The Retirement Income Store®

NEWS

March 2022 – Vol. IV, Issue III

TheRetirementIncomeStore.com

SOCIAL SECURITY
WHAT'S NEW FOR 2022

Every year seems to bring changes and adjustments to the Social Security program. And of course, this year is no exception. Changes for 2022 include a higher taxable wage cap and the biggest cost of living increase since the 1980s. What they don't include, however, is an approved plan to help protect the program for the future.

This year, more than 64 million people will see their benefits increase by almost 6%. And of course, that sounds wonderful on the surface. But remember that the current inflation rate is 7% and it may go higher. Even with the big increase, Social Security still isn't keeping pace with inflation.

And historically, it never really has. The Senior Citizens League, which is an advocacy group, estimates that the average Social Security benefit has lost almost a third of its buying power since the turn of the century. And it gets worse. The increase is negated by increased premiums for Medicare Part B coverage.[1] In 2022, the Medicare Part B premiums are set to rise by 14.5%, one of the biggest jumps in the program's history.

All of this highlights the importance of accurately trying to prepare for the long-term effects of inflation in your overall retirement income strategy. One of the keys to accomplish this is trying to maximize your Social Security benefits.

That begins with the crucial decision of when to start taking these benefits. As you know, you can start taking your Social Security benefits between age 62 and 70. But to get your full benefits, you need to wait until your normal retirement age (NRA) or full retirement age (FRA) to start collecting.

Solvency

For years, analysts have agreed that shoring up Social Security for the future requires drastic action. So far, no action has been taken. Social Security benefits are getting paid from two trust funds, the Old-Age and Survivors Insurance Trust Fund (OASI) and the Disability Insurance Trust Fund (DI). Both funds are expected to be depleted by 2034.[2] That's 12 years away. According to the Social Security Administration's 2021 report, retirement benefits will be paid on schedule until 2033. After that, if the fund is allowed to run dry, only 76% of the scheduled benefits will be paid after 2033. To avoid this, Congress will have to make changes to replenish the fund.

Hopefully, it happens, but the problem itself highlights that today, more than ever, the responsibility of securing your financial future through more reliable income is up to you.

1. https://seniorsleague.org/2021-retirement-survey/
2. https://www.ssa.gov/policy/trust-funds-summary.html

UNDERSTANDING MEDICARE

Since 1965, the Medicare insurance program has helped cover healthcare costs for millions in the U.S. In fact, Medicare now provides coverage to over 60 million Americans, the majority of them over age 65.[1] Although approximately 18% of the U.S. population receives Medicare benefits, many people don't feel as though they have a strong grasp on what the program is, what it provides, and who is eligible to receive it.

For many people, enrollment doesn't happen automatically, and missing certain deadlines can have a lifelong effect on what you pay for care. As you approach retirement, it's important to educate yourself about how Medicare works, and how and when to enroll.

Enrollment

You'll become automatically eligible for Medicare the day you turn 65 – but most people will still have to apply have to make sure they get coverage. People who are already receiving Social Security benefits before they turn 65 will be automatically enrolled in Medicare Part A and B. Everyone else needs to enroll online.

It's important to plan ahead, because there are limited windows in which you can apply for Medicare. Most people take advantage of the program's initial enrollment period. That period spans seven months, beginning three months before the month you turn 65 and ending three months after the month you turn 65. It's smart to apply for Medicare before you turn 65, as the enrollment process can take a few months to complete.

If you don't sign up during the initial enrollment period, you may face late-enrollment penalties, higher premiums, and gaps in your coverage.

Medicare Premiums

Contrary to what some people expect, Medicare won't cover all your healthcare costs. You'll still have premiums and copays, just as you would for private healthcare coverage. There are exceptions: Medicare's low-income program, Extra Help, covers a significant portion of prescription drug costs for people who qualify, while some states offer Medicare Savings Programs to help low-income people cover deductibles, premiums, and copays.

Medicare Parts A-D

The Medicare program is divided into several parts, which provide different kinds of coverage for different costs (or, in some cases, for no cost at all). Plans can differ in terms of cost, quality and coverage. To get full coverage, most people opt to enroll in Medicare Parts A, B, D, and Medigap coverage – or sign up for Medicare Part C, also known as Medicare Advantage, which is administered by private insurance companies. Before you make a choice, consider your current healthcare situation, your expected future needs, your financial situation, and any other relevant information.

