# Breed's Hill Newsletter

Planning Your Financial Future

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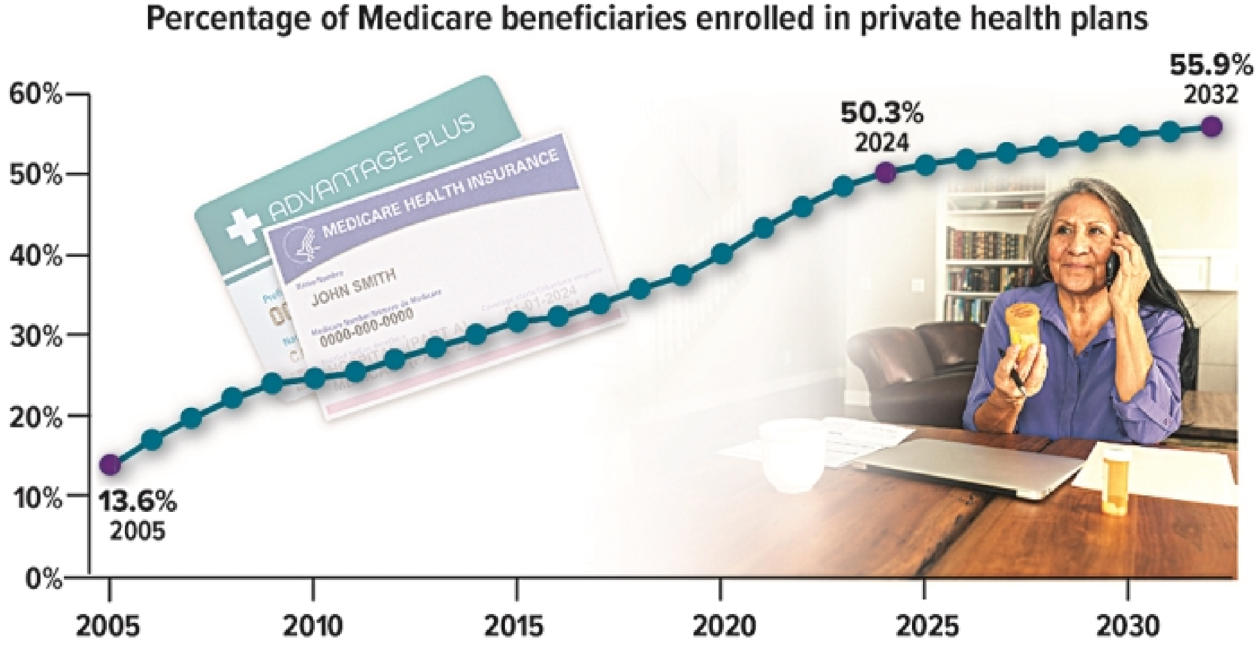
## Rising Enrollment in Medicare Advantage Plans

The percentage of Medicare beneficiaries enrolled in private Medicare Advantage (MA) plans has risen steadily since 2005, when higher payments from Medicare to private health insurers enabled them to offer more attractive plans to consumers. About half of Medicare beneficiaries are projected to be enrolled in private plans in 2024, with growth slowing in succeeding years. MA plans can help reduce out-of-pocket expenses and might cover services not covered by Medicare, but they often have limited networks and may require approval to cover certain medications and services.




Sources: 2023 Medicare Trustees Report (data projected for 2023 to 2032); 2013 Medicare Trustees Report

# Do You Have These Key Estate Planning Documents?

Estate planning is the process of managing and preserving your assets while you are alive, and conserving and controlling their distribution after your death. There are four key estate planning documents almost everyone should have regardless of age, health, or wealth. They are: a durable power of attorney, advance medical directive(s), a will, and a letter of instruction.

## Durable power of attorney

Incapacity can happen to anyone at any time, but your risk generally increases as you grow older. Consider what would happen if, for example, you were unable to make decisions or conduct your own affairs. Failing to plan may mean a court would have to appoint a guardian, and the guardian might make decisions that would be different from what you would have wanted.

A durable power of attorney (DPOA) enables you to authorize a family member or other trusted individual to make financial decisions or transact business on your behalf, even if you become incapacitated. The designated individual can do things like pay everyday expenses, collect benefits, watch over your investments, and file taxes.

There are two types of DPOAs: (1) an *immediate* DPOA, which is effective at once (this may be appropriate, for example, if you face a serious operation or illness), and (2) a *springing* DPOA, which is not effective unless you become incapacitated.

