THE ROAD TO RETIREMENT

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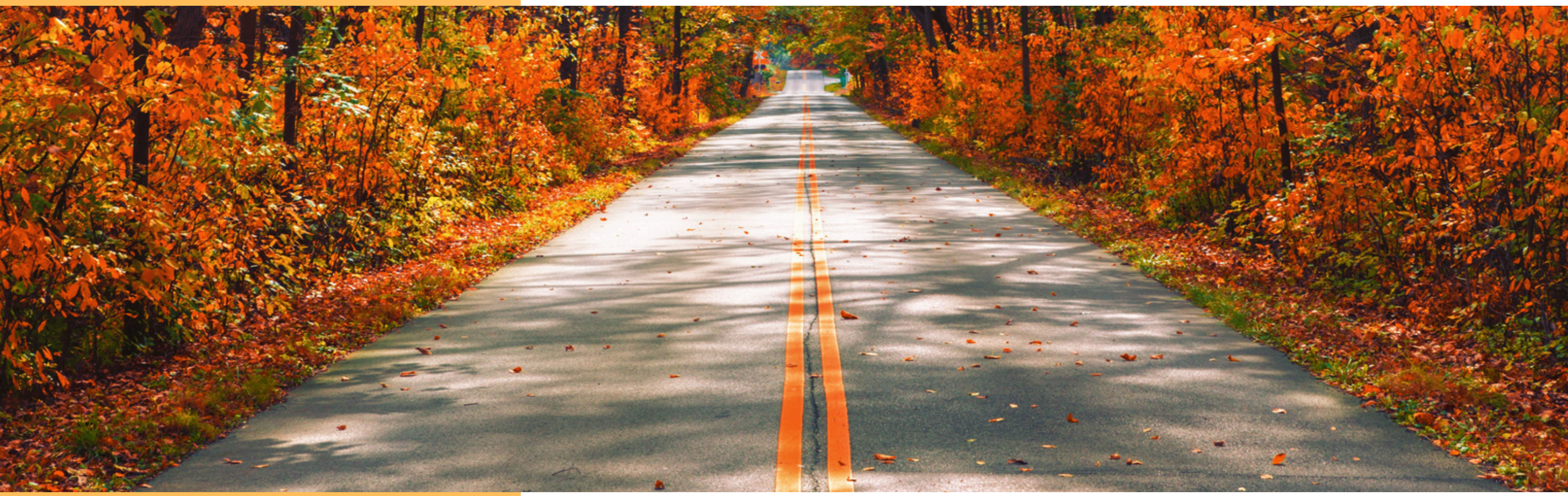
OUR QUARTERLY GUIDE TO EVERY MILEPOST, JUNCTION, AND LANDMARK ON YOUR ROAD TO RETIREMENT.



THIS ISSUE

WHAT'S ON OUR MINDS THIS MONTH

As you know, this is the time of year that ghosts and goblins, skeletons and superheroes come out to say, "Trick or Treat!" It's a time for hauntings and scary movies; for black cats and things that go bump in the night.

But there's something else that rears its frightening head around this time of year. No, I'm not talking about Frankenstein's monster. I'm talking, of course, about:

FREAKY FINANCIAL MISTAKES

In this issue of *The Road to Retirement*, we will cover three common mistakes that people are vulnerable to make with their finances, all of which can affect their retirement planning. Fortunately, you don't need a clove of garlic or some silver to ward off these ghouls — and you don't need to fear them either. All that's required is just a little planning and foresight.

Have a great month...and Happy Halloween!

WHAT'S AROUND THE BEND: FIGHTING FINANCIAL VAMPIRES

Have you seen the vampires lurking in the night? The image of a bloodthirsty creature that evades sunlight and drains the life force from its victims is probably what came to your mind. They are portrayed as cunning, mysterious, and deadly. They can appear charming, sophisticated, and gain your trust enough that you let your guard down.

Thankfully, these vampires are entirely fictional, so there's no real threat. However, there's another type of vampire that is very real – and it'll sink its teeth into your funds.

I'm talking about the *financial* vampire.

Similar to those creatures of the night, these vampires are prowling, waiting for you to make a mistake. Hiding just out of sight every time you reach for your wallet. You may not even notice them, invisible, as they quietly drain your accounts.

What is a *financial vampire?* It's an individual or habit that gradually drains your financial resources. I've gathered a list of a few types of financial vampires you should look out for. Some may not apply to you; others, you may have already encountered.

1. The forgotten vampire. This one represents paying for unused memberships and subscriptions. This could be a non-committal subscription box that you're sure you can cancel at any time. Or a "sign up now and get a bonus 3-months free!" streaming service. There's nothing wrong with having a subscription, but it's easy for these "deals" to become deadweight as the services go unused or forgotten. Payments continue as the costs fade into the background.

2. The care-free vampire. This laid-back vampire represents overpaying for the ease of convenience paired with a lack of

QUOTES WE'VE BEEN THINKING ABOUT:

"Nothing in life is to be feared. It is only to be understood."