Medigap Insurance

Medigap insurance, which is also known as Medicare supplemental insurance, exists to help fill in some holes in the Medicare program. Medigap insurance is purchased separately from Medicare, and it's offered by private insurance companies.

In summary, Medicare coverage varies based on where you live. Contact your healthcare provider to find out whether a specific service is covered.

PARTS OF MEDICARE

PART A	PART B	PART C	PART D
• Inpatient Hospital Care • Skilled Nursing Services • Hospice Care	• Doctor's Visits • Outpatient Hospital Services • Durable Medical Equipment	• Medicare Advantage (combines Part A & B) • May include Vision, Dental and Hearing	• Prescription Drugs

1. https://www.kff.org/medicare/issue-brief/an-overview-of-medicare/

DAVE'S CORNER

HOW COULD THE RUSSIA-UKRAINE CONFLICT AFFECT YOUR INVESTMENTS?

By David J. Scranton, CLU, ChFC®, CFP®, CFA®, MSFS, Founder of The Retirement Income Store®

The Russian hostilities in Ukraine could be the start of something much bigger: a geopolitical shift that plunges the world into a 21st-century version of the Cold War. But even if that's the case, the hard numbers suggest that the financial implications for prudent, diversified investors who live far from immediate danger zones may not be all that severe.

The Cold War was destructive and debilitating for vast populations, but it was an excellent period for stock investors. Even during recessions and regional wars, the Dow Jones Industrial Average turned in an outstanding performance.

More Trouble for a Troubled Market

Whether you call it a correction or a panic attack, a stock market that was already becoming shaky has been roiled by Russia's hostilities toward Ukraine.

The U.S. stock market has been stumbling since the beginning of the year. Now, Russia's escalating conflict with Ukraine is adding considerably to the market's problems.

While stocks often fall amid global turmoil, U.S. Treasury bonds tend to rally as investors seek havens to drive up their prices.

Bond prices and yields move in opposite directions, and because interest rates are rising, Treasuries have declined in value this year. But in a major stock downturn, they usually provide a short-term buffer for portfolios that contain them.

