actually buying an annuity in the real world."

How Do Annuities Work?

An annuity is an insurance contract that provides a stream of fixed payments in exchange for a paid premium. They are often touted as a way to stabilize retirement income by turning some portion of invested assets into what some planners call "a retirement paycheck."

Annuities come in several different types, with some being straightforward while others include multiple investment options, varying guarantees and optional added riders. These can vary from riders that provide a death benefit to the ability to withdraw unused principal or even long-term care insurance.

To some, the more complex annuities can be difficult to understand and expensive, potentially pushing them away from buying one.

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DECEMBER

Happy Holidays....
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Simpler annuities can be used to even out income in retirement and provide retirees with some protection against the swoops and swoons of the stock market. With a simple single-premium annuity, for example, an investor pays a lump sum upfront for a guaranteed series of payments during retirement, no matter what's going on with interest rates, stocks, bonds or the overall economy. Even the more complicated variable and indexed annuities, and their available rider options, can potentially meet the needs of specific investors.



But even the most basic annuity comes with drawbacks. Perhaps the most important is that while the purchaser is protected from any drop in their payments, they also sacrifice potential gains from other investment opportunities. There's also the fact that the fixed payments don't adjust for inflation, which leaves the investor with a steady erosion of the purchasing power of their payments over time.

So, Are Annuities Actually Valuable to Retirees?

Over the years, insurers have added options that have overcome many consumer objections without significantly increasing the rate of purchases, the Center for Retirement Research's study found. While 50% of investors say they want an annuity, only 12% actually purchase one. In addition, the research model used

suggests that 95% of investors would add an annuity if their objections were overcome.

These objections aren't about annuities themselves, the researchers concluded, but because of "channel factors" that discourage investors from buying annuities. These include not understanding annuities and how to choose one, selecting from the raft of options and the necessity to find an annuity provider or broker and signing a contract.

The study concludes that, "Future work can further disentangle the various small hurdles to annuitization which combine to prevent almost half the population studied here, who want annuities, from actually benefiting from them."

Bottom Line

Many investors would buy an annuity for retirement – and many more could potentially benefit – if these insurance products were less confusing and easier to buy. This statement seems to be confirmed by the Center for Retirement Research at Boston College's recent study.

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

DECEMBER 2023

5.20%

1 Month

5.30%

3 Month

5.30%

8 Month

5.30%

12 Month

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CURRENT ANNUITY RATES

DECEMBER 2023

5.00%

1 Year Fixed Annuity

5.65%

2 Year Fixed Annuity

6.00%

3 Year Fixed Annuity

5.85%

4 Year Fixed Annuity

6.00%

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.



As of my writing this, we are **ALMOST** finished with the Annual Election Period and December 7th can't come fast enough! My fingers are literally bleeding from all the typing I have been doing over these past few weeks as I have been responsible for preparing 90% of all the applications for our clients this year....

As we wrap this period up, I want to make sure that all of you that signed up for the Silverscript Smart Saver PDP remember to pay your bills. Because the premium was so small in 2024 (**\$118.80 annual premium in AZ**) and due to the amount of mistakes Silverscript has made in the past, we set these up for the majority of you as list bill. So, when that bill comes in the mail, please stroke a check for the annual premium and be done with it for 2024. We don't want to see any of you lose your drug coverage due to non-payment, so just a friendly reminder.

Also, if we signed you up for the Wellcare Value Script in a state other than Arizona, there is a premium for that plan. Same thing, we set you up as list bill so please remember to pay it!

Somehow in the middle of all this we were able to take 2 days for Thanksgiving and went to Las Vegas to visit my mom and extended family. My aunt has not been in the greatest of health recently and all of children and grandchildren made the trek to Las Vegas to celebrate together as a family. This was actually the first time Jackson met some of his cousin's, so very special memories for us.

The highlight of the trip was the Lobster buffet we had the night before Thanksgiving. Las Vegas doesn't do buffets the way they used to before the pandemic. There are only a couple of Lobster buffets left, with the most popular one being Wednesday's only at the Palms. \$65 per person gives you 2 hours to see how sick you can make yourself on full lobsters. My mom waited in line for over 5 hours to get us a table, and it was sure worth it!

\$65 per person is a lot of money to Thomas, so he made sure to get our entire tables money worth by eating an impressive **17 lobster tails** in under 2 hours!



He did the math and figured his food alone was valued at over \$650 so he felt like he did good work!

