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## SEQUENCE OF RETURNS RISK

**How An Annuity Can Eliminate This HUGE Fear That All Retirees Currently Face**

*By Thomas Shultz*

### Sequence Risk In a Nutshell

Truth be told, it has been pretty easy to retire over the last decade or so. The reason has been the continued upward swing of the markets. For many retirees, the surge in stocks and bonds has meant their portfolios have grown while withdrawing money. But the latest recession worries, high inflation and downward trending equity/bond prices have meant that an old foe has come back to roost.

**We are talking about sequence risk.**

Sequence risk represents a huge issue – one that can seriously derail even the most diligent savers. But luckily, there are solutions to overcome the issue. One of them happens to be annuities. And now could be one of the best times to consider the option if you are about to enter your golden years.

Thanks to nearly 13 years' worth of market increases, sequence risk has pretty much been forgotten by financial planners and individual investors. As the markets have surged, retirees have been able to pull what they need from their portfolios, often leaving higher balances due to market returns. However, all good things must come to an end.

With high inflation, rising rates, overall surging volatility and falling equity/bond prices, sequence risk is once again an issue.

Basically, sequence risk, also known as sequence of returns risk, has to do with the timing of withdrawals from a retirement portfolio. It turns out that the first few years of retirement are critical to building a lasting nest egg.

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# November

*Gobble Gobble....*  
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Starting retirement in a downward trending market impacts the ability of a portfolio to fund a full retirement. In a downward market, investors in retirement are essentially locking in losses, and those losses get compounded even if the market rebounds over the next few years. And the numbers are staggering.

A report from Pacific Life shows that identical portfolios with initial \$200,000 investments and a rolling 20-year period (1989–2008) in the S&P 500 produces dramatically varied results. The worst portfolio happens to belong to investors who retired at the beginning of the dot.com bust, with a 37% loss in their first year. By year 19, they had already run out of money – and Pacific Life is not alone in their reporting. Vanguard looked at data from people who retired during the six major bear markets since 1926. Those retiring and succumbing to sequence risk were 31% more likely to outlive their portfolios and suffered 11% lower retirement income streams than others who retired in stronger markets.

As the markets fall today, investors looking to retire now are facing a similar proposition.



## Annuities to the Rescue

With that, managing sequence risk needs to be a top priority for today's retirees and those considering retiring sooner than later. Sequence risk is a potential life changing event for diligent savers. Delaying retirement and continuing to

boost savings is an option. However, there are other solutions which take market risk off the table.

*And that would be annuities.*



Annuities can offer a balance to retirement income that is not dictated by the whims of market withdrawals. While there are all sorts of different products, both immediate and long-term, income annuities offer guaranteed income-protection benefits and set a level of income for life.

By buying one of these products at the onset or just before retirement, investors eliminate sequence risk by locking in a set amount of income/spending for their golden years. This is particularly advantageous if basic necessities and cost of living can be covered with the annuity purchase. The market is able to be as volatile as it wants but an investor does not need to sell investments – potentially at a loss – in order to pay the mortgage or buy groceries.

Secondly, a fixed indexed annuity can be used to cover sequence risks as well. These products are often benchmarked to popular indices like the S&P 500. However, they feature floors and return caps. **While they may limit gains, they also provide downside protection.** These floors can help eliminate many of the sequence risks by preventing such massive losses in the early years of retirement.

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## Adding An Annuity To Your Portfolio

Given the effects of sequence risk and the current market malaise, investors may want to seriously consider buying an annuity, and now might be as good a time as ever. Thanks to the rise in rates, lifetime income rates for many immediate and income annuities have risen to levels not seen in over 13 years.

As for the purchase itself, splitting assets between regular investments and an annuity seems prudent. Investors can have the best of both worlds – covering basic and needed expenses while still having money for one-offs, vacations and potential health care spending. Here again, withdrawals from the investment side can be tailored or forgone completely if the market is trending lower because necessities are covered via the annuity.

**Another thing is all annuities are not created equal. While on the surface, many annuity products seem similar, the devil is in the details. Take the time to understand what you are purchasing and make sure to work with a Financial Advisor who is a Fiduciary and has access to all the different products available on the market so they can tailor the recommendation to fit your specific goals, needs and objectives.**

In the end, the recent market malaise has brought sequence of returns risk back into the headlines. By purchasing an annuity, investors can eliminate much of that risk with a guaranteed rate of income and reducing withdrawals from a portfolio.

