Volume 3, Issue 7

THE LYFE ADVISOR

July 2020

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WHY NOW IS THE TIME TO TRANSFER YOUR 401(K) TO AN IRA

By Thomas Shultz

The Federal Reserve is buying junk bonds and corporate debt ETFs as part of its campaign to revive the American economy. Next on its shopping list could be common stocks which would not be good for future investment upside.

The S&P 500 has skyrocketed 40% since March 23rd, when the Fed announced its unprecedented experiment. That surge, coming in the face of the collapse of the real economy, drove up market valuations to dotcom-bubble levels.

But at this point, most institutional investors think a reckoning is coming, and soon. They expect the S&P 500 will retest its March 23rd low of 2,237.40 over the next two months, potentially crumbling to as low as 1,600. That would mark a 49% collapse from where the index at it's high point in the rally.

There's a point where the Federal Reserve is going to have to pull out a bazooka and most think the option of buying stocks on the part of the Fed is on the table.

Should a stock market collapse happen, it would erode confidence among consumers, small businesses, and CEOs alike. It would make it harder for companies to borrow the money they need to survive because of the strong link between stock prices and corporate credit spreads.

This scenario will eventually end badly and most sophisticated investors say they have never seen anything in their careers as crazy as what's going on right now.

Recovery Could Take 4 Years

One thing about bubbles is they tend to go

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July

Celebrating the 4th From A Distance

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on longer and go further than people ever expect, and timing predictions are extremely difficult.

Fifty-three percent of global fund managers say this is a "**bear market rally**," not the beginning of a new bull market, according to a survey released by Bank of America in June. Even more, 78% say the stock market is overvalued. That's the highest since the survey began asking the question in 1998.

Even the Fed is warning that the V-shaped recovery, which the stock market is betting on, may not happen. The Fed has warned at least a good three to four year downturn before employment and GDP return to pre-coronavirus levels. Some jobs impacted by shifts in consumer behavior are never coming back potentially causing "**permanently**" elevated unemployment.

In Service Distribution in 401(K)

With over 10,000 baby boomers reaching retirement age every single day, many workers are asking questions like "**Can I move my 401(k) without penalty?**" and "**Should I transfer my 401(k) to an IRA or an annuity**." Both are questions that involve a 401(k) rollover strategy.

The first question is an easy one. You can move your 401(k) without penalty by transferring it to an IRA. This is also a non-taxable event. The second question is a little trickier. You can transfer your 401(k) to an annuity. The real question is...should you? Let's take a look at why you should or shouldn't transfer that 401(k) asset to an annuity.

What's Your Goal For These Assets?

Transferring your 401(k) to a personal IRA (Individual Retirement Account) is a non-taxable event. The money transfers from one institution to another under 401(k) transfer rules, and that transfer is tax free (exempt from federal tax and state tax) to your rollover IRA. That's the nuts and bolts on how to administratively get it done.

The bigger question is what you are trying to achieve. I always ask 2 questions to determine if you need to consider an annuity.

1. What do you want the money to do?
2. When do you want those guarantees to start?

Annuities are contracts issued by life insurance companies and primarily solve for lifetime income or principal protection. If you don't need to accomplish either or both of those two solutions, then you do not need an annuity. The answers to these 2 questions can match you with the annuity type that can provide the highest contractual guarantees for your specific situation.

In my opinion, if you are still looking for market type growth after transferring your 401(k) assets, then do not buy an annuity. Regardless of what any agent or advisor will tell you, annuity types that promote **HUGE** market growth have limitations on the upside. If you want real market growth, then go get it. Annuities just won't be the vehicle to get you there.

Growth to Income

Rolling over your 401(k) to an IRA (i.e. Traditional IRA structure) can be a transition from growth to income. Most 401(k) plan investment choices are mutual funds geared toward market growth during your working years. For the demographic tidal wave of workers transitioning to retirement, the vast majority are looking for lifetime income guarantees for them and their family. That's where annuities can be a perfect fit.

Annuities offer one benefit that no other financial product offers. That monopoly is lifetime income. There's no ROI (Return on Investment) until you die because you can never outlive the payments. That's the benefit proposition unique to annuities.

