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Tune in to Jeffrey's podcast, *Financial Focus*, by visiting
http://financialconceptsmesquite.com/podcast/

Chicken Tacos

INGREDIENTS

- 1 lb skinless, boneless chicken breast halves, cut into bite size pieces
- 1 cup lemonade
- 2 tablespoons olive oil
- 1 tablespoon lime juice
- 1½ tablespoons Worcestershire sauce
- ½ teaspoon garlic powder
- ½ teaspoon onion powder
- 1 bay leaf
- 1 (12 ounce) package corn torillas
- 1 head lettuce, shredded
- 2 large tomatoes, chopped
- 1 (8 ounce) package shredded sharp Cheddar cheese
- 1 (8 ounce) jar salsa
- 1 (8 ounce) container sour cream

DIRECTIONS

1. | In a large skillet over medium heat, combine chicken, lemonade, olive oil, lime juice, and Worcestershire sauce. Season with garlic powder, onion powder, and bay leaf. Simmer until chicken is no longer pink, and juices run clear, 15 to 20 minutes.

2. | Meanwhile, warm the tortillas in the oven or microwave until soft. When the chicken is fully cooked, transfer to a serving bowl. Place lettuce, tomatoes, cheese, salsa, and sour cream in serving dishes. Each person can create their wrap, using their preferred ingredients.

https://www.allrecipes.com/recipe/37906/chicken-tacos/

Jeffrey Bird-RICP®

Financial
Focus

A Monthly Insight Into Your Finances

August 2021

Three Phases of Retirement

Retirement can last 20 to 30 years or more, so it may be helpful to consider it as a series of phases. Here are three phases that you might pass through on your retirement journey, and some questions to ask along the way.

The Transition

Some people leave work one day and begin a well-defined retirement lifestyle the next, but it is more likely that there will be a transition period that could last months or years.

> **Will you continue some type of work after leaving your regular job?** Almost three out of four workers expect to work for pay during retirement, but only 30% of retirees report actually doing so.1 Many part-time jobs are poorly paid, and retirees may take them more to keep busy than for the money. On the other hand, if you can take on higher-paid work in your profession as a consultant, or phase out gradually from your regular job, it could help strengthen your financial position later in retirement.

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Living in a Bubble

When the parrotfish settles in for a good night's rest, it activates special glands in the gills to secrete a mucus bubble around itself. Scientists have long debated why the parrotfish does this, postulating that it may lower the chances of being eaten by eels or act as a kind of fishy sunscreen.

https://listverse.com/2019/06/22/10-absurd-sleep-habits-of-wild-animals/

Three Phases of Retirement...

The Transition

When will you claim Social Security benefits? Though many people tap into Social Security when they lose a regular paycheck, it may be beneficial to wait, depending on your age and other resources. Claiming before reaching your full Social Security retirement age (66 to 67, depending on birth year) will result in a permanently reduce benefit, while delaying past full retirement age will increase your benefit by 8% per year up to age 70.

How much will you withdraw from your retirement savings? You are not required to make withdrawals from traditional IRAs and employer-sponsored retirement plans until age 72 (70 1/2 if born before July 1,1949), and you are never required to make withdrawals from Roth accounts you own or from taxable accounts. If you or your spouse are still earning incoming, you may not need to make withdrawals (or might make smaller withdrawals) in order to help preserve your savings. On the other hand, this may be the ideal time to spend money on travel and other items on your bucket list.

How will you replace employer-based medical coverage? If you retire before age 65, you may need to purchase medical insurance through the Health Insurance Marketplace. If you are 65 or older, you will be eligible for Medicare, but keep in mind that Medicare has substantial out-of-pocket costs. A 65-year-old couple who retired in 2020 might need $270,000 to pay for medical expenses in retirement, assuming median prescription drug expenses.[2] Also consider that a younger spouse who has received insurance through your employer plan may need to purchase private insurance until he or she is eligible for Medicare.

Fully Retired

In this phase, you are no longer working and have more free time than ever before. But you are living on a fixed income.

Where will you live? This might be the time to decide whether to stay in your home and "age in place," or move in order to downsize, be closer to children or grandchildren, live in a warmer climate, and/or join other seniors in a retirement community. If you own your home outright, staying put could be a solid financial decision, but the other options might offer a more satisfying lifestyle. Buying a less-expensive home could boost your savings.