***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 FIXED ANNUITY RATES NOVEMBER 2022

**4.10%**

**2 Year Fixed Annuity**

**5.10%**

**3 Year Fixed Annuity**

**5.65%**

**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 and our family.



We are in full swing here at the office when it comes to the Annual Election Period and I once again remember why we dread this time each year. With thousands of clients, the workload is immense, but we have all been pitching in and working extra hours and weekends to get the job done.

I know Thomas would say the same thing but we are so proud of Cat and Bev and all the prep work they did this year in order to make it smoother and easier for us all. We are almost finished running all the medications for 2023 and will be reaching out to a lot of you very soon with our findings and recommendations for next year.

So far, it looks like many of you are going to get to stay on the same plans for 2023 which is good for you and also good for us :)

Before this crazy time began, Thomas and I decided to take a Friday off and take our son Jackson to the Meteor Crater in Northern Arizona. We have lived here for over 12 years and had never made the trip, so we were all excited to check it out. Thomas looked at the weather prior to us heading north and had us layered in sweatshirts and long sleeves because he said it would be cold. When we got there, we noticed quickly that we were the only ones dressed this way as the temperature was 85 degrees and sunny.

Even though we were sweating, we still really enjoyed it and couldn't believe how large the



crater actually was.

This past weekend was Jackson's 12th birthday and he celebrated it in fashion with his

Halloween costume of a man sitting on the toilet (Kids, Ha!)

It's always tough to see your little baby grow up and I am really struggling with it as well. Although he can be a knucklehead at times, he is really turning into a well mannered little man and I hope he keeps his kindness and sweet heartedness that he has always been known for.



He raked up more candy this year than either Thomas or I could have ever imagined. So, if you're hungry and looking for something to satisfy your sweet tooth, swing by our office for unlimited supplies of chocolate.

*Coralyn Shultz*

## RITA'S REVIEWS

*Every month, my husband and I enjoy trying out places to eat. This month we decided to finally try out Lo-Lo's Chicken & Waffles in Scottsdale...*

We finally decided to take the plunge and try out Lo-Lo's Chicken & Waffles restaurant. My husband is not a big fried chicken fan and that is why we have put off going for so long but this weekend we gave it a try. Much to my surprise, Lo-Lo's is a family run home grown business. The founder, Larry White, grew up in his grandmother's restaurant in Phoenix and has been in business for over sixty years. Her restaurant, Mrs. White's Golden Rule Café began in the early 1960s and Larry (nicknamed Lo Lo) grew up helping her as soon as he could walk bussing tables.

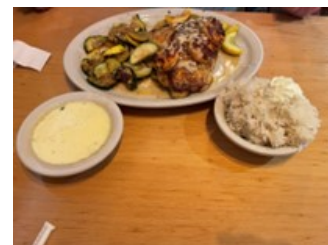
She helped him to develop a love of cooking and he started perfecting her recipes for fried chicken. Since the restaurant was closed on the weekends, she let him use the building to start a late-night spot to test out his recipes which was a hit. He had eaten at a restaurant in LA called Roscoe's House of Chicken & Waffles and thought he could do the same thing but better. In 2002 he opened his first 1000 square foot restaurant on Central Avenue in Phoenix.

Who knew Phoenix would become the go-to destination for Soul Food? With the recognition from various celebrities such as Charles Barkley, Mohammed Ali, Steve Nash, and Shaq just to name a few, the business took off catering events for various pro sports teams and musical artists in town. There are now 4 locations in Phoenix and one in Las Vegas and one in a suburb of Dallas.



My husband chose a Soulfood Platter with chicken tenders, potato salad, and sautéed zucchini & squash. His meal came with a biscuit or cornbread, and he made sure he had a waffle on the

side. I chose the blackened catfish with zucchini & squash, and it came with dirty or white rice. I gave the rice to my husband and had a



cornbread muffin. My mom ordered from the all-day breakfast and chose "Yo Momma's Biscuit and Gravy" which also had two eggs and home fried

potatoes.

The food was great, and we had huge portions which means I didn't have room for the banana pudding. My only two complaints are you can't substitute, and the vegetables were a bit greasy for my taste, but they were so good. We probably will not go often but the next time we have an urge for chicken and waffles, I will eat lighter so I will have room for the banana pudding.