If you need income to start as soon as possible, consider transferring some or all of your 401(k) to a Deferred Income Annuity

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(DIA) with an Income Rider guarantee attached to a deferred annuity. All can be set up "**Joint Life**" with your spouse/partner, and all of these annuity types can be structured so that any unused money will go 100% to your listed beneficiaries on the policy.

Shouldering Risk vs Transferring Risk

Whether you decide to transfer your previous employer or current employer's plan (i.e. transfer 401(k) to IRA) comes down to one question. Do you want to continue to shoulder the risk of volatile markets or do you want to transfer that risk?

If you want to continue to strive for market growth, then you don't need an annuity. If you want to fully protect the principal or guarantee a lifetime income stream, then an annuity transfer of risk contract might be suitable and appropriate for your specific situation.

For example, if you just wanted to protect the principal from market loss and not pay any fees, you might choose a Multi-Year Guarantee Annuity (MYGA). This is the annuity industry's version of a CD (Certificate of Deposit), and a simple and efficient choice for contractually guaranteed annual yield.

New 401(k) Game

In the past with your employer's 401(k) plan, the only investment options you had were most likely mutual funds. The hope was to have your money grow with the stock market over time. In most cases, you were the one having to choose the funds. If you wanted a lifetime income stream, you had to transfer your 401(k) money to an guaranteed payment annuity. However, there is a new income game in town.

In December of 2019, **The Secure Act** was passed that allows 401(k) type plans to offer a option for future lifetime income needs...using annuity strategies. This will allow plan participants to allocate some or all of their 401(k) contribution to an annuity strategy that will guarantee lifetime income starting at a future date of your choice. This could be a total game changer once the majority of 401(k) plans start offering annuity income options to their workers. In combination with Social Security benefits, then 401(k) Annuities will offer another income stream that you can never outlive.

All About Income

For most people nearing or actually in retirement, a big part of your investment focus and retirement plan is establishing what we call the "**income floor.**" The income floor is the guaranteed income stream that will hit your bank account every month regardless of what happens in politics, the stock market, or the world in general. That income floor money is coming in like clockwork and can originate from your retirement savings or retirement accounts. Social Security payments, RMDs (Required Minimum Distributions) from your Traditional IRA, pension payments (if so lucky), and annuity guarantees are some examples of your potential income floor.

An important side note about annuities, some states have laws where annuities are protected from creditors. In addition, some annuity types offer tax advantages (non-Roth IRA) with their income guarantees when used in a non-IRA account.

If lifetime income, principal protection, and transferring risk are items that you want to guarantee, then annuities might be the right move. If not, then transfer your 401(k) assets to an IRA and manage the money. The decision is really that simple.

