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Mission Statement:

To have a positive impact on the lives of our clients and their families by applying conservative financial planning principals, unique strategies and always exceptional service.

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Life Insurance with Long-Term Care Benefits
Social Security: Shoring Up America's Safety Net

What are the warning signs of financial scams targeting older individuals?

Have you checked your tax withholding lately?



Rod's Notes

Wrapping up a busy summer

August was a very busy month around here. With a personal trip, a training trip and a national conference along with regular business, it was busy indeed. Looking forward to not going anywhere anytime soon.

We helped Rachel move into her dorm at Cal Baptist last Saturday. And Sara starts her first class for her doctorate program, also at Cal Baptist, today. Lora and I enjoyed having the girls home over the summer.

I hope you all enjoyed your summer. We love hearing about your trips and seeing pictures.

Changes coming

I attended the LPL National Conference in San Diego recently. At the conference, they rolled out some exciting technology that will have a positive impact on our Chamberlin & Associates client family. We are excited to begin implementing over the next several months. Stay tuned for updates and workshops.

Talking Points

1. Legendary investor Warren Buffet once said that if he were stuck on a desert island and could only be given one number to know how the economy was doing, he would pick rail traffic. - *Rasmussen Report, August 20, 2019*
2. The share of Americans between ages 25 and 29 with a bachelor's degree rose to 37% in 2018 from 29% in 2000. - *Pew Research Center, February 14, 2019*
3. "The main dangers in this life are the people who want to change everything- or nothing." - *Nancy Astor*
4. Africa is very near to being polio free. The last recorded case was in August of 2016, and if no more incidences occur in the coming months, the entire continent can be declared free of polio in 2020. - *The Guardian, August 21, 2019*
5. Boeing sold zero new 737 Max jets for the fifth straight month. The jet-maker, however, still has a backlog of 4,600 orders left to fill. - *CNBC, August 13, 2019*
6. Four decades ago, the average time you had to escape a house fire, from the moment your smoke alarm went off, was 17 minutes. Today, it's three minutes or less. Despite fire codes and building regulations, modern homes just burn faster. - *Curiosity, October 17, 2017*
7. "If things were simple, word would have gotten around." - *Jacques Derrida*



Life Insurance with Long-Term Care Benefits

If you are concerned about the high costs of long-term care but don't want to purchase traditional long-term care (LTC) insurance, you might consider two strategies that combine permanent life insurance coverage with long-term care benefits.

Keep in mind that any payouts for covered LTC expenses reduce (and are usually limited to) the life insurance death benefit that would go to your heirs, and benefits can be much less than those of a traditional long-term care policy.

Accelerated death benefit (ADB) rider

An ADB rider attached to a permanent life insurance policy allows the insured to begin receiving benefits while he or she is still living, under specific circumstances.

In the past, ADB riders only paid when a policyholder was diagnosed with a terminal illness. However, more insurers now offer riders that start paying when a policyholder is diagnosed with a chronic illness, is permanently disabled, or needs to enter a nursing home.

Although some policies may include an ADB rider at little or no cost, ADB riders are generally optional and will increase the premium.

Hybrid life—LTC policy

This type of policy combines permanent life insurance and long-term care coverage. Many such policies require a substantial up-front premium, but buyers don't have to worry about future rate increases or the issuer canceling the policy.

For the same premium, a hybrid policy typically has a smaller death benefit than a life policy with an ADB rider. However, the LTC coverage is more generous than an ADB rider.

Benefits under a hybrid policy typically begin when the policyholder needs help with two or more activities of daily living such as eating, bathing, and dressing.

With an optional continuation-of-benefits rider, payouts for covered LTC expenses could continue for a specified period or your lifetime, even if they exceed the death benefit.

Financial flexibility

Another advantage of these strategies is that policyholders can tap into the cash value of the permanent life policy during retirement if money is needed for income or emergencies. Loans and withdrawals will reduce the policy's cash value and death benefit.