— MARIE CURIE

planning ahead. Overpaying for the same insurance instead of actively looking for better deals. Forgetting to prep snacks and instead buying them at the gas station for your kids' soccer game, or using food delivery apps which are always easier than making dinner. It's not that the purchases are unnecessary, but they still add up. Indulging in convenience sometimes comes at a higher cost than we think.

3. **The mini-vampire.** When we use credit cards but consistently only pay the minimum back each month, we become prey to this particular creature. There are many reasons people choose to only make minimum payments, but for the majority, this vampire represents delaying immediate pain, only to lead to greater pain later. Not only do people often end up paying a higher interest rate, but the payment terms will also feel truly "immortal," adding several years to pay off the debt, eating into savings and reducing our ability to invest for retirement.

4. **The trendy vampire.** Keeping up with the Joneses is a common way people get into debt. The trendy vampire represents our desire to be socially accepted or envied. Outside influences like social media often pressure us to seek the perfect status update. This, in turn, can drive spending habits far past our financial limits, no matter what our net worth. The result? We spend and spend on things we don't need — or even really want — and save very little for the goals we truly care about most.

5. **The impulsive vampire.** Every day there seems to be something that we just must have. These are purchases that are unnecessary, unplanned, and not budgeted for. It's when we grab candy at the register, or buy a TV because of the huge discount, or order take-out in lieu of the lunch we packed. An easy way to identify impulse buys is they typically come with buyer's remorse.

6. **The emotional vampire.** The emotional vampire attacks when we are feeling particularly anxious, stressed, worried, or angry. (More on this in the next article.) It's during these times that we often seek comfort…and one of the quickest sources of comfort is retail therapy. This is when people look for a distraction or mood boost in the form of expensive purchases, or deals that seem "too good to pass up." It's an easy way to drive up our credit card bills or lock ourselves into contracts that quickly become deadweight.

Financial vampires come in many forms and learning to recognize them can help us all better transform our spending habits. Reviewing our expenses regularly, tracking our spending, and keeping any of these habits in check can help us stay on budget.

WHAT'S OVER THE NEXT HILL: STAVING OFF DOOM SPENDING

That creeping feeling of dread. That uneasy sensation that something's not right. Feelings like that seem particularly prevalent right now, don't they? But they have nothing to do with Halloween.

These days, it seems like there's always something scary being talked about on the news. The world feels unsettled, the future uncertain.

If you ever feel this way, you're not alone. One study by the American Psychiatric Association showed that 67% of Americans felt anxious or uncertain about current events happening around the world; 62% felt anxious about "keeping myself or my family safe."

These feelings are normal from time to time, but they can have a negative impact on people's finances, including their retirement savings. That's because they can trigger a behavior known as **doom spending**.

According to a report from earlier in the year, as many as one in five Americans are doom spending — making frequent, impulsive purchases driven by fear and anxiety. Sometimes, these purchases are made by a genuine desire to prepare for an emergency, like stocking up on non-perishable food, toilet paper, or over-the-counter medications. But just as often, they can be driven simply by the rush of dopamine humans get when they spend money or receive something new. The latest gadget or home appliance. Bulk items from Costco because they're a "great deal." Sporting paraphernalia, designer clothes, or that shiny eBike in the store window.

To be clear, there's nothing wrong with spending money on things that bring you joy or make life easier!

FUN FINANCIAL FACT

Despite consumers expecting higher prices due to tariffs, Halloween spending is anticipated to reach a record $13.1 billion in 2025! $4.3 billion of this will go toward costumes, $4.2 billion toward decorations, $3.9 billion toward candy and $0.7 billion on greetings cards.

SOURCE: NATIONAL RETAIL FEDERATION

But the problem with doom spending — or any type of spending made out of pure, emotional impulse — is that it can lengthen the road to the things you truly want the most. When people doom-spend, and then allow that spending to become habitual, it can lead to taking on increased credit card debt or use up dollars that could have been set aside for that dream vacation or invested for retirement.

Fortunately, doom spending is easy to avoid so long as we're always aware of it. Simply taking the time to ask ourselves, "Why am I buying this thing?" is often enough to stave it off. Or, "Do I really want this…or do I want something else more?"

Another handy trick to avoid doom spending is to follow **the 48-hour rule**. When thinking about making a major purchase or down payment on something that isn't absolutely essential, simply wait two days before pulling the trigger. This gives emotions a chance to cool…helping you evaluate whether the decision is truly worth the expense.

A third method is to make it a habit to look at your long-term financial plan at least once every two to three months. Remind yourself what you really care about and want the most. Check your progress — have recent decisions helped move you closer, or further away? By consistently lifting our heads to see the horizon, we can put what's in front of our noses in proper context…and ensure that emotional spending of any sort doesn't fill our entire field of view.