If you'd 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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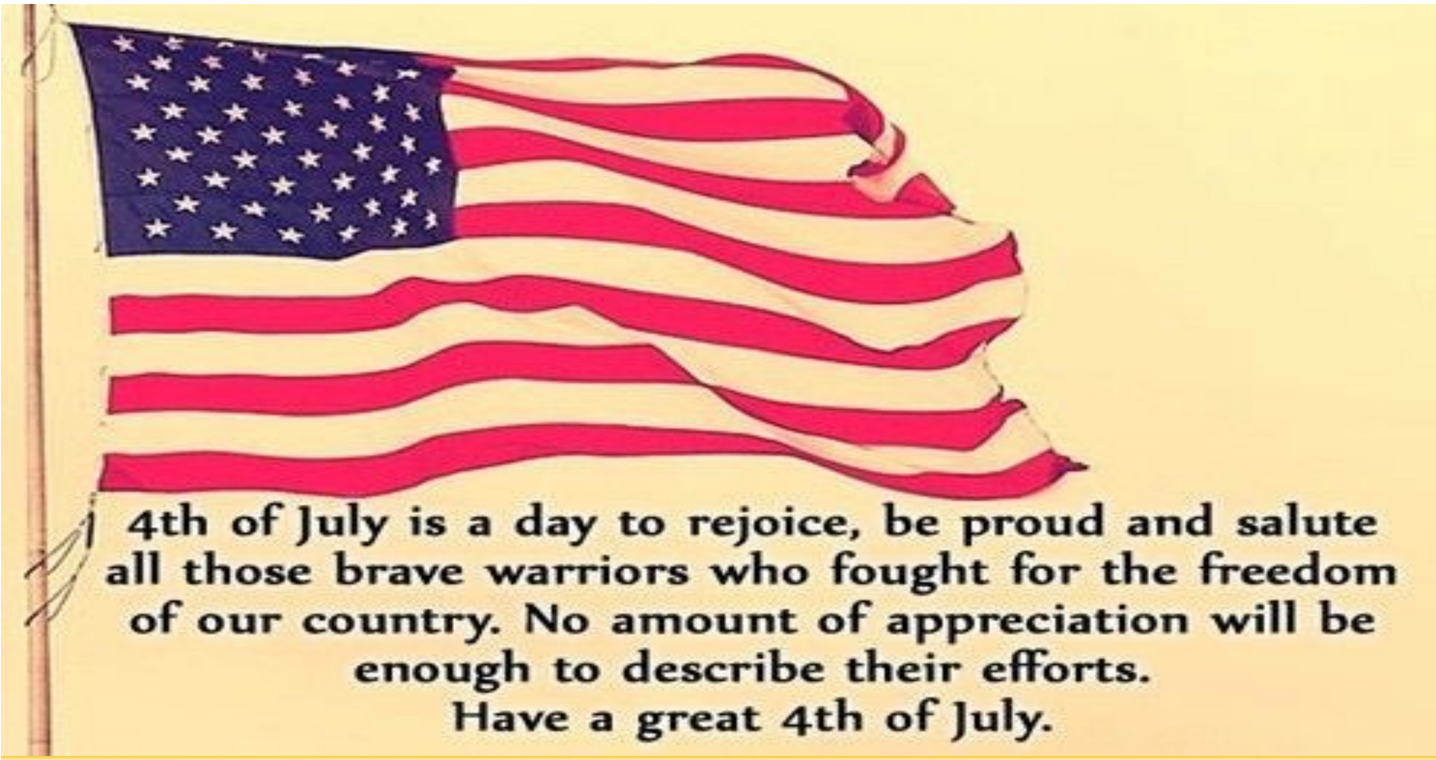

WE CONTINUE TO SAY THANKS TO ALL THE FIRST RESPONDERS AND MEDICAL PROFESSIONALS THAT ARE STILL OUT THERE ON THE FRONT LINES PUTTING THEIR LIVES ON THE LINE EACH AND EVERY DAY FOR OUR SAFETY. MAY GOD BLESS AND LOOK OVER EACH AND EVERY ONE OF YOUR FAMILIES…..

We appreciate your referrals!

Your referrals are gifts to whomever you refer. By making a referral, you are giving them a chance to make a difference in their financial future. Thank you for helping spread the LYFE Advisor's message.

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RITA'S CORNER

Every month, my husband and I enjoy trying out places to eat. This month we picked "Texas Roadhouse" in Phoenix as we were in need of something besides "chicken".

Little did I know but this restaurant chain did not originate in Texas. The first restaurant opened in 1993 in Clarksville, Indiana across the river from my old stomping grounds, Louisville, Kentucky. The founder, Kent Taylor, originally started with a different steak house concept based on a Colorado theme called Buckhead Hickory Grill but later sold his interests in that to focus on a new concept in steakhouses. The first venture ended with some failures and had to be transformed into what they are today. The chain expanded rapidly and has several international locations and 8 locations here in the Phoenix metropolitan area with the newest one built around Salt River Fields near Talking Stick Resort.

The restaurant has opened up for inside dining but we are not able to that, so take out it is. We are always concerned about the quality and portion size with take out but we were not disappointed with either in our meals but my mother's was another story. But let's do the good news first. The menu consists of steaks, chicken, seafood and salads. My husband of course loves their ribs and steaks and on this particular day he chose the ribs with green beans and sautéed mushrooms. He was pleased with the meal as it was just as good as he remembered when we ate at the restaurant. I typically ordered the California Chicken which is so good but as I am now on a more healthy quest, I ordered the grilled pork chops with sautéed mushrooms and steamed vegetables. I always order the double portion and then I have one for the next day. My meal was also great.

