Financial Stewardship

Helping You Make Wise Financial Choices

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AFGFinancial

I am looking at potential candidates for a full-time Administrative Assistant / Paraplanner, if you know someone who is super detail-oriented, trustworthy and likes completing forms online using multiple sources, and is fun to work with, please let me know. The compensation includes a health sharing benefit in addition to 401(k) matching and flexible hours. $100 gift card of your choice if you connect me to my new hire and we continue beyond the 90 day trial period.

Submit your FAFSA for the 2022-2023 school year if you will have a college student in your family next year.

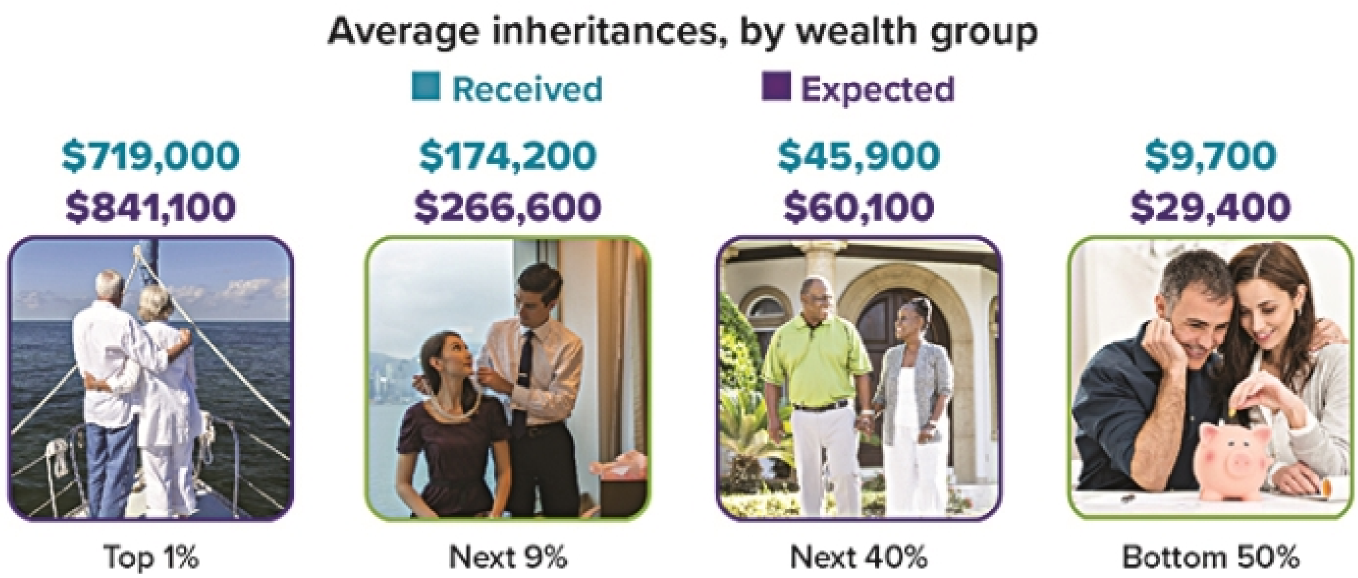
I should be headed home from Hawaii today, with lots of great pictures and new memories.

I enjoy being a resource and helping you. If your family or friends could benefit and be guided like you, please introduce us or share this newsletter with them.

If you would like prayer, please share your request with me.

Sizing Up Inheritances, Real and Imagined

According to the Federal Reserve's Survey of Consumer Finances, last taken in 2019, about one-fourth of U.S. families have received an inheritance, trust, or gift. The average inheritance received was $46,200, and the average inheritance expected in the future is $72,200. Wealthier households tend to inherit far greater amounts than those in lower wealth groups, and some members of younger generations may have unrealistic inheritance expectations.



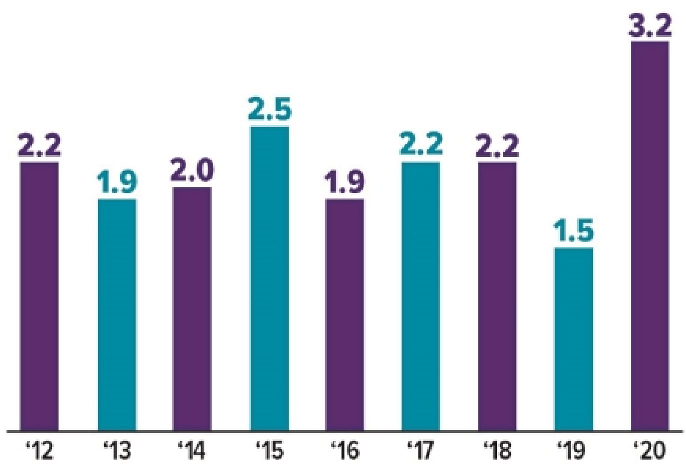
Source: Federal Reserve, 2020

Should You Speed Up Your Retirement Plans?