*Rita Henderson*



## Medicare Hack #38

# Medicare Enrollees Warned About Deceptive Marketing Schemes



Mailers designed to look like official government forms. Buses sporting scam pitches for Medicare websites. TV commercials featuring celebrities who encourage people to sign up for Medicare plans that do not always include their current doctors.

With Medicare's open enrollment underway through Dec. 7th, health experts are warning older adults about an uptick in misleading marketing tactics that might lead some to sign up for Medicare Advantage plans that do not cover their regular doctors or prescriptions and drive up out-of-pocket costs.



***It's a very complicated environment where people are receiving information from companies that are also selling them plans and it's important we find a way to protect and inform consumers.***

Business is booming in the Medicare Advantage plan marketplace, which offers privately run versions of the government's Medicare program for people who are 65 and older or have disabilities. Competition for customers is fierce, with insurers turning to marketing agencies in an

effort to help stick out among dozens of plans offered through the program.

Staff at the Centers for Medicare and Medicaid Services are on the trail. They are secretly shopping for plans by calling the numbers linked to some online, TV and newspaper ads placed by these marketing firms, according to an agency memo sent to insurers last month. Already, the operation has turned up insurance agents who were using inaccurate information to sell plans. In some cases, ads or agents have overstated the benefits that enrollees would get and the money they would save in the new plans.

The government agency, known as CMS, can issue warning letters and, in some cases, small civil fines for violations.

CMS is concerned about the marketing practices of all entities, including Third-Party Marketing organizations. The agency reported a spike in complaints last year around misleading Medicare Advantage ads, receiving nearly 40,000 compared to 15,000 in 2020. Data is not yet available for this year.

The Senate Finance Committee released an investigative report this past week showing that several states also reported an increase in complaints around deceptive marketing schemes in 2021.

In Arizona, for example, older adults received mailers resembling federal government tax forms that featured promises of bigger Social Security checks if they enrolled in a new Medicare Advantage plan. State officials also reported that a bus was designed to look like

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an official Medicare bus, but displayed an advertising link to an insurance company.

Nationwide TV ads, too, have misled some customers, the committee's report found. One ad, featuring a former NFL football player, failed to tell viewers that plans vary by ZIP code or that some providers will not be in network — meaning higher out-of-pocket costs for consumers — while promising to “add money back to your Social Security check.”

The committee surveyed 15 states regarding complaints about Medicare Advantage marketing, finding that 9 of 10 states that tracked such complaints saw an increase in reports from 2020 to 2021.

“It is unacceptable for this magnitude of fraudsters and scam artists to be running amok in Medicare and I will be working closely with CMS to ensure this dramatic increase in marketing complaints is addressed,” said the committee chairman, Sen. Ron Wyden, D-Ore.

In the memo last month, the government agency said it had reviewed thousands of complaints, finding “numerous issues.” It is also requiring that insurance agents and brokers record enrollment calls with clients so they can be reviewed if complaints are lodged. CMS said insurance companies are

responsible for the material published on their behalf by agents, brokers or marketing companies they contract with.

People who are enrolling in Medicare Advantage should ask brokers or agents how doctors, prescriptions and services, including dental or vision care, are covered by the plans they are selling. **Every state's plans differ and finding a FIDUCIARY Medicare Advisor should be #1 on every enrollee's list to navigate the enrollment process.**

## Need Help With Medicare?

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### Map to our NEW Scottsdale Office



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We're on the corner of  
Hayden & McCormick  
Ranch Parkway right beside  
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Crumbl Cookies

# Thanksgiving

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GRATITUDE  
GRAVY

GREEN BEANS  
HAM  
HARVEST  
NOVEMBER  
PARADE  
PIE  
PUMPKIN

SHARING  
STUFFING  
THANKSGIVING  
THURSDAY  
TURKEY



## November Quiz

### Question 1:

In which year was Thanksgiving first recognized?

- A. 1789
- B. 1922
- C. 1843

### Question 2:

What famous board game was introduced to the world on Nov 5th, 1935?

- A. Scrabble
- B. The Game Of Life
- C. Monopoly

**Question 3:** According to the Roman calendar, November was which month of the year?

- A. 2nd
- B. 9th
- C. 11th

## Answers for October

**Question 1:** How many pounds of Candy Corn are produced each year?

**C. 35 Million**

**Question 2:** How much did Americans spend on Halloween in 2021?

**B. 10.14 Billion**

**Question 3:** What famous magician died on Halloween night?

**B. Harry Houdini**





## Social Security COLA

### What People Don't Know Could Lead To A Claiming Mistake

There's nothing quite like a whopping **8.7% Social Security cost-of-living adjustment (COLA)** to get people tuned into the value of this program.