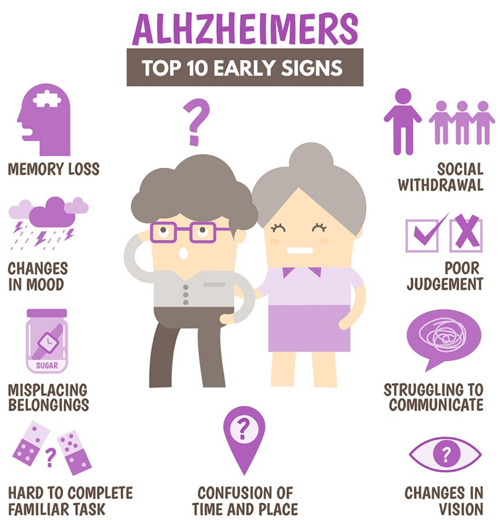
My mother had the Country Fried Sirloin dinner topped with creamy gravy and steamed vegetables and mashed potatoes as her sides. Once she took the first bite we knew something wasn't good. The steak was tough, full of grizzle and the creamy gravy was horrible. She gave it to my husband who is like Mikey in the long ago commercial, he will eat anything. But not this time. He was in agreement with us. Even removing the gravy did not help because the steak was terrible, too. But not all was lost. My husband called the restaurant, explained the situation to the manager and we were quickly given a coupon for a free meal of our choosing to make up for the unfortunate meal. So do not order the Country Fried Sirloin dinner, ever. Their customer service won us over in the end and we plan to eat here again in the future.

Rita Henderson

Medicare Hack #21

Alzheimer's and Medicare:
What is covered and what isn't...

According to the Alzheimer's Association, 1 in 3 seniors dies from Alzheimer's disease or dementia. Let's look at what Medicare covers in relation to Alzheimer's.



There are seven stages of the disease, with early stages marked by symptoms that generally don't require care but do spark the initial visit to a doctor in the search for a diagnosis. During this time, an individual might struggle to find the right word, ask the same question repeatedly, become forgetful or experience mood swings. This initial doctor visit will most likely be the first of many.

Because an "Alzheimer's test" doesn't exist, doctors instead begin eliminating other potential diseases that could be causing these symptoms, requiring possible collaboration with neurologists, psychiatrists, psychologists, as well as ordering various brain scans.

It can quickly become a pricey process, but it's also a diagnostic one, so Medicare Part B is applied. Part B of original Medicare will pay 80% of the bill after the patient has met the Part B annual deductible. For reference, the annual deductible for 2020 is $198. If the patient has purchased Medicare Supplemental Insurance — something critical having during the early stages of this disease — it will handle the remaining 20%.

If that diagnostic process ends with a determination that it is Alzheimer's, the treatments vary. Most patients immediately start taking medications that can help slow the progress of the disease. Medicare Part D will help cover the cost of the drug so long as it is on its approved drug list, as many common Alzheimer's drugs are.

Other treatments can include various forms of therapy — physical, occupational or sessions with a mental health care professional. Provided these services are considered "medically necessary" and prescribed by a doctor, Medicare Part B will again cover 80% of these costs. And if you have a Medicare Supplement — also referred to as a Medigap policy — it will pick up the 20% not covered by Medicare Part B.

As the disease worsens, the initial symptoms become more pronounced and other symptoms surface. For example, a patient may begin to struggle with coordination and motor skills. Family members may decide that more oversight is needed, either through their own supervision, in-home health care or adult day care.

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As the disease enters the late stages, a patient might experience extreme confusion, become delusional, begin wandering, and incontinence can set in. This is the point where residential 24-hour care will most likely be required. Medicare does not offer long-term care to help pay for residential care. Medicare coverage will apply only in “limited circumstances” — for example, if a patient is hospitalized for at least three days and then needs nursing home care, Medicare will cover skilled nursing home care for up to 100 days.

The reality is that 100 days may prove to be a fraction of the amount of nursing or in-home health care that an Alzheimer’s patient may require. Once a person needs help with activities of daily living — referred to as ADLs including but not limited to dressing, personal hygiene, eating, basic mobility — Medicare considers this “custodial care,” meaning it’s non-medical. As such, it is not considered medically necessary and therefore Medicare does not cover the bill.