Other considerations

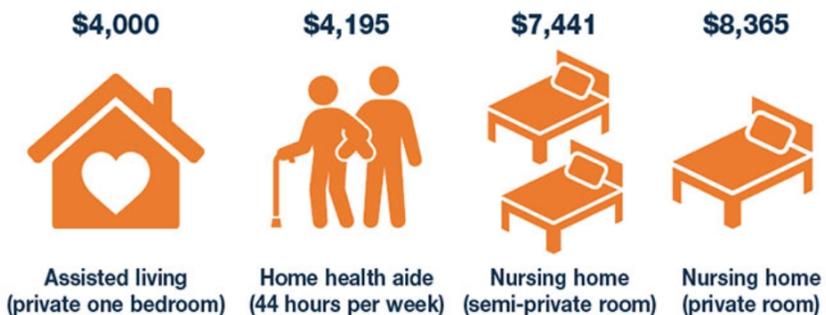
It would be wise to explore your LTC options while you are healthy. If you consider a life insurance policy with an ADB rider or a hybrid life-LTC policy, you should have a need for life insurance and evaluate the policy on its merits as life insurance.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. In addition to the life insurance premiums, other costs include mortality and expense charges. If a policy is surrendered prematurely, there may be surrender charges and income tax implications.

Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company. Riders are subject to the contractual terms, conditions, and limitations outlined in the policy, and may not benefit all individuals.

Cost of Care

Long-term care costs vary widely by state and the type of care. Here are national median monthly costs for 2018.



Source: Genworth Cost of Care Survey, 2018

Social Security: Shoring Up America's Safety Net



Future projections

In 2019, the trustees of Social Security reported that the Old-Age and Survivors Insurance (OASI) trust fund is projected to run out in 2034. At that time, payroll tax revenue alone would be sufficient to pay 77% of scheduled benefits.

Ever since a legal secretary named Ida May Fuller received the first Social Security retirement check in 1940, Americans have been counting on Social Security to provide much-needed retirement income. For many older Americans, Social Security is their main source of guaranteed retirement income — income that continues throughout their lifetimes and is indexed for inflation every year (in 2019, the cost-of-living adjustment, or COLA, was 2.8%).

Social Security provides more than just retirement income, though. It also provides disability and survivor insurance benefits. About 62 million people — more than one in six U.S. residents — collected some type of Social Security benefit in 2018, with approximately 80% of these recipients receiving Social Security retirement or survivor benefits.¹

How Social Security works

Social Security is a pay-as-you-go system, which means that payments from current workers (in the form of payroll taxes) fund benefits for current beneficiaries. The payroll tax rate for Social Security is 12.4%, with 6.2% paid by the employee and 6.2% paid by the employer (self-employed individuals pay the entire 12.4%). These payroll taxes are deposited into the Old-Age and Survivors Insurance (OASI) trust fund (for retirement and survivor benefits) and the Disability Insurance (DI) trust fund (for disability payments).

Because of demographic and economic factors, including higher retirement rates and lower birth rates, there will be fewer workers per beneficiary over the long term, worsening the strain on the trust funds. This year, the trustees of Social Security reported that the OASI trust fund is projected to run out in 2034. After that, payroll tax revenue alone would be sufficient to pay 77% of scheduled benefits.

Ideas for reform

There has been little national consensus by policymakers on how to deal with Social Security's looming demographic challenges. Meaningful reform will require broad bipartisan support, and the trustees have urged Congress to address Social Security's challenges sooner rather than later, so that solutions will be less drastic and can be implemented gradually, lessening the impact on the public.

Some Social Security reform proposals on the table include:

- Raising the current Social Security payroll tax rate — according to the 2019 trustees report, an immediate and permanent payroll tax increase to 15.1% (up from the current 12.4%) would be necessary to address the

long-range revenue shortfall (16.05% if the increase started in 2035)

- Raising or eliminating the ceiling on wages currently subject to Social Security payroll taxes (\$132,900 in 2019)
- Raising the full retirement age beyond the currently scheduled age of 67 (for anyone born in 1960 or later)
- Reducing future benefits — to address the long-term revenue shortfall, the trustees have noted that scheduled benefits would have to be immediately and permanently reduced by about 17% for all current and future beneficiaries, or by approximately 20% if reductions were applied only to those who initially become eligible for benefits in 2019 or later
- Changing the formula that is used to calculate benefits
- Changing the formula that is used to calculate the annual cost-of-living adjustment for benefits

Understand your retirement benefits

The amount you'll receive from Social Security is based on the number of years you've worked, the amount you've earned over your lifetime, and the age when you file for benefits. Your benefit is calculated using a formula that takes into account your 35 highest earnings years, but you don't need to work for that long to qualify for retirement benefits. Generally, you need to have earned a minimum of 40 work credits, which is about 10 years of work in a job covered by Social Security. If you haven't worked long enough to qualify on your own, you may qualify for spousal benefits based on your spouse's work record. A spousal benefit claimed at your full retirement age is generally equal to 50% of the primary worker's full benefit.