Advisors and individuals have been calling to ask about this largest COLA since 1980 (**14.3%**) and 1981 (**11.2%**). Ever since the first hints of a possible double-digit COLA surfaced this summer, people have been anxious that they'll miss out if they haven't already claimed benefits.

The key to understanding Social Security when a person hasn't yet claimed is how COLAs are applied between ages 63 and 70. Let's look at how to connect those dots when it comes to COLA.



#### HOW IT WORKS

It's quite distressing to hear people are willing to upend their retirement income plans to ensure they get this year's COLA. Claiming earlier than planned is a problem. Individuals should not risk their overall plan for short-term assumed gain.

Individuals over age 62 who haven't yet claimed

will not miss out on the COLA.

**COLAs, including the 2023 COLA, automatically apply each year after one's "official" primary insurance amount (PIA) is calculated at age 62. Individuals do not need to claim early to get the benefits of the annual COLA.**

#### What's Driving So Much Anxiety?

As retirement gets closer, people want the most they can get from Social Security. Those who haven't claimed have a case of FOMO (fear of missing out).

The best steps future enrollees can take is to address the issues that may be causing anxiety. We've had a pile-up this year:

- Inflation still running high
- Market unsettled, showing few signs of stabilizing
- Mortgage rates up; housing starts down
- COVID persists
- Hurricanes and wildfires more extreme than ever

#### SO, REMEMBER THIS....

If you are seriously considering claiming several years earlier than planned — all because you want in on the high COLA, **DON'T**. You do not have to claim early to get the win here. Social Security benefits are calculated to include any COLAs, regardless of when you decide to claim. In fact, Social Security applies all COLAs by simple accumulation between ages 63 and 70 for those waiting to claim.

## Medicare Supplement Rates

### Lowest Medicare Supplement Rates

### For 85258 Maricopa County

Gender	Age	Plan	Carrier	Premium*
Female	65	G	Amerigroup (Anthem)	\$115.52
Male	65	G	Amerigroup (Anthem)	\$124.74
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	Aetna	\$91.80
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 11/01/2022

## Interest Rates

### Highest CDs and Share Rates

### Highest National Rates

Duration	Institution	Yield to Maturity*
1 year	Banesto USA	4.30%
2 year	Sallie Mae	4.35%
3 year	Sallie Mae	4.50%
4 year	First Internet Bk	4.33%
5 year	Sallie Mae	4.55%

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 11/01/2022

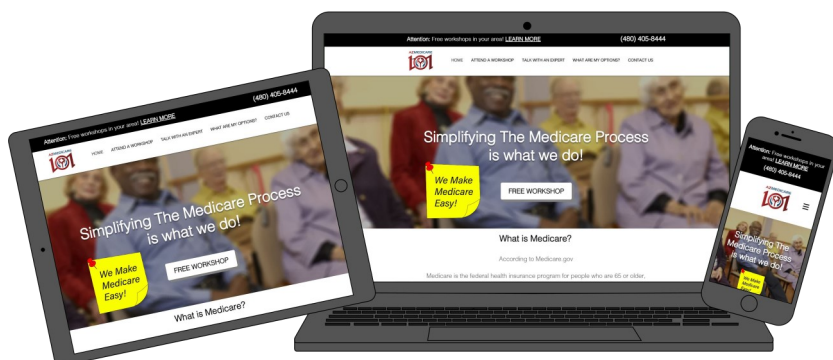
## Highest Fixed Annuity Rates

### Highest Arizona Rates

Duration	Institution	Yield to Maturity*
3 year	CL Life	5.10%
4 year	Nassau Life	5.05%
5 year	Ohio State Life	5.65%
7 year	Ohio State Life	5.55%
10 year	Nex10 Life	5.50%

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 11/01/2022

Visit us Online at  
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1 Hour Presentation - Everything you need to know about Medicare. We explain how Medicare works and what you can expect before you choose!

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### Online Workshop

Thursday, November 17th  
5:30pm to 6:30pm

### Online Workshop

Saturday, November 19th  
11:30am to 12:30pm

### Online Workshop

Monday, November 21st  
1:30pm to 2:30pm

**Workshops Are For  
Entire State Of Arizona**

*“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*







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