In the very end stage — when a patient has less than six months to live — a Medicare hospice benefit is available. It comprehensively covers the costs of doctors, nursing, drugs, counseling for family members and other home services. There is no cost for hospice care, and medications are provided for a small copay. If the patient is in a nursing home, Medicare will cover only the hospice services, not room and board.

The period just before hospice — when long-term care is required — can be financially devastating. Long-term care can cost thousands of dollars a month and be required for an extended period. The average Alzheimer’s patient lives four to eight years after diagnosis, and this is where having a long-term care policy — something you’ll need to purchase outside of Medicare — is key. And here’s the crucial thing to know: Once someone is diagnosed with Alzheimer’s, they cannot apply for long-term care insurance.

Sudoku

	4					5		
	5		4		3			
1		2	9			8		
	8	9						6
6					1	7	2	
7				3	6			9
		5		6	4			
	1	3	2				8	
				8		1	7	

June Sudoku Solution

3	4	7	6	2	8	5	9	1
9	5	8	4	1	3	2	6	7
1	6	2	9	5	7	8	4	3
5	8	9	7	4	2	3	1	6
6	3	4	5	9	1	7	2	8
7	2	1	8	3	6	4	5	9
8	7	5	1	6	4	9	3	2
4	1	3	2	7	9	6	8	5
2	9	6	3	8	5	1	7	4

July Quiz

Question 1:
Approximately how many fireworks displays take place in America on the 4th of July?

A. 1 million
B. 14,000
C. 43,000

Question 2:
How many hot dogs do Americans eat on the 4th of July each year?

A. 800,000
B. 150 million
C. 32 million

Question 3: How Many cases of beer are sold on the 4th of July each year?

A. 13 million
B. 97 million
C. 68 million

Answers for June

Question 1: What percentage of Americans celebrate Christmas?

A. 92%

Question 2: Ice Cream mixed with soda is referred to as what?

A. Float

Question 3: What do you call a person in the Harry Potter universe who can magically speak to serpents?
A. Parselmouth

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Medicare Supplement Rates

Lowest Medicare Supplement Rates For 85258 Maricopa County

Gender	Age	Plan	Carrier	Premium*
Female	65	G	Humana	$110.94
Male	65	G	Blue Cross Blue Shield	$117.31
Female	65	GHD	New Era Life	$40.37
Male	65	GHD	New Era Life	$44.41
Female	65	N	Aetna	$88.96
Male	65	N	Blue Cross Blue Shield	$92.51
Female	66	F	Aetna	$131.78
Male	66	F	Blue Cross Blue Shield	$146.76
Female	66	G	Humana	$112.83
Male	66	G	AARP United Healthcare	$128.54
Female	66	GHD	New Era Life	$41.40
Male	66	GHD	Mutual Of Omaha	$50.44

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 07/01/2020*

Interest Rates

Highest CDs and Share Rates Highest National Rates

Duration	Institution	Yield to Maturity*
1 year	Goldman Sachs	1.10%
2 year	Quontic Bank	1.11%
3 year	Union Bank	1.26%
4 year	Connexus Bank	1.46%
5 year	Connexus Bank	1.56%

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 07/01/2020*

Highest Fixed Annuity Rates

Highest Arizona Rates

Duration	Institution	Yield to Maturity*
3 year	Guggenheim Life	2.50%
4 year	Oxford Life	3.05%
5 year	Sentinel Security Life	3.35%
7 year	Atlantic Coast Life	3.44%
10 year	Sentinel Security Life	3.55%

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 07/01/2020*

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FOR SOCIAL SECURITY BENEFCIARIES, THE IS THE MOST IMPORTANT TIME OF 2020

Will The Nearly 65 Million People Receiving Benefits Get a Raise Next Year?

There have been 14 recessions in the United States since 1935. This means our nation's most important social program, Social Security, has survived some of the darkest days in U.S. history. And despite the rampant uncertainty associated with the coronavirus disease 2019 (COVID-19) pandemic, it'll survive this recession, too.