You can get an estimate of your future Social Security retirement benefits by visiting the Social Security website at ssa.gov and using the Retirement Estimator tool or by viewing your Social Security Statement. Your personalized statement contains a detailed record of your earnings history, as well as estimates of the retirement, survivor, and disability benefits you can expect at different ages. To view your statement online, you'll first need to register. If you haven't registered online, you'll receive your Social Security Statement in the mail every year if you are age 60 or older and not yet receiving benefits.

¹ Top Ten Facts About Social Security, Center on Budget and Policy Priorities, August 14, 2018

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What are the warning signs of financial scams targeting older individuals?

If you or someone you know has been targeted by a scam artist who is trying to steal money or personal

information, you're not alone. According to the Senate Special Committee on Aging, older Americans lose an estimated \$2.9 billion annually to fraud and exploitation, a number that is probably substantially underreported.¹

Most scams start with a call, an email, a text, or an official-looking letter that appears to be from a government agency or a legitimate company. Sometimes the scam artist will go door-to-door soliciting business or donations to charity.

Scam artists are very good at gaining the trust of well-meaning people by convincingly impersonating someone authoritative, knowledgeable, or trustworthy — such as an IRS agent, a tech repair person, or even a relative. They play on your sympathy or make convincing threats to pressure you to go along with a scam. "Send money or provide personal information right now," they say, "if you want to help someone or prevent something bad from happening." Here are some typical scenarios.

- **IRS scam:** "You owe back taxes and penalties. Send payment immediately via a wire transfer, or you will be arrested."
- **Sweepstakes scam:** "Congratulations, you've won a prize! To collect it, provide us with your bank account number so we can deposit a check."
- **Grandparent scam:** "Hi Grandma, it's me. Don't you recognize my voice? I've been in an accident and need money for car repairs. Send gift cards, and don't tell anyone because I'm embarrassed."
- **Home repair scam:** "I was just doing some work down the street for your neighbor, Bob, and I saw that you need some shingles replaced. I can do that for half the price I usually charge if you pay me in cash today."

If you are targeted, never give out personal information or send money. You don't need to make a quick decision. Call a friend, a relative, or the police for advice. Report the scam immediately to a fraud hotline such as the Senate Committee's toll-free hotline, (855) 303-9470.

¹ U.S Senate Special Committee on Aging, 2019



Have you checked your tax withholding lately?

If you were unpleasantly surprised by the amount of tax you owed or the amount of your tax refund when you filed your 2018 tax return, it may be time to check your withholding.

It may also be time if there are changes in your life or financial situation that affect your tax liability. For example, have you recently married, divorced, had a child, purchased a new home, changed jobs, or had a change in the amount of your taxable income not subject to withholding (e.g., capital gains)?

You can generally change the amount of federal tax you have withheld from your paycheck by giving a new Form W-4 to your employer. You can use a number of worksheets for the Form W-4 or the IRS Withholding Calculator (available at [irs.gov](#)) to help you plan your tax withholding strategy.

If changes reduce the number of allowances you are permitted to claim or your marital status changes from married to single, you must give your employer a new Form W-4 within 10 days. You can generally submit a new Form W-4 whenever you wish to change your withholding allowances for any other reason.

In general, you can claim various withholding allowances on the Form W-4 based on your tax filing status and the tax credits, itemized deductions (or any additional standard deduction for age or blindness), and adjustments to income that you expect to claim. You might increase the tax withheld or claim fewer allowances if you have a large amount of nonwage income. (If you have a significant amount of nonwage income, you might also consider making estimated tax payments using IRS Form 1040-ES.) The amount withheld can also be adjusted to reflect that you have more than one job at a time and whether you and your spouse both work. You might reduce the amount of tax withheld by increasing the amount of allowances you claim (to the extent permissible) on the Form W-4.

You can claim exemption from withholding for the current year if: (1) for the prior year, you were entitled to a refund of all federal income tax withheld because you had no tax liability; and (2) for the current year, you expect a refund of all federal income tax withheld because you expect to have no tax liability.