Later that night, he was in full regret mode, as he spent the majority of his time in the bathroom :(

Coralyn Shultz

RITA'S REVIEWS

Every month, my husband and I enjoy trying out places to eat. This month we went somewhere we've been before but never on a holiday and tried out Thanksgiving at "Kona Grill" at Fashion Square Mall....



My husband and I found ourselves in a unique situation for the Thanksgiving holiday this year.



We were alone for the holidays as all of our immediate family had left for other family destinations. Since I was in the throes of the Annual Enrollment Period, any notion of me preparing a Thanksgiving meal was off the table.

I left this issue in the capable hands of my husband who called nearly every restaurant in the immediate Scottsdale area to see if we could get a reservation for Thanksgiving Day.

Luckily, we found ourselves at Kona Grill at the Fashion Square mall in Scottsdale. This is one of three locations in Arizona with the others being in Gilbert and in Desert Ridge Marketplace. There are multiple locations throughout the United States.

Kona Grill first opened its doors on September 18, 1998, at the Scottsdale Fashion Square. The restaurant's predecessor was a sushi concept called Sushi on Shea that opened in Scottsdale in 1994. Restaurant founder, Michael McDermott, decided to create Kona Grill with more American-themed menu items.

We could have eaten at Cracker Barrell, but the thought of fried turkey did not sound appealing. We aren't huge turkey fans, so we did not partake

in their turkey options.

The Kona Grill offered two turkey options for Thanksgiving with one being the traditional fare and the other having an oriental flare.



We chose to do neither. My husband had the Kona stir-fry with chicken and shrimp. I had macadamia nut crusted chicken which is one of their specialties. Both dishes were wonderful, and we enjoyed our Thanksgiving dinner.



Surprisingly, they were actually almost fully booked for Thanksgiving night, which made me feel a little better about not wanting to

cook all day.

We will definitely go there again and possibly for Christmas as we will be in a similar situation again. I am always up for a non-cooking holiday meal!

Rita Henderson

Medicare Hack #51

Medicare Advantage Plans Disadvantage Many Elderly and Disabled People

A Must Read



When retired veterinarian Richard Timmins went on a Medicare Advantage plan in 2016, he admits that he knew very little about Traditional Medicare (also called **Original Medicare**) or the more than 3,800 Medicare Advantage plans that are marketed to seniors and the disabled.

“I went to a so-called Medicare Information Session and took the recommendation of the speaker and ran with it,” said Timmins. “I did not know that he was paid a commission for every person he signed up for a plan. The issue for me was cost.”

Like other Medicare beneficiaries, Timmins knew that the standard premium for Medicare coverage — \$174.70 per month in 2024 — would be taken out of his monthly Social Security checks. He also understood that there would be a \$240 annual deductible for Part B, which covers doctor’s visits, but after that deductible was met, Traditional Medicare would pick up 80% of the cost of his care. What’s more, he knew that dental, optical and audiology were not covered by the plan and that he would be responsible for paying the remainder of his health care costs — 20% of the total — out of pocket unless he purchased a separate, Medigap insurance plan.

Not surprisingly, when Medicare Advantage promised broader coverage for less money — the same deduction would be taken from his Social Security check, but he would not need a supplemental Medigap plan since Medicare Advantage (sometimes referred to as **Plan C**) would provide coverage for most of the services that Traditional Medicare did not offer — Timmins quickly signed up. That’s when his nightmare began.

After his primary care physician noticed a lump in his ear, Timmins was told that he needed to see a dermatologist. “I have a family history of skin cancer, so I tried to make an appointment right away but was told that I needed prior approval from my insurer to see the specialist,” he said. “It took seven months to get this approval and, in that time, the growth tripled in size and became painful. I finally had surgery to remove it in 2022. Had I been on Traditional Medicare, I would have quickly seen the dermatologist and the oncologist since prior approval is not required. I would have had the lump removed when it was smaller, before it extended into the tissue.”

So, What Exactly Is Medicare Advantage?

Although thousands of different Advantage programs exist, most are run by seven private, for-profit insurance companies: Centene, Cigna, CVS-Aetna, Elevance, Humana, Molina and UnitedHealthcare. By 2023, UnitedHealthcare, which is related to AARP, controlled 29% of the market; Humana controlled 18% and CVS-Aetna controlled 11%.

They’ve cashed in. This year, 30.8 million people, 51% of those who are eligible for Medicare, are in Medicare Advantage programs, and the reason is obvious. Like Richard Timmins, most retired and disabled people need to keep costs down.

According to the National Institute on Retirement Security, Social Security is the sole source of income for 40.2% of retired people in the U.S.

No wonder that when cheaper and seemingly more-extensive Medicare coverage is offered, people grab it.