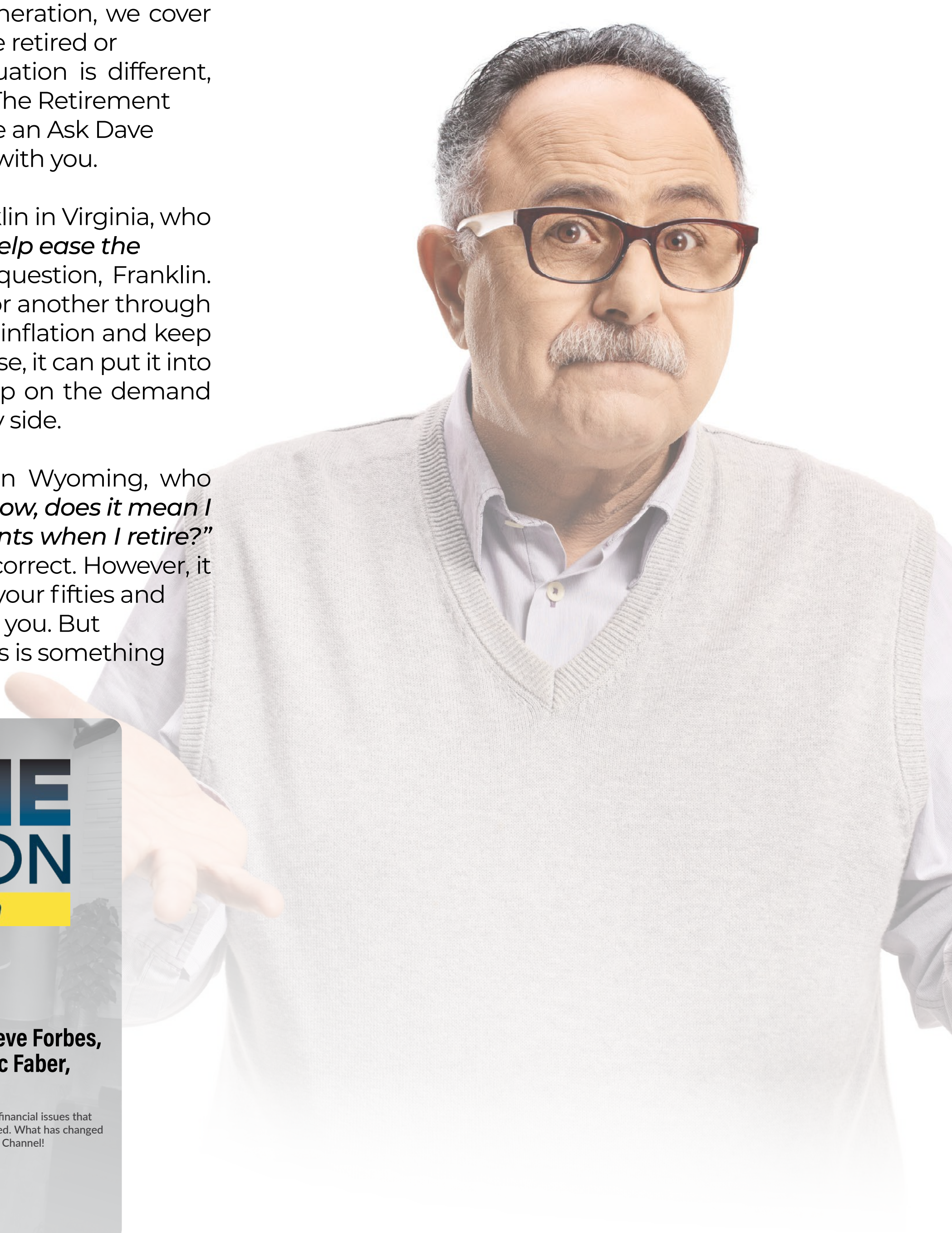
Since the beginning of the year, the market has been in a state of flux. The conflict between Russia and Ukraine will compound this. In Wall Street jargon, this means the S&P 500 is in a "correction," because its losses since January 3 have exceeded 10%. A 10% decline isn't that bad in itself, necessarily, but if the market keeps heading down, the next thing you know, you're down 20% and then by common agreement you're in a bear market and, maybe, worrying about a recession.

That said, for investors, it's worth remembering that since the stock market hit bottom in March 2020, the S&P 500 has risen over 114% through January 3. Compared with that stupendous increase, the market's decline since then has been inconsequential.

Each week on my show, The Income Generation, we cover topics that are important to those who are retired or nearing retirement. Since everyone's situation is different, viewers often have questions. That's why The Retirement Income Store's social media pages include an Ask Dave forum, which I'm glad to be able to share with you.

Our first question comes to us from Franklin in Virginia, who asks, ***"Will the Fed raising interest rates help ease the inflation problem?"*** Thank you for your question, Franklin. Yes, the Fed will fix the inflation one way or another through interest rate hikes. The fix can either stop inflation and keep the economy running healthy or worse case, it can put it into a recession. Raising interest rates will help on the demand side but will have no impact on the supply side.

Our next question comes from Becka in Wyoming, who asks, ***"If I pay more Social Security taxes now, does it mean I will be collecting higher monthly payments when I retire?"*** Thanks for your question, Becka. You are correct. However, it is all about timing and age. If you were in your fifties and paying higher FICA taxes, it would benefit you. But regardless of age, an increase in FICA taxes is something we all have to live with.



THE INCOME GENERATION
With David J. Scranton

Catch Up on Recent Shows Featuring Steve Forbes, Jim Rogers, Harry Dent, Ed Slott, Marc Faber, and Robert Kiyosaki!

For over 5 years, *The Income Generation with David Scranton* has tackled the financial issues that matter most to those who are retired or nearing retirement. That hasn't changed. What has changed is that we are now posting all of our weekly shows to our YouTube Channel!

Visit *The Income Generation Show's YouTube* channel to:

- Watch new episodes each Sunday at 10 AM EST
- Gain access to exclusive content, behind the scenes videos, and more
- Discover the best ways to help generate steady income in retirement