Today, Social Security is responsible for paying benefits to nearly 64.7 million people, many of which are retired workers (45.7 million). Of these seniors, more than 15 million are singlehandedly pulled out of poverty each year because of their guaranteed payout from the Social Security program.

Given this reliance on Social Security income, it should come as no surprise that the single-most important event every year for these 64.7 million beneficiaries is the October release of the upcoming year's cost-of-living adjustment (COLA).

Think of COLA as the "raise" that Social Security beneficiaries receive from one year to the next that accounts for the rising price of goods and services (i.e., inflation). I say "raise" in quotation marks, because it's not a raise in the true sense of the word, so much as a boost in payout designed to keep recipients on-par with inflation.

Here's Why it's the Most Important Time of the Year For Social Security Recipients

In order to get to the single-most important press release of the year, we must first wind our way through the most important time of the year for Social Security beneficiaries, and that happens to be right now.

You see, Social Security's COLA (cost of living adjustment) is calculated using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Since 1975, fluctuations in a predetermined and pre-weighted basket of goods and services allows the CPI-W to show, with a single reading, whether collective prices are rising or falling.

However, not all monthly CPI-W readings are created equally. In determining Social Security's COLA, only readings from the third quarter (July through September) are taken into consideration. Although the U.S. Bureau of Labor Statistics will always report a monthly CPI-W reading, only readings from the third-quarter will aid in determining Social Security's COLA.

To calculate the "raise" that beneficiaries can expect, simply compare the average CPI-W reading from the third-quarter of the current year to the average CPI-W reading from the third quarter of the previous year. If the value has increased from one year to the next, beneficiaries will be netting a positive COLA in the upcoming year. The percentage difference of this increase, rounded to the nearest tenth of a percent, determines how big that raise is.

Thus, with it now being July, we've moved into the months that actually count when it comes to determining next year's COLA.

Prepare For Disappointment

Unfortunately for the nearly 65 million beneficiaries, Social Security could do something exceptionally rare this year that pretty much no one wants to see happen.

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In the 45 years that the CPI-W has been the program's inflationary tether, there have only been three instances of deflation (falling prices) -- and deflation means Social Security benefits remain static from one year to the next. Based on recent inflation data, we could be looking at the fourth such occurrence.

According to the June inflation data summary from the BLS, the CPI-W has declined by 0.1% over the trailing 12-month period. While certain categories have continued to demonstrate healthy levels of inflation, such as food and medical care services, there's been significant price erosion for energy, apparel, and transportation services. Considering how slowly the U.S. economy is ramping up from its nonessential business shutdown, and taking into account a resurgence of coronavirus cases in a number of states, it looks increasingly likely that there will be no COLA, or perhaps the smallest positive COLA on record, in 2021.

On paper, this might not sound like terrible news. After all, if aggregate prices are falling, then static benefits shouldn't be a bad thing. But it's actually not this simple. While the price for the predetermined basket of goods and services measured by the CPI-W may be falling, important expenditures for seniors, such as medical care services, have actually seen inflation levels accelerate during the COVID-19 pandemic.

One of the more overlooked problems with Social Security's inflationary tether is that it does a terrible job of accounting for the inflation that a majority of the program's beneficiaries face. That's because it's focused on the spending habits of urban and clerical workers, who are rarely seniors and/or receiving Social Security benefits. The result is that important expenditures, such as shelter and medical care, are underweighted in the CPI-W, whereas less important costs for seniors, such as apparel and transportation, are given too much weighting.

According to leading experts, the use of the CPI-W has reduced the purchasing power of seniors' Social Security dollars by close to 30% since 2000. There's a very good chance that, as long as the CPI-W continues to be the program's inflationary tether, this degradation in purchasing power will continue to widen over time.

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, July 20th
1:30pm to 2:30pm

Online Workshop
Tuesday, July 21st
11:00am to 12:00pm

Online Workshop
Wednesday, July 22nd
5:30pm to 6:30pm

MARICOPA & PINAL COUNTY

Online Workshop
Thursday, July 23rd
6:30pm to 7:30pm

Register online at
AZMedicare101.org

Or call us to reserve your FREE SEAT at
(480) 405-8444

"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**