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But like Timmons, they usually know little-to-nothing about the downside of the coverage.

Medicare when introduced was greeted with near-universal praise, but there were always gaps in coverage, with no payment for long-term care, dental, optical or audiology services.

This is where Medicare Advantage came in. The program was fully launched in 2003, during the administration of George W. Bush. The impetus was cost containment. Bush and his supporters argued that the private sector would reduce costs by managing care more efficiently.

That has not happened.

Rachelle Kivanoski, a retired former home care administrator, said that the problem with Medicare Advantage plans, and managed care more generally, is that they are really about managing cost, not care. “People who are in reasonably good health can benefit from Medicare Advantage,” she said, “but as soon as they have greater medical needs, they see problems, including delays in receiving authorization for services or the outright denial of care.”

For example, she reports that patients who’ve had hip or knee replacements often have to wait weeks for physical therapy to be approved. “This can have an adverse impact on healing and mobility,” she explained. “In addition, Medicare Advantage plans rarely authorize home health aides and if they do, they only do so for a week or two at a time. Under Traditional Medicare, you keep receiving services until your doctor says you no longer need them. This means you don’t have to deal with constant reauthorization.”

Then there’s the issue of upcoding, a policy by which Advantage plans make patients seem sicker than they are so they are able to increase their fees — in essence, overcharging the government for services that are not being provided. The upshot? The Medicare Payment Advisory Commission, an independent agency that advises Congress about Medicare, estimates

that Medicare Advantage plans collected \$124 billion in overpayments between 2008 and 2023.

If you’re shocked by this, you’re not alone: Congress and the Department of Justice (DOJ) have also begun to take notice. A still-pending bipartisan bill, The No Unreasonable Payments, Coding, or Diagnoses for the Elderly Act — the No UPCODE Act — was introduced in March to amend Title XVIII of the Social Security Act to ensure that reimbursement is restricted to relevant treatment.

Meanwhile, since 2022 the Department of Justice has twice levied fines against Cigna, collecting \$172 million in one case and \$37 million in another because of fraudulent billing. Cigna, of course, is not the only villain — all told, the DOJ collected more than \$1.7 billion during fiscal year 2022 for false Medicare and Medicaid claims.

Too Little, Too Late

Although this sounds like a win for accountability, health care advocates say that the fines are a drop in the bucket, and that upcoding, denials of needed care and authorization delays remain ubiquitous. Deceptive ads, on TV and through direct marketing phone calls, are a particular concern, especially during the open enrollment period that comes around every autumn.

Cheryl Kunis, an emeritus clinical professor of medicine at Columbia University and the director of national issues at Physicians for a National Health Program, zeroed in on advertising that uses sports figures like Joe Namath to shill for plans that make promises about amazing benefits, often at no cost to consumers. “For many retired or disabled people who are living on Social Security, the Traditional Medicare premiums for Part B doctor visits (**\$174.70 per month in 2024**) and Part D prescription drug coverage (**\$15.00 per month**) are significant. People are drawn into Medicare Advantage because it is cheaper,” she said, citing the premiums for 2024. “There are often no deductibles and it provides things Traditional Medicare

Cont. next page

does not, like transportation to and from medical appointments; a free Silver Sneakers gym membership; and dental, optical and hearing care. A few have no copays for primary care visits.”

At the same time, private equity firms and insurance companies see Medicare Advantage as a “financial bonanza.” “Everyone needs health care. It’s a recession-resistant industry,” she said. “But when private equity firms buy health care organizations, despite promises of greater efficiency, costs continue to rise. Private industry spends about 18% of its revenue on administration and overhead while Traditional Medicare spends 2 to 3%.”

That said, Kunis concedes that she believes Medicare Advantage is here to stay. “The only way we can move people away from Medicare Advantage is to make Traditional Medicare stronger,” she said. “This means lowering the costs to consumers and adding the ‘perks’ that Medicare Advantage offers.”

Alex Lawson is executive director of Social Security Works, a Washington, D.C.-based group working to strengthen Social Security, Medicare and Medicaid and promote health care as a human right. Lawson agrees with Kunis but sees this as a David vs. Goliath struggle against a powerful adversary. “Every year the health insurance industry circulates a sign-on letter to every member of Congress asking them to affirm their love for Medicare Advantage. The signed letter is then circulated to the Centers for Medicare & Medicaid Services, the federal body that oversees the programs. It also goes to Health and Human Services and the administration. Most years they get 400-plus signatures. This is the engine behind Medicare Advantage,” Lawson said. “The billions of taxpayer dollars that they rip off taxpayers each year are ignored, forgotten. Basically, these companies see U.S. taxpayers as a cash cow. Yes, there’s been some pick-up in the last few years to collect overpayments and improve Medicare, but we need to upend the whole business model of privatized health care.”