According to a March 2021 survey, an estimated 2.8 million Americans ages 55 and older decided to file for Social Security benefits earlier than they expected because of COVID-19. This was about double the 1.4 million people in the same age group who said they expected to work longer, presumably due to pandemic-related financial losses.[1]

Many older workers were pushed into retirement after losing their jobs, and others may have had health concerns. Still, it appears that work-related stress and the emotional toll of the pandemic caused a lot of people to rethink their priorities and their retirement timelines.

Annual increase in the number of retired baby boomers (in millions)



Source: Pew Research Center, 2020

How do you know if you can realistically afford to retire early? First and foremost, determine whether you will have enough income to support the lifestyle you envision. Instead of accumulating assets, you may have to start draining your life savings to cover living expenses. Here are four important factors to consider.

Lost Income and Savings

You may be sacrificing years of future earnings and contributions to your retirement accounts. For example, an early retiree who was making $80,000 per year would forgo about $400,000 of salary over five years or $800,000 over a decade, not counting cost-of-living or merit increases. The 10-year total rises to nearly $1 million when annual raises averaging just 3% are included.

If the same retiree could have contributed 5% of salary to an employer-sponsored retirement plan with a 100% match, he or she would also miss out on $8,000 in contributions in the first year, more than $40,000 over five years, and almost $100,000 over 10 years.

Debt and Other Financial Responsibilities

If you are still paying a mortgage, have other debts, or are supporting children or aging parents, you may not be ready to retire. Ideally, you should be free of "extra" financial responsibilities so you can focus on meeting your own living expenses without a regular paycheck.

Reduced Social Security Benefits

The earliest age you can file for Social Security is 62, but your benefit would be reduced to 70% or 75% of your full retirement benefit — for the rest of your life. So even if you do decide to retire, you might think about waiting to claim your benefit until you reach full retirement age (age 66 to 67, depending on the year you were born) or longer if you have enough income and/or savings to cover your expenses. For every year you wait past your full retirement age, your benefits will increase by 8% (up to age 70).

Higher Medical Costs

If you retire before you (or a spouse) become eligible for Medicare at age 65, you could lose access to an affordable employer-provided health plan. You can purchase health insurance through the Health Insurance Marketplace or a broker, but the age-based premiums are more expensive for older applicants. For two 60-year-olds with a household income of $100,000, the average premium for a silver Marketplace plan in 2021 is $708 per month ($8,500 per year), after subsidies. And if you seek medical treatment, you'll typically need to cover copays, deductibles, coinsurance, and some other expenses (up to the plan's out-of-pocket maximum).[2]

Even with Medicare, it's estimated that a married couple who retired at age 65 in 2020, with median prescription drug expenses, would need $270,000 to have a 90% chance of paying their health-care costs throughout retirement.[3]

The bottom line is that some people might be giving up more than they realize when they retire early. Before you say goodbye to the working world, be sure you have the resources to carry you through the next phase of your life.

1) U.S. Census Bureau, 2021

2) Kaiser Family Foundation, 2021

3) Employee Benefit Research Institute, 2020

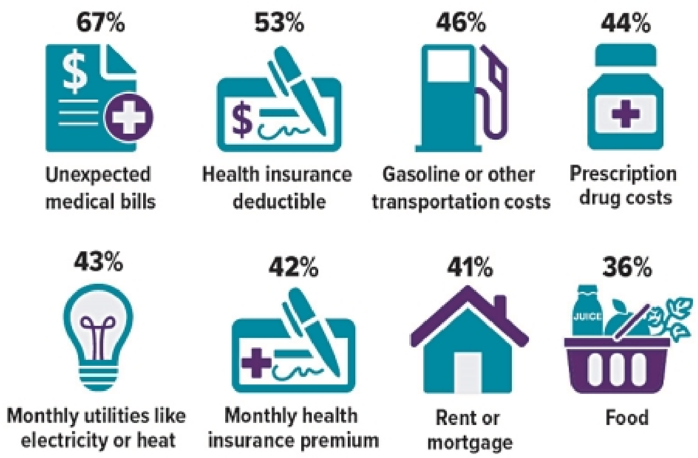
What a Relief! Congress Acts Against Surprise Medical Bills

If you have ever been caught off-guard by a large medical bill, a long-running practice known as balance billing might be the reason. A balance bill — which is the difference between an out-of-network provider's normal charges for a service and a lower rate reimbursed by insurance — can amount to thousands of dollars.