## Advance medical directive(s)

An advance medical directive lets others know what forms of medical treatment you prefer and enables you to designate someone to make medical decisions for you in the event you can't express your own wishes. If you don't have an advance medical directive, health-care providers could use unwanted treatments and procedures to prolong your life at any cost.

There are three types of advance medical directives. Each state allows only a certain type (or types). You may find that one, two, or all three types are necessary to carry out all of your wishes for medical treatment.

- A living will is a document that specifies the types of medical treatment you would want, or not want, in a particular situation. In most states, a living will takes effect only under certain circumstances, such as a terminal illness or injury. Generally, one can be used solely to decline medical treatment that "serves only to postpone the moment of death."
- A health-care proxy lets one or more family members or other trusted individuals make medical decisions for you. You decide how much power your representative will or won't have.
- A do-not-resuscitate (DNR) order is a legal form, signed by both you and your doctor, that gives health-care professionals permission to carry out your wishes.

## Will

A will is quite often the cornerstone of an estate plan. It is a formal, legal document that directs how your property is to be distributed when you die. Your will should generally be written, signed by you, and witnessed. If you don't leave a will, disbursements will be made according to state law, which might not be what you would want.

There are a couple of other important purposes for a will. It allows you to name an executor to carry out your wishes, as specified in the will, and a guardian for your minor children.

Most wills have to be filed with the probate court. The executor collects assets, pays debts and taxes owed, and distributes any remaining property to the rightful heirs. The rules vary from state to state, but in some states smaller estates are exempt from probate or qualify for an expedited process.

## Letter of instruction

A letter of instruction is an informal, nonlegal document that generally accompanies a will and is used to express your personal thoughts and directions regarding what is in the will (or about other things, such as your burial wishes or where to locate other documents). This can be the most helpful document you leave for your family members and your executor.

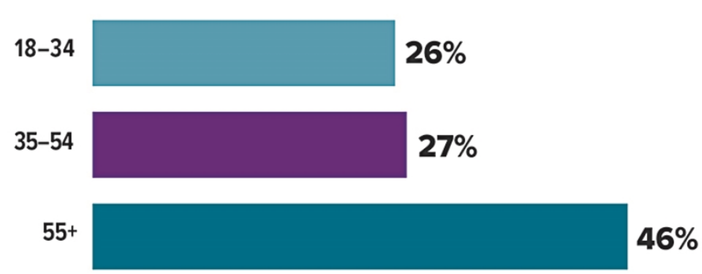
Unlike your will, a letter of instruction remains private. Therefore, it is an opportunity to say the things you would rather not make public.

A letter of instruction is not a substitute for a will. Any directions you include in the letter are only suggestions and are not binding. The people to whom you address the letter may follow or disregard any instructions.

## Take steps now

Life is unpredictable. So take steps now, while you can, to have the proper documents in place to ensure that your wishes are carried out.

### Percentage of Americans with a will, by age group




Source: Caring.com, 2023

# Understanding Life Insurance

Your most valuable asset may be your ability to earn an income. Over the course of your lifetime, you could earn several million dollars — money that helps support you and your family. If something happened to you, how would your family replace your lost income? Life insurance can help replace your income when needed at your death. However, with the wide variety of policies available, it's important that you understand some of the basic types of life insurance coverage.

## Term Life Insurance

With a term policy, you get "pure" life insurance coverage. Term insurance provides a death benefit for a specific period of time. If you die during the coverage period, your beneficiary (the person you named to collect the insurance proceeds) receives the death benefit (the face amount of the policy). If you live past the term period, your coverage ends, and you may get nothing back. Term insurance is available for periods ranging from one year to 30 years or more. You may be able to renew the policy for a new term without regard to your health, but at a higher premium. As you get older, the chance that you will die increases. For this reason, premiums generally increase as you get older. However, some term life insurance can be purchased for a fixed amount of death benefit, at a level premium, for a specified number of years. Most term insurance also has a conversion feature that allows you to switch your coverage to some type of permanent insurance without answering health questions.

