McCarthy & Cox
Retirement & Estate Specialists LLC
James Cox, CFP®
Thomas McCarthy, CFP®
Ryan Mickelson, CFP®
Mark Finney, CFP®, CRPC®
127 W. 5th St. | Marysville, OH 43040
937-644-0351
877-738-9871
jim@mccarthyandcox.com
www.McCarthyandCox.com

Union County United Way campaign is underway! We recognize that many of our clients donated through their workplace in the past and we once again will match dollar for dollar donations up to an aggregate of $1,500. Indicate McCarthy & Cox Match on your donation form.

Reminder on 8 Dec | Saturday - Care Train Auction & Concert, details at www.caretrain.org | McCarthy & Cox is proud to underwrite the cost of the Care Train Benefit Concert at 7pm at Marysville High School which caps off the day long auction at McAuliffe's Ace Hardware (9am-3pm).

October's Question: Regardless of the approach you follow, setting a ____ may help you better focus on your investment strategy.

September's Q & A: When you need medical care, you can withdraw HSA funds to cover your expenses, or opt to pay out-of-pocket.

Remember we are grateful for the opportunity to serve you and the greatest compliment you can pay us is introducing us to others nearing retirement.

Thank You -

Tom, Jim, Ryan & Mark

October 2018 The Good Life #117

McCarthy & Cox
Retirement & Estate Specialists LLC

The Good Life

Plan Smart, Live Well

Down the Donut Hole: The Medicare Coverage Gap

One of the most confusing Medicare provisions is the prescription drug coverage gap, often called the "donut hole." It may be clearer if you consider the gap within the annual "lifecycle" of Medicare Part D Prescription Drug Coverage. This also applies to drug coverage that is integrated into a Part C Medicare Advantage Plan.

Annual deductible. Prescription drug plans typically have an annual deductible not exceeding $405 in 2018. Before reaching the deductible, you will pay the full cost of your prescriptions, although you may receive negotiated discounts.

Initial coverage period. After you meet the annual deductible, your plan will pay a portion of your prescription drug costs, and you will typically have a copayment or coinsurance amount. A 25% coinsurance amount is the standard coverage required by Medicare, but most plans have different levels or "tiers" of copayments or coinsurance for different types of drugs.

Coverage gap. When you and your plan combined have spent a specified amount on drugs for the year ($3,750 in 2018), you enter the coverage gap. In 2018, you pay 35% of your plan's price for covered brand-name prescription drugs and 44% of the price for generic drugs. The gap is closing over the next two years (see chart).

You remain in the coverage gap until you reach an annual out-of-pocket spending limit ($5,000 in 2018). Spending that counts toward the limit includes your deductible, copay, and coinsurance; the manufacturer's discount on brand-name drugs in the coverage gap; and your out-of-pocket payments in the gap. It does not include your premiums, the amount the plan pays, or your payments for noncovered drugs.

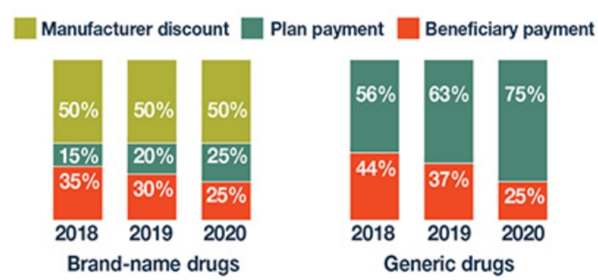
Catastrophic coverage. Once you have reached the out-of-pocket limit, you receive catastrophic coverage with much lower payments. In 2018, you would pay the greater of 5% of drug costs or $3.35/$8.35 for each generic and brand-name drug, respectively.

Some plans have more generous coverage in the gap. You may be able to avoid the coverage gap by using generic medicine, when appropriate, to lower your drug costs.

For more information, see [Medicare.gov.](Medicare.gov)

CLOSING THE GAP

Beginning in 2013, the Affordable Care Act required drug manufacturers to provide a 50% discount on brand-name drugs, and since then the percentage that beneficiaries must pay has been gradually reduced. By 2020, beneficiaries will pay no more than the standard 25% coinsurance amount for all covered drugs, effectively ending the coverage gap.



Source: Centers for Medicare & Medicaid Services, 2017

On the Road to Retirement, Beware of These Five Risks

No investment strategy can guarantee success. All investing involves risk, including the possible loss of your contribution dollars.

There is no assurance that working with a financial professional will result in investment success.

On your journey to retirement, you'll likely face many risks that have the potential to throw you off course. Following are five common challenges retirement investors face. Take some time now to review and understand them before your journey takes an unplanned detour.

1. Traveling aimlessly

Setting out on an adventure without a definitive destination can be exciting, but probably not when it comes to saving for retirement. As you begin your retirement strategy, one of the first steps you'll need to take is identifying a goal. While some people prefer to establish one big lump-sum accumulation amount — for example, $1 million or more — others find that type of number daunting. They might focus on how much their savings will need to generate each month during retirement — say, the equivalent of $5,000 in today's dollars, for example. ("In today's dollars" refers to the fact that inflation will likely increase your future income needs. These examples are for illustrative purposes only. They are not meant as investment advice.)

Regardless of the approach you follow, setting a goal may help you better focus your investment strategy. In order to set a realistic target, you'll need to consider a number of factors — your desired lifestyle, pre-retirement income, health, Social Security benefits, any traditional pension benefits you or your spouse may be entitled to, and others. Examining your personal situation both now and in the future can help you determine how much you may need to accumulate.

