MARTIN INSURANCE GROUP, LLP

CLIENT NEWS & ADVISORY

4th QUARTER - 2022 ISSUE

LAST QUARTER OF THE YEAR & HOLIDAYS ARE UPON US!

Soon thereafter comes INCOME TAX Season. What can we do to cut our 2022 income taxes all while we SAVE for our RETIREMENT? It is never too late to start planning & acting on it.

Hello Everyone & May You be Blessed with a Happy Holiday Season!

CAN YOU BELIEVE IT? Seems that time is flying by faster than ever before. We live in a highly technological fast-paced world that is quickly becoming a global world, filled with many economic forthcoming challenges. Is this the new normal? The wise will get ready because unfortunately, there are too many things that are beyond our "individual" control, which lead us to ask, "what **IS** within our reasonable control?"

For starters, we all know what our current age is and that per IRS, Medicare and Social Security, the current normal FULL retirement age for those born after 1954 is sixty-seven. This means you will be eligible for your first FULL social security check the "first of the month" after you turn 67. The amount of your SSI check will depend on you meeting the minimum "40" credits requirements and your income history during your working life. Of course, for disability and survivors' benefits, young people may need fewer credits to be eligible. You can find out what your estimated monthly benefit will be by going online to www.socialsecurity.gov/estimator and obtain a personalized benefit statement. Once you begin receiving benefits, the government may annually approve an annual cost of living adjustments, in fact Social Security just announced **an 8.7% COL for 2023**.

The takeaway is that YES, if you are an average working individual that has earned the 40 credits, you can anticipate a social security check, BUT "the bigger question" is can we live on this amount of money and continue our pre-retirement lifestyle? The answer is "maybe," but mostly likely NOT, especially since the value of the U.S. dollar, is shrinking, which translates into how much less we will be able to buy with it in 5, 10, 15 years. This means it is up to each one of us to begin preparing by initiating individual action to assure we have another source of income to help sustain ourselves through our later years. This is where forward thinking and good planning comes in. One basic way to start is by sitting down with your life partner/spouse and start making a list of our MUST have expenditures, like food, shelter, basic living needs, medicines, health insurance because as we age, we will need health insurance more than ever before. Once we qualify (at age 65), we can enroll on Medicare, but unfortunately Medicare does NOT pay for everything. For instance, it only covers 80% after we first meet our Part A & Part B deductibles. Plus, Medicare does NOT cover out of hospital prescription drugs. This is why majority of retirees purchase a Medicare supplement or advantage plan on top of Basic Medicare coverage. The point is, we need to go through our monthly expenditures to see which ones we can cut back on or live without so we can "afford" to retire when the time comes. Remember, the tradeoff is having more "free time and less stress" in our lives in retirement. Many of us may want to stay active and/or work part time. This is an option, the point is that our current full-time paycheck will end, but our overall living expenses will likely not by much. If we are prudent & want an affordable & less stress retirement life, act now.

Once we have a realistic dollar amount, we will need to live on, we can promptly adjust our budgets and start "saving, investing and planning" now, to have any chance of meeting our retirement goals. For example, if you work for an employer that offers a matching 401(k)n plan, jump on it now! If you do not, then consider starting an Individual Retirement Account, known as an IRA. You can put up to $6,000 per person or $12,000 per married filing jointly under a qualified IRA, which lets you take a tax deduction on your income taxes. (If you are over 50, it goes up to $6,500 / $13,000), which means you "defer" your due income taxes each year until the point that you begin withdrawing money out of your IRA account. In other words, you only pay taxes on the amount you withdraw annually based on your then income tax bracket. Lower tax bracket equals lower taxes. In the interim, your money is earning interest and accumulating funds to help you supplement your retirement when the time comes to retire. Another option is a ROTH IRA that can be set up with after-tax dollars, so that upon withdrawing your money, you do not pay income taxes on the interest earned over those years. These are easy to set up, little paperwork and no annual government reporting other than disclosing on your income tax return that you set one up. Other options, could be non-qualified annuities, setting up an individual brokerage accounts for the stock market, municipal bonds, corporate bonds, treasury bonds etc.

Depending on your individual needs and your risk-taking tolerance, the options are many. Our experiences have been that most individuals feel more comfortable allowing trained investment professionals to manage the risks for them through "managed" funds. A good example is a 401(k) plan where the money managers move your funds from fund to fund in ways that help grow your money. In the 401(k) world, the most popular fund accounts are called "Target Fund" accounts. You decide what year you wish to retire, and the money managers invest your funds into accounts that grow safely, but get you as close as possible to your retirement goals. Of course, the higher your contributions, the higher your earnings.