WHAT'S ON THE HORIZON: AVOIDING MEDICARE MISTAKES

For those who are retired or nearly retired, there are few financial mistakes freakier than those involving Medicare.

Medicare comes in many forms, and if you took ten different retirees, you might find ten different ways that Medicare plays a role in their lives. But Medicare is also an absolutely indispensable tool that every retiree should take advantage of in some way.

All tools are liable to misuse, however, and that's why it's important to know about common Medicare mistakes people make and how to avoid them. We can't cover them all in one short article, of course, but here are four of the most frequent.

Medicare Mistake #1: Confusing Medicare and Medicaid

At this very moment, you may be thinking, "Well, I know what the difference is!" If so, great! But this is a surprisingly easy mistake to make, even for those who are financially literate otherwise. After all, they sound similar, they both have to do with health care, and they are both administered by the federal government.

So, if you don't know the difference — and that's okay! — here it is:

Medicare is a federal health insurance program specifically for those age 65 and older *or* who are younger but have specific disabilities or conditions. While you don't have to be retired to take advantage of Medicare, because of the age requirement, financial advisors like me often consider this to be a part of retirement planning.

Medicaid is a health insurance program, overseen by the federal government but administered at the state level, for those with low incomes or limited resources.

The reason this mistake matters is because it can lead people to think they:

- Don't qualify for Medicare because they have too much money...or not enough! But while income can play a role in a person's Medicare *costs*, it does not affect their Medicare *eligibility*.

- Don't qualify for Medicaid because they are not old enough. But age does not affect Medicaid eligibility, only income.
- Can only take one or the other, when in some cases, they may qualify for both!

As this is a newsletter for people who are either in retirement or working towards it, we are focusing on Medicare for the rest of this article. But remember: *If you are 65 or older, you are eligible for Medicare!*

Medicare Mistake #2: Missing Your Enrollment Period

This is a very easy mistake to make…and unfortunately, it can lead to some major repercussions.

Let's clear something up right off the bat: While people automatically become eligible for Medicare at age 65, that does not mean they will be automatically *enrolled*. In fact, only those who have received Social Security benefits at least four months *before* their 65th birthday get automatically enrolled in Medicare.

Everyone else must sign up manually during their initial enrollment period, which starts three months *before* the month they turn 65 and ends three months after.

The reason this matters so much is because waiting too long to sign up can trigger a 10% late enrollment penalty for Medicare Part B. Furthermore, the penalty gets levied for each full year you could have had Part B but didn't. And worst of all? The penalty *never goes away*, but will continue being levied for as long as you do have Part B.

Now, there are some special exceptions to this, but they are rare and can be a pain to deal with. Instead, treat Medicare like handing in your homework or wishing your spouse a happy anniversary. Don't forget it…and start thinking about it well in advance!

Medicare Mistake #3: Choosing the Wrong Medicare Option

Medicare is complex. There are multiple parts and variants. That's why it's easy for people to choose an option that doesn't really fit their needs or leads to unnecessary expenses. Our next edition of *The Road to Retirement* will be devoted solely to Medicare, so we'll go into more detail about this then. But here's what you need to know right now:

Part A covers hospital costs and some costs associated with nursing facilities, hospice, or home health care. For most people, Part A is free and comes with no premiums.

Part B covers visits to your primary care doctor and most specialists as well as lab tests, some medical equipment, and preventative services. Unlike A, Part B is *not* free but comes with a monthly premium. (In addition, those above a certain income level must also pay a surcharge *on top* of their premium.)

Part C is commonly referred to as a **Medicare Advantage** plan. This is a private insurance version of Medicare that covers the same things that Parts A, B, and sometimes D do. In addition, many Advantage plans cover things original Medicare doesn't cover. (Think vision and dental care.) However, these plans usually come with additional premiums and an annual out-of-pocket limit. Furthermore, Advantage plans often require prior authorization for some treatments, services, and prescriptions.

Part D covers prescription drugs. This coverage is optional, in that you can have Parts A and B *without* D if you so choose. (Thinking that Parts A and B cover prescription drugs is another common Medicare mistake.)

Choosing the right Part or Advantage plan for you requires some careful thought about what you *need*, what you can *afford*, and even what your doctor recommends. There's no one-size-fits-all answer here, despite what some resources on the internet may say, so do your due diligence and take your time before deciding what's best for you!

Medicare Mistake #4: Auto-Renewing Your Medicare

It's possible to set up an automatic renewal of your Medicare plan. While that's certainly convenient, it can be a mistake. Why? Because, as your life changes, your *needs* may change, and whatever Part or Plan you selected before may no longer be the best option. Instead, take time each year before open enrollment starts to review your coverage and costs to determine whether a change is needed.

And…that's it for now! Four common Medicare mistakes to avoid…and a plethora of freaky financial mistakes to ward off. We'll have more information on Medicare next quarter, but as always, please let us know if you have any questions or if we can ever be of assistance on your personal *Road to Retirement!*