The government, he said, gives Advantage plans a flat fee for each person who enrolls. “They make enormous profits when they provide insurance to healthy people, but those who need care the most can die if care is delayed or denied,” he adds. Fixing this, he says, will require both long and short-term strategies.



Short-term goals include pushing for reforms like passage of the **No UPCODE Act**; fining “bad actors” who overcharge for undelivered or delayed services; reining in deceptive advertisers whose promotion of Advantage plans provide a skewed and incomplete picture of coverage; and making Traditional Medicare competitive by offering the same services offered by Advantage plans.

“Right now, low income seniors and disabled people do not have a real choice,” Robby Stern, president of the education fund of the Puget Sound Advocates for Retirement Action, said. “They go for Medicare Advantage because it lowers the premiums they have to pay. These private insurance companies are making money hand over fist, and the only way to level the playing field is to limit what people have to pay out of pocket for Traditional Medicare.”

If Traditional Medicare can offer the same benefits as Medicare Advantage, Stern says, “we will win the battle against privatization. But if we do not expand Traditional Medicare coverage, private insurers and equity firms will continue to plunder the Medicare Trust Fund that workers pay into, and Traditional Medicare will continue to shrink.”

It’s a grim assessment.

Christmas Word Search

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

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



December Quiz

Question 1: What year was the movie “Elf” released?

- A. 2003
- B. 2008
- C. 1997

Question 2:

What’s the name of the town “It’s A Wonderful Life” takes place in?

- A. Folsom Way
- B. Bedford Falls
- C. Lasting Hills

Question 3: Where do the Griswolds live in “National Lampoon’s Christmas Vacation”?

- A. Detroit
- B. Milwaukee
- C. Chicago

Answers for November

Question 1: How much did the world’s most expensive Thanksgiving dinner on record cost?

- C. \$181,000 (for 12 people)**

Question 2: How many women were at the very first Thanksgiving celebration?

- A. 4 that were alive**

Question 3: Which city’s Thanksgiving Day parade ends with Santa Claus getting a key to the city?

- B. Detroit**

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	Medico	\$136.13
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	66	G	Allstate	\$121.16
Male	66	G	Medico	\$136.13
Female	66	GHD	New Era Life	\$41.40
Male	66	GHD	Medico	\$46.97
Female	66	N	Cigna	\$92.17
Male	66	N	Cigna	\$103.23

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 12/01/2023

Interest Rates Highest CDs and Share Rates Highest National Rates

Duration	Institution	Yield to Maturity*
1 year	Popular Direct	5.67%
2 year	Popular Direct	5.30%
3 year	BMO	5.00%
4 year	BMO	4.90%
5 year	BMO	4.90%

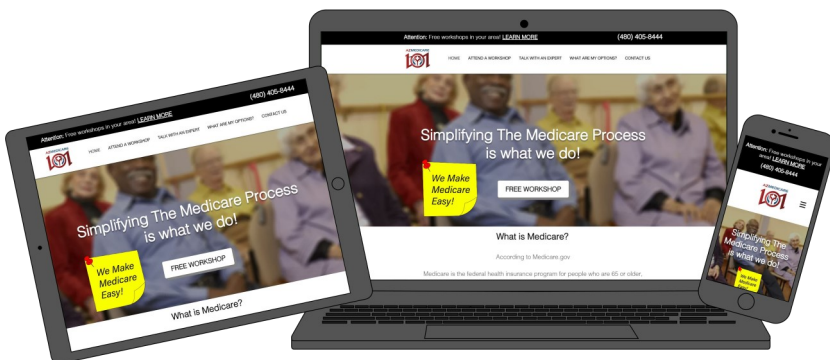
Rates are accurate at the time of production. We include banks and federal credit unions in our national search. All have FDIC or NCUA Insurance. *Source: BankRate.com 12/01/2023

Highest Fixed Annuity Rates Highest Arizona Rates

Duration	Institution	Yield to Maturity*
3 year	CL Life	6.00%
4 year	Americo	5.85%
5 year	Nassau Life	6.00%
7 year	Nassau Life	6.05%
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 12/01/2023

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Online Workshop
Thursday, December 28th
11:30am to 12:30pm

Online Workshop
Friday, December 29th
1:30pm to 2:30pm

All Of Arizona in Blue

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