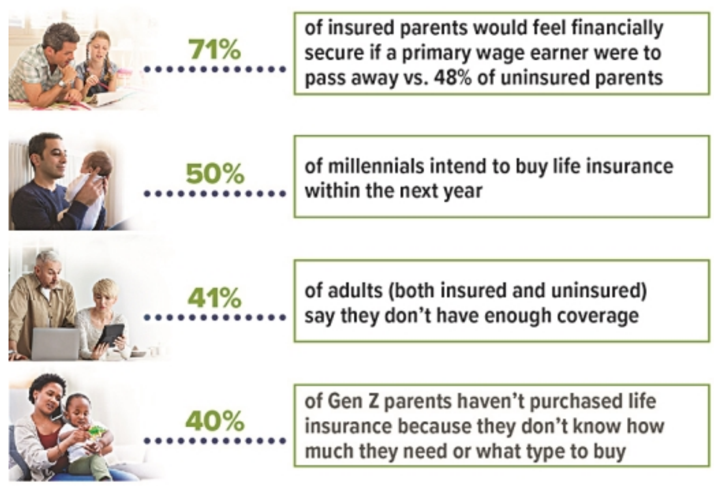
## Whole Life Insurance

Whole life insurance is a type of permanent insurance or cash value insurance. Unlike term insurance, which provides coverage for a particular period of time, permanent insurance provides coverage for your entire life, as long as you pay the premiums. When you make premium payments, you pay more than is needed to pay for the current costs of insurance coverage and expenses. The excess payment is credited to a cash value account. This cash value account allows the insurance company to charge a level premium and to provide a death benefit and cash value throughout the life of the policy. The cash value grows tax deferred and can be directly accessed through a partial or complete surrender of the policy, or through policy loans. It is important to note, however, that a policy loan or partial surrender will reduce the policy's death benefit, and a complete surrender will terminate coverage altogether.

## Universal Life Insurance

Universal life is another type of permanent life insurance with a death benefit and a cash value account. Unlike traditional whole life, universal life insurance allows you flexibility in making premium payments. Universal life insurance policy premiums may be adjusted upward or downward within policy guidelines. Reducing or increasing premiums will impact the growth of the cash value component and possibly the death benefit. Some universal life policies also allow you to choose a level or increasing death benefit. Be aware, though, that if you want to raise the amount of coverage, you'll need to go through the insurability process again, probably including a new medical exam, and your premiums will increase.

### Strong Interest in Life Insurance




Source: 2023 Insurance Barometer Study, Life Happens and LIMRA

*The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. There are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. Any guarantees are subject to the financial strength and claims-paying ability of the insurance issuer. Loans and withdrawals will reduce the policy's cash value and death benefit, could increase the chance that the policy will lapse, and might result in a tax liability if the policy terminates before the death of the insured. Additional out-of-pocket payments may be needed if actual dividends or investment returns decrease, if you withdraw policy cash values, if you take out a loan, or if current charges increase.*

# Don't Forget About Credit When Planning for Retirement

As you plan for retirement, you might not give credit a second thought, especially if your plan includes paying off your mortgage and other debts, and relying more on cash than credit. But retirement could last many years, and your need for credit doesn't necessarily disappear on your last day of work. At some point you may want to buy a second home, move to a retirement community, take out a home equity loan, or buy a vehicle; it's also possible you will face an unexpected expense. Keeping your credit healthy may help you qualify for a lower interest rate or better terms on a loan or credit card, or if a credit check is involved, even help you land a part-time job or obtain a better deal on auto insurance.

When it comes to getting credit, it's not growing older that matters — lenders can't deny a credit application based solely on age. The factors that affect your ability to get credit are the same as for younger people and include your debt-to-income ratio (DTI) and your credit score.

Lenders use your DTI to measure your ability to repay money you borrow. This ratio is calculated by totaling your monthly debt payments then dividing that figure by your gross monthly income. For example, if your retirement income totals $6,000 and your debt payments total $2,000, your DTI is 33%. What's considered a good DTI will vary, depending on lender requirements and loan type, but lenders generally look for a DTI of 43% or less.[1]

If there's a reasonable chance you'll be applying for credit after you retire, consider what your DTI might be as you evaluate your retirement income needs or decide which debts to pay off. And think carefully about taking on new debt obligations, including co-signing a loan for a family member.

Another major factor lenders consider is your credit score. Retirement doesn't automatically affect your score, because credit reports only reflect your history of borrowing and repaying money, not your employment status or your salary. The three things that count the most toward your score are your payment history, the amount you owe on credit cards (including the percentage of available credit you're using), and the length of your credit history.[2] So continue to make credit card or loan payments on time (consider setting up autopay or reminders), aim to use no more than 10% to 30% of your credit limits, and consider the possible negative impact of closing accounts that you've had for years but no longer use.

Another way to help keep your credit healthy throughout retirement is to check your credit report regularly to spot errors or fraudulent transactions. You can order free copies of your credit report from Equifax, Experian, and TransUnion at the official site AnnualCreditReport.com.

1–2) Experian, 2023