OAKCREST INSIGHT

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RETIREMENT SEEN THROUGH YOUR EYES

How do you picture your future? Some see retirement as a time to start a new career. Others see it as a time to travel. Still others plan to spend more time with family and friends. With that in mind, here are some things to consider.

What do you absolutely need to accomplish? If you could only get four or five things done in retirement, what would they be? Answering this question might lead you to compile a "short list" of life goals, and while they may have nothing to do with money, the financial decisions you make may be integral to pursuing them.

What would revitalize you? Some people retire with no particular goals at all. After weeks or months of respite, ambition may return. They start to think about what pursuits or adventures they could embark on to make these years special. Others have known for decades what dreams they will follow ... and yet, when the time to follow them arrives, those dreams may unfold differently than anticipated and may even be supplanted by new ones.

In retirement, time is really your most valuable asset. With more free time and opportunity for reflection, you might find your old dreams giving way to new ones.

Who should you share your time with? Here is another profound choice you get to make in retirement. The quick answer to this question for many retirees would be "family." Today, we have nuclear families, blended families, extended families; some people think of their friends or their employees as family.

How much do you anticipate spending? We can't control all retirement expenses, but we can manage some of them. The thought of downsizing your home may have crossed your mind. One benefit of downsizing is that it can potentially lead to no mortgage or a more manageable mortgage payment.

Could you leave a legacy? Many of us would like to give our kids or grandkids a good start in life, but leaving an inheritance can be trickier than many realize. Tax laws are constantly changing, and the strategies that worked years ago may have more limited benefits today.

Keep in mind this article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax or legal professional before modifying any part of your overall estate strategy.

How are you preparing for retirement? This is the most important question of all. If you feel you need to prepare more for the future or reexamine your existing strategy in light of recent changes in your life, conferring with a financial professional experienced in retirement approaches may offer some guidance.

RETURNS (AS OF 10/31/22)

ASSET CLASS	INDEX	4 WEEK	YTD	1 YEAR	3 YEAR
US Large Cap	S&P 500 TR	7.99%	-18.76%	-15.92%	8.43%
US Large Cap	Dow Jones TR	13.95%	-9.92%	-8.62%	6.57%
US Small Cap	Russell 2000 TR	10.94%	-17.75%	-19.60%	5.73%
International	MSCI EAFE NR USD	5.33%	-25.09%	-25.07%	-3.63%
Taxable Bonds	Barclays US Agg Bond TR	-1.28%	-15.48%	-15.55%	-3.75%

MUTUAL FUNDS VS. ETFS

The growth of exchange-traded funds (ETFs) has been explosive. In 2005, there were less than 500; by the latter half of 2021, there were over 8,000 investing in a wide range of stocks, bonds, and other securities and instruments.[1]

At first glance, ETFs have a lot in common with mutual funds. Both offer shares in a pool of investments designed to pursue a specific investment goal. And both manage costs and may offer some degree of diversification, depending on their investment objective. Diversification is an approach to help manage investment risk. It does not eliminate the risk of loss if security prices decline.

Structural Differences

Mutual funds accumulate a pool of money that is then invested to pursue the objectives stated in the fund's prospectus. The resulting collection of stocks, bonds, and other securities is professionally managed by an investment company.

ETFs work in reverse. An investment company creates a new company, into which it moves a block of shares to pursue a specific investment objective. For example, an investment company may move a block of shares to track the performance of the Standard & Poor's 500. The investment company then sells shares in this new company.[2]

ETFs trade like stocks and are listed on stock exchanges and sold by broker-dealers. Mutual funds, on the other hand, are not listed on stock exchanges and can be bought and sold through a variety of other channels — including financial professionals, brokerage firms, and directly from fund companies.

The price of an ETF is determined continuously throughout the day. It fluctuates based on investor interest in the security and may trade at a "premium" or a "discount" to the underlying assets that comprise the ETF. Most mutual funds are priced at the end of the trading day. So, no matter when you buy a share during the trading day, its price will be determined when most U.S. stock exchanges typically close.

Tax Differences

There are tax differences, as well. Since most mutual funds are allowed to trade securities, the fund may incur a capital gain or loss and generate dividend or interest income for its shareholders. With an ETF, you may only owe taxes on any capital gains when you sell the security. (An ETF also may distribute a capital gain if the makeup of the underlying assets is adjusted).[3]

Determining whether an ETF or a mutual fund is appropriate for your portfolio may require an in-depth knowledge of how both investments operate. In fact, you may benefit from including both investment tools in your portfolio.

Amounts in mutual funds and ETFs are subject to fluctuation in value and market risk. Shares, when redeemed, may be worth more or less than their original cost.

Mutual funds and exchange-traded funds are sold only by prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.

Citations

1. ETFGI.com, 2021

2. The Standard & Poor's 500 Composite Index is an unmanaged index that is generally considered representative of the U.S. stock market. Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index.

3. Investopedia.com, 2022

THE A, B, C, & D OF MEDICARE

Breaking down the basics.

Whether your 65th birthday is on the horizon or decades away, understanding the different parts of Medicare is critical, as this government-sponsored program may play a role in your future health care decisions.

Parts A & B: Original Medicare. There are two components. In general, Part A covers inpatient hospital care, skilled nursing facility costs, hospice, lab tests, surgery, and some home health care services. One thing to keep in mind is that, while very few beneficiaries must pay Part A premiums out of pocket, annually adjusted standard deductibles still apply.[1,2]

Many pre-retirees are frequently warned that Medicare will only cover a maximum of 100 days of nursing home care (provided certain conditions are met). Part A is the one with these provisions. Under the current Part A rules, you would pay $0 for days 1-20 of care in a skilled nursing facility (SNF). During days 21-100, a $200 daily coinsurance payment may be required of you.[1,2]

Knowing the limitations of Part A, some people look for other choices when it comes to managing the costs of extended care.

Part B covers physicians' fees, outpatient hospital care, certain home health services, durable medical equipment, and other offerings not covered by Medicare Part A.[2]

Part B does come with some costs, however, which are adjusted annually. The premiums vary, according to the Medicare recipient's income level, but the standard monthly premium amount is $164.90, and the yearly deductible is $226 for 2023.[2]

Part C: Medicare Advantage plans. Sometimes called "Medicare Part C," Medicare Advantage (MA) plans are often viewed as an all-in-one alternative to Original Medicare. MA plans are offered by private companies approved by the federal government. Although these plans come with standardized minimum coverage, the amount of additional protection offered can differ drastically from one person to the next. This is due to unique provider networks, premiums, copays, coinsurance, and out-of-pocket spending limits. In other words, comparing prices and services offered from different vendors may be the best way to find a Medicare Advantage plan that works for you.[3]

Part D: Prescription drug plans. While Medicare Advantage plans often offer prescription drug coverage, insurers also sell federally standardized Medicare Part D plans as a standalone product to those with Medicare Part A and/or Part B. Every Part D plan has its own list (i.e., a "formulary") of covered medications. Visit Medicare.gov to explore the formulary of approved drugs for your Part D plan as well as their prices, organized by tier.[3,4]

In fact, Medicare.gov is a great place to start all your research. Once there, you'll find answers to your most common questions and more information on the different Medicare plans offered in your area.

Citations

1. CMS.gov, 2022
2. Medicare.gov, 2022
3. Medicare.gov, 2022
4. Medicare.gov, 2022

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