Understanding investing can get confusing, but if you have a good idea of how much you are going to need, you can get there in other SAFER and SECURE ways. For example, you can purchase a life insurance policy that will guarantee you an Interest Rate. You can select a policy with a guaranteed interest rate or one with a fluctuating rate based on stock market etc. In short, your monthly premium is split into two parts, one that helps accumulate cash values which SUPPLEMENT your retirement dollars and one to pay the death benefit to your family. A few examples are Whole Life, Universal Life and Variable Life. We have found that the UL Life plans called Wealth Accumulation Life Policies, work great because they address the FOUR most crucial factors all-in-one. Your death, your retirement, your surviving beneficiaries, and your Long-Term Care needs. Keep in mind that a bank CD or savings account is better than no savings, but savings account are designed to achieve one goal while a Qualified IRA and a Wealth Accumulation Life type-policy is primarily designed to accumulate retirement dollars, but they require a longer duration investment, and only work if you stick to it. My advice, start with small contributions and build from there, as no one else is going to do it for us.

WHAT ELSE WILL WE NEED FOR RETIREMENT?

- **A Medicare Supplement or Advantage Plan, as well as a Prescription Drug plan**.
- **Life insurance** is something you should ALREADY have, but it is never too late to purchase one. Unfortunately, you do have to be reasonably healthy to qualify for one, so act now while you are younger and healthier. **Your surviving dependents will need your help more than ever.**
- **Long Term Care** policies can get expensive, so the younger you are when you apply, the lesser the costs. Medicare does NOT pay for long term custodial care and prices for nursing homes run between $3,500 to $6,500+per month in this part of the country. **How would you pay for this?**
- **Update your Will.** There are advantages and disadvantages to having a straight Will, while others may be better served with what is called a Revocable or a Non-Revocable Living Trust. Although we can help educate and guide you in this area, we are not licensed attorneys, so as true professionals, we will refer you to area Board Certified Estate Lawyers that will better meet those legal needs. In any case, be specific of your final wishes. Be clear as to who gets what and how much because you do not want to break up a family over a few dollars or items you left behind for individuals to start quarreling about. Unfortunately, this happens as I have personally seen with now deceased friends and relatives.
- **Get educated on**: Federal Estate Tax, Capital Gains Tax, Gift Tax, GST-Generation Skipping Transfer Tax, Inheritance Tax. Your best answers will come from a Board-Certified Estate Lawyer.
- **Ask questions and do some research on-line**: The better you understand what is coming as part of retirement, the better off you will be. Call us, your trusted insurance professionals, call your banker or attend a community college evening class condensed into 4 to 6-weeks. Most importantly, DO NOT WAIT because no one else is going to do it for you. Hopefully, you have already started, but if you are "10 to 12" years away from turning 65, you should double up on your savings. Full retirement age is 67,

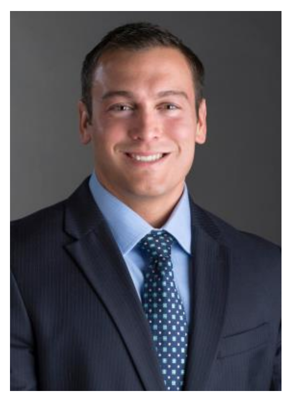
which is when we will receive our full social security check. Some individuals opt to retire earlier & accept a reduced SSI check amount at age 62 but the longer you wait, SSI increases your benefit in increments each year until it caps at 70. There is no right or wrong time to start, it just depends on you.

HOW LONG WILL YOUR MONEY NEED TO LAST DEPENDS ON HOW LONG YOU LIVE? Independent studies tell us that you may live to be 85, 90 or even 100 years old. We have a health care system and medications that can prolong our lives more than ever before. While this is good news, the potentiality of you running out of money goes up. This fact further affirms the NEED to save and plan for retirement. Below is an interesting chart that will make you "think" about some realties, depending on where you fall on the chart:

CURRENT AGE	LIFE EXPECTANCY	
	Male	Female
At Birth	75.6	80.6
40	78.0	82.0
45	78.5	82.3
50	79.1	82.8
60	81.0	84.1
65	82.3	85.0
70	83.9	86.2
75	85.7	87.6
80	88.0	89.5

The BIG Question is: How long will you live and how much money will you need during your retirement years to keep up with all your inflationary living expenses? Who truly knows, but waiting is clearly NOT the answer. **DISCLOSURES:** Everyone's needs will differ, but at the end of the day, if we are fortunate to live to retirement age, we will all need sufficient funds to help us live an enjoyable and decent retirement life. Planning ahead is the KEY. What matters and means the most to you in your life? What do you want your legacy to be? My personal advice is what are you waiting for, do it! . **Our team is most grateful for the privilege to with and for you! Please know we are never further away than your phone, call us at 210-236-9821.**

Ted Michael Martin, MPA, LUTFC, RHU, REBC, CLU
Founder & President



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