Do you need to change your spending or withdrawal strategy? By this time, you should have a clearer picture of how much you need to find your retirement lifestyle. If you had income from work during the transition stage, you may have to dip deeper into savings now or cut back on spending. Required minimum distributions, which are fully taxable, combined with Social Security income could result in a higher income tax liability. You may want to make estimated tax payments or have taxes withheld from your Social Security payments and/or retirement plan withdrawals.

The Long Run

In this phase, you may be slowing down and settling into a simpler lifestyle.

Do you have a plan for long-term care? About 70% of retirees will need long-term care services at some point — typically in their later years — and almost half will receive paid care.[3] Many will receive unpaid care from family members, which can be stressful for the family. Although it's not pleasant to imagine needing long-term care, it's important to prepare for the possibility and have a plan in place.

Do you want to leave a legacy? You should have basic estate planning documents long before you retire, but this might be the time to decide if you want to leave a charitable bequest. You might also consider whether you want to provide gifts from your estate to your children or grandchildren during your lifetime or wait to do so through your will.

1) https://www.ebri.org/docs/default-source/rcs/2019-rcs/2019-rcs-short-report.pdf?sfvrsn=85543f2f_4

2) https://www.ssa.gov/oact/quickcalc/early_late.html

3) https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions

4) https://www.aarp.org/content/dam/aarp/ppi/2020/06/medicare-beneficiaries-out-of-pocket-spending.doi.10.26419-2Fppi.00105.001.pdf 5) https://www.ebri.org/docs/default-source/fast-facts/ff-356-savingstargets-25jun20.pdf?sfvrsn=4d873d2f_4

6) https://aspe.hhs.gov/basic-report/what-lifetime-risk-needing-and-receiving-long-term-services-and-supports

Is the Medicare Donut Hole Really Closed?

You may have heard that the coverage gap for Medicare Part D prescription drug coverage — commonly known as the donut hole — closed in 2020. While it's true that recent changes should reduce costs for many beneficiaries, the coverage gap still exists, and costs for some prescriptions may increase in the gap.

Here's an overview of the four stages of Medicare Part D prescription drug coverage and how prices can vary in the coverage gap. Note that this does not apply to prescription drug coverage offered through Medicare Advantage (Part C) plans.

Stage 1 — Deductible. Most Part D plans have an annual deductible that cannot exceed $445 in 2021. You pay the full negotiated price for your prescriptions until you meet the deductible.

Stage 2 — Coverage. After you meet the deductible, your plan covers part of the cost of your prescriptions. With the standard Medicare model, you would pay 25% of the cost and the plan would pay 75%. However, few plans follow the standard model. Most have varying copays or coinsurance for drugs at different "tiers" — for example, progressively higher copays for generics, preferred brand-name drugs, non-preferred brand-name drugs, and very high-cost drugs. This coverage continues until spending by you and your plan reaches the initial coverage limit ($4,130 in 2021, including the deductible).

Stage 3 — Coverage gap. When you exceed the initial coverage limit, you enter the coverage gap (donut hole). In this stage, you pay 25% of the negotiated retail price for all prescriptions. For generic drugs, your plan pays the other 75%; for brand-name drugs, the drug company pays 70% and your plan pays 5%.

If your plan follows the standard Medicare model in which you pay 25% of the cost of all prescriptions, you would see no difference in the coverage gap, so the donut hole would be effectively closed. However, because most plans have different copays or coinsurance for different types of drugs, the 25% of retail price that you pay in the coverage gap may be higher or lower than what you pay during the coverage stage. It could be substantially higher for very high-cost drugs. The good news is that you remain in the coverage gap only until you reach the out-of-pocket spending limit, which is $6,550 in 2021. This includes your out-of-pocket expenses (deductible, copays, and coinsurance) and the 70% paid on your behalf by drug companies; it does not include payments by your plan.

Stage 4 — Catastrophic coverage. After you reach the out-of-pocket spending limit, you pay a relatively small amount per prescription for the rest of the year: the greater of 5% of the plan's negotiated retail price or a flat fee ($3.70 for generics, $9.20 for all other drugs in 2021).
For additional information on Medicare Part D drug coverage, see medicare.gov/drug-coverage-part-d.