Financial Focus

WEALTH MANAGEMENT AND RETIREMENT INCOME PLANNING

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Notable Quote

"A fool thinks himself to be wise, but a wise man knows himself to be a fool."

- William Shakespeare

MARKETS WILL TUMBLE

As you may know, there has been a lot of volatility in the markets in recent months with more likely to come. Please don't lose focus or panic. Economic fundamentals appear to be intact… but anything can happen.

Market corrections are normal and should be expected. Geo-political events are always occurring and could be a driving factor that cause markets to drop, but remember that we (at least most of us) are invested for the long-term rather than the short-term. Being in retirement doesn't necessarily preclude you from investing in stocks, unless you can afford to live on what you have, and at today's interest rates that can be difficult.

I don't like seeing my accounts go down in value any more than you but trying to predict when that will or won't happen can be extremely difficult if not impossible.

When I started in this business 25 years ago, we were taught that stocks were risky but you balance risk with high grade bonds (US Treasuries or CDs being the safest with guarantees). Today, I'd say be careful with that.

Use caution before moving to bonds for safety. Yes, they can be safer, but remember 2008? Even some AAA rated insurance agencies backing debentures were downgraded to junk status. If we have a difficult economy and your bonds are insured, I question if the insurance companies will be able to cover bonds that might default.

And US treasuries… supposedly one of the safest holdings you can own. If our country has a major hiccup and our economy spins out of control for a prolonged period, consider how that could affect the US's ability to repay debt. The question remains of how much more the US national debt can handle before confidence in the US dollar wanes. National debt is now about 22 trillion (and growing). In 2018, Director of National Intelligence Dan Coats listed the debt as a national security concern in a hearing before the Senate Intelligence Committee. "This situation is unsustainable as I think we all know and represents a dire threat to our economic and national security," Coats said.

What about CD's backed by the FDIC? Again, the US government is a backstop when they deplete their insurance fund similar to what happened in '08 and '09.

If your holdings are insured or guaranteed, remember to ask what is backing those assets and how secure they will be if the economy tanks. And if you're thinking precious metals for safety you may hear about on TV… I addressed my thoughts on that in an earlier newsletter.

Think about this for a moment… if quality corporations were not able to turn a profit then their stocks will likely fall. If these corporations could not recover then where would that leave us? I think our problems would be greater than owning stocks or about anything else for that matter. All I am saying is look at the big picture.

Keeping some cash on the sidelines to take advantage of downturns can be wise. There are times to keep more and times to keep less.

If our nation exercises fiscal responsibility, then I continue to believe we can recover from market downturns. Nonetheless, you should be comfortable with what you own and if you're not then let's discuss ways to make that happen. Whether it be moving to other types of asset classes other than stocks or anything else, you should have confidence.

Our government still has things to work through and I pray common sense prevails. Almost all investments will have volatility. If you find it difficult to stay invested for the long-term when volatility occurs, please let me know now so we can reposition your holdings. As always, feel free to reach out if I can be of help.

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6 Surprising Things Medicare Doesn't Cover

According to recently published retiree healthcare cost estimates,[1] a 65-year-old couple in 2018 can expect to pay $280,000 in healthcare costs in retirement. That's a 75% increase over the 2002 estimate of $160,000. As healthcare costs continue to rise faster than the rate of inflation,[2] many retirees find themselves facing unanticipated costs that Medicare doesn't cover. That's why factoring healthcare costs into your retirement planning is so important. While Medicare Parts A and B ("original Medicare") cover about 80% of certain healthcare costs in retirement, including hospitalization and doctors' visits, you're responsible for covering the remaining 20%, which can add up quickly. Also, keep in mind that Medicare does not cover some of the highest costs retirees may incur in retirement – long-term care and nursing home costs. However, beyond these big-ticket items are a range of healthcare services that many people are surprised to learn are not covered by Medicare.

Medicare Parts A and B ("regular Medicare") doesn't cover:

1. **Outpatient prescription drugs.** However, you can purchase a separate Part D prescription-drug policy or a Medicare Advantage plan that covers both medical and drug costs. (Some retiree health-care policies cover prescription drugs, too.)

2. **Dental care,** including routine dental visits, teeth cleanings, fillings, dentures or most tooth extractions. Some Medicare Advantage plans cover basic cleanings and x-rays, but they generally have an annual coverage cap.

3. **Routine eye exams, glasses and contact lenses.** Exceptions include an annual eye exam if you have diabetes or eyeglasses after having certain kinds of cataract surgery. Some Medicare Advantage plans provide vision coverage, or you may be able to buy a separate supplemental policy that provides vision care alone or includes both dental and vision care.

4. **Routine hearing exams and hearing aids,** which can cost several thousand dollars. Some Medicare Advantage plans cover hearing aids and fitting exams, and some discount programs provide lower-cost hearing aids.

5. **Medical costs incurred outside the U.S.,** except in very limited circumstances. Some Medicare Advantage plans cover emergency care abroad and certain Medigap plans cover up to 80% of services received outside of the U.S.

6. **Long-term care** services, including assisted living, home health aides, institutional and nursing home costs. The national median cost for assisted living is roughly $45,000 per year, while the average annual cost of a private room in a nursing home is $97,000. But keep in mind, costs can vary greatly by state and region.

While this is not a complete list of items and services that are not covered under original Medicare, it does provide insight into how health care costs can add up to hundreds of thousands of dollars over the course of 25 or 30 years in retirement.

[1]https://www.fidelity.com/about-fidelity/employer-services/a-couple-retiring-in-2018-would-need-estimated-280000
[2]http://fortune.com/2018/02/15/healthcare-prices/
[3]https://www.medicare.gov/what-medicare-covers/not-covered/item-and-services-not-covered-by-part-a-and-b.html

IRA Contribution Reminder

If you are planning to contribute to your IRA for tax year 2018 and are eligible, please know contributions are due by 04/15/2019.

Today's IRA accounts offer more options than ever before, which allow the IRA to better reflect your individual needs. If you have not yet funded your 2018 contribution, I encourage you to consider doing so if it fits within your financial planning.

In case of processing delays, please take care of this in advance of April 15th. As always, contact me if you have questions regarding eligibility or if I can be of assistance in helping you select which IRA best meets your needs.