Many consumers are already aware that it usually costs less to seek care from in-network health providers, but that's not always possible in an emergency. Complicating matters, some hospitals and urgent-care facilities rely on physicians, ambulances, and laboratories that are not in the same network. In fact, a recent survey found that 18% of emergency room visits resulted in at least one surprise bill.[1]

Who's Afraid of High Health-Care Costs? Most People

Percent of surveyed adults who say they are worried about being able to afford the following expenses



Source: Kaiser Family Foundation and JAMA, 2020

Coming Soon: Comprehensive Protection

The No Surprises Act was included in the omnibus spending bill enacted by the federal government at the end of 2020. The new rules will help ensure that consumers do not receive unexpected bills from out-of-network providers they didn't choose or had no control over. Once the new law takes effect in 2022, patients will not receive balance bills for emergency care, or for nonemergency care at in-network hospitals, when they are unknowingly treated by out-of-network providers. (A few states already have laws that prevent balance billing unless the patient agrees to costlier out-of-network care ahead of time.)

Patients will be responsible only for the deductibles and copayment amounts that they would owe under the in-network terms of their insurance plans. Instead of charging patients, health providers will negotiate a fair price with insurers (and settle disputes with arbitration). This change applies to doctors, hospitals, and air ambulances — but not ground ambulances.

Consent to Pay More

Some patients purposely seek care from out-of-network health providers, such as a trusted family physician or a highly regarded specialist, when they believe the quality of care is worth the extra cost. In these nonemergency situations, physicians can still balance bill their patients. However, a good-faith cost estimate must be provided, and a consent form must be signed by the patient, at least 72 hours before treatment. Some types of providers are barred from seeking consent to balance bill for their services, including anesthesiologists, radiologists, pathologists, neonatologists, assistant surgeons, and laboratories.

Big Bills Will Keep Coming

The fact that millions of consumers could be saved from surprise medical bills is something to celebrate. Still, many people may struggle to cover their out-of-pocket health expenses, in some cases because they are uninsured, or simply due to high plan deductibles or rising costs in general. Covered workers enrolled in family coverage contributed $5,588, on average, toward the cost of premiums in 2020, with deductibles ranging from $2,700 to more than $4,500, depending on the type of plan.[2]

When arranging nonemergency surgery or other costly treatment, you may want to take your time choosing a doctor and a facility because charges can vary widely. Don't hesitate to ask for detailed estimates and try to negotiate a better price.

If you receive a bill that is higher than expected, don't assume it is set in stone. Check hospital bills closely for errors, check billing codes, and dispute charges that you think insurance should cover. If all else fails, offer to settle your account at a discount.

1-2) Kaiser Family Foundation, 2020

Smarter Spending on Deep-Discount Days

Unless you complete your holiday shopping before Halloween, you might be enticed by Black Friday and Cyber Monday deals. These tips may help you save time and money.

Create a budget. Before you start shopping, establish an overall budget. Make a list of gifts you will need to buy and decide exactly how much you can afford to spend on each person.

Beat the crowds. If you shop early in the season, items are more likely to be in stock and you may face fewer shipping delays. Sales often start well before Black Friday, so keep an eye out for special promotions at least a week or two ahead. Signing up for online or social media deal alerts can help.

Research pricing. Knowing whether a deal is truly good can be tricky, but many websites and phone apps are available that can help you compare items and prices as you shop.

Set up accounts. To complete purchases quickly, consider saving your information and shipping addresses on trusted online accounts with your favorite retailers. Make it a habit to search for promotional and coupon codes that you can use at checkout. Review shipping costs, too, to avoid paying more than you expect.

Track purchases. To help you stick with your budget, keep track of what you spend. If you're shopping with credit, try using one card for everything so you can quickly review your spending. A rewards card may give you cash back, points, or miles that you can redeem in the future, but watch out for high interest rates if you can't pay off the balance in full.

Holiday retail sales totaled $789.4 billion in 2020, rising 8.3% over 2019.
Source: National Retail Federation, 2021

Use cash. Consider using a debit card or cash for in-store purchases. Carrying only a predetermined amount of money in your wallet may help you avoid overspending.

Pay attention to the fine print. Retailers may have special policies in place for the holiday season. Knowing the time limits for exchanges or returns is especially important when you're shopping early. Ask for gift receipts and keep your own copies.

Watch out for exclusions. Promotional prices might be limited to certain items and may expire quickly, so understand the details.

Look for price guarantees. If you buy an item that later goes on sale, some retailers will refund the difference within certain time limits. Retailers may also match a competitor's price on an identical item (you may need to provide proof of the purchase).

Schedule an appointment