2. Investing too conservatively...

Another key to determining how much you may need to save on a regular basis is targeting an appropriate rate of return, or how much your contribution dollars may earn on an ongoing basis. Afraid of losing money, some retirement investors choose only the most conservative investments, hoping to preserve their hard-earned assets. However, investing too conservatively can be risky, too. If your investment dollars do not earn enough, you may end up with a far different retirement lifestyle than you had originally planned.

3. ...Or too aggressively

On the other hand, retirement investors striving for the highest possible returns might select investments that are too risky for their overall situations. Although you might consider investing at least some of your retirement portfolio in more aggressive investments to potentially outpace inflation, the amount you invest in such higher-risk vehicles should be based on a number of factors. Appropriate investments for your retirement savings mix are those that take into consideration your total savings goal, your time horizon (or how much time you have until retirement), and your ability to withstand changes in your account's value. Would you be able to sleep at night if your portfolio lost 10%, 15%, even 20% of its overall value over a short time period? These are the types of scenarios you must consider when choosing an investment mix.

4. Giving in to temptation

On the road to retirement, you will likely face many financial challenges as well — the unplanned need for a new car, an unexpected home repair, an unforeseen medical expense are just some examples.

During these trying times, your retirement savings may loom as a potential source of emergency funding. But think twice before tapping your retirement savings assets, particularly if your money is in an employer-sponsored retirement plan or an IRA. Consider that:

- Any dollars you remove from your portfolio will no longer be working for your future
- You may have to pay regular income taxes on distribution amounts that represent tax-deferred investment dollars and earnings
- If you're under age 59½, you may have to pay an additional penalty tax of 10% to 25% (depending on the type of plan and other factors; some exceptions apply)

For these reasons, it's best to carefully consider all of your options before using money earmarked for retirement.

5. Prioritizing college saving over retirement

Many well-meaning parents may feel that saving for their children's college education should be a higher priority than saving for their own retirement. "We can continue working, if needed," or "our home will fund our retirement," they may think. However, these can be very risky trains of thought. While no parent wants his or her children to take on a heavy debt burden to pay for education, loans are a common and realistic college-funding option — not so for retirement. If saving for both college and retirement seems impossible, consider speaking with a financial professional who can help you explore the variety of tools and options.

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Life Insurance with a Refund

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Optional riders are available for an additional fee and are subject to contractual terms, conditions, and limitations as outlined in the prospectus and may not benefit all investors.

The return of premium, as well as any other guarantees related to life insurance, are contingent on the claims-paying ability and financial strength of the issuer.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. There is no assurance that working with a financial professional will improve investment results.

Comparatively speaking, of all the different types of life insurance available, term is usually the least expensive. Generally, term life insurance provides protection for a stated or defined period of time, usually from one year to 30 years. If you die during the coverage term, your beneficiary receives the death benefit from the policy. But what if you outlive the term? With return of premium (ROP) life insurance, you receive the return of all your premium payments at the end of the policy term if certain conditions are met.

What is ROP?

Variations may apply, but generally ROP is term life insurance coverage for a specific number of years (term). The face amount of the policy, or death benefit, is paid to your beneficiaries if you die during the term. But unlike straight term, if you live longer than the term, all of your premiums are returned to you with ROP as long as the policy was in good standing and in force at the end of the term. Some insurers even pay back a prorated portion of your premium if you cancel the ROP term insurance before the end of the term. Also, the premium returned generally is not considered ordinary income, so you won't have to pay income taxes on the money you receive from the insurance company. (Please consult your tax adviser.)

Some particulars

Unlike permanent cash value life insurance, ROP premiums generally do not earn interest or appreciate in value. Also, the premium returned usually does not include the return of added premium charges for substandard coverage (extra premium charged for poor health) or costs for certain policy riders (extra premium you pay for benefits added to the basic term policy, such as a disability rider).

The cost of ROP can be significantly greater than straight term insurance, depending on the issuer, age of the insured, amount of coverage (death benefit), and length of the term. But ROP almost always costs less than permanent life insurance with the same death benefit. While straight term insurance can be purchased for terms as short as one year, most ROP insurance is sold for terms of 10 years or longer.

Is ROP right for you?

Before you buy life insurance, you should know how much insurance you need. Your need for insurance is based on numerous factors, some of which include your current age and income, your marital status, the number of incomes in your household, your number of dependents, your long-term financial goals, the amount of your outstanding debt, your existing life insurance, and your other assets. You should also consider your overall financial, estate, and tax planning goals as part of your insurance needs evaluation.

Term insurance is appropriate for situations when there is a high need for insurance but not much cash flow to pay for it. For example, a young family with limited cash resources may have a great need for survivor income to provide for living expenses and education needs. Also, term insurance may be appropriate to cover needs for a limited period of time, such as coverage during your working years, your children's college years, or for the duration of a loan or mortgage.

Whether to consider ROP term insurance usually revolves around a few issues. Does the added cost of ROP fit into your budget? It's great to know you can get your money back if you outlive the term of your life insurance coverage, but there is a cost for that benefit. Also, if you die during the term of insurance coverage, your beneficiaries will receive the same death benefit from the ROP policy as they will from the less-expensive straight term.

Some financial professionals recommend that the best way to provide for your life insurance needs is to "buy term and invest the difference." This suggestion is based on the premise that you know how long you will need life insurance protection (until your mortgage is paid off, for example), and that you'll be able to get a better return on your savings from other investments. The same rationale may apply to ROP term insurance. Since your premiums do not earn interest while with the issuer, they likely will not keep up with inflation. So you may want to consider paying the lower premiums for straight term insurance and investing the difference to potentially accumulate more savings.

When choosing between these two alternatives, you may want to think about the amount of coverage you need, the amount of money you can afford to spend, and the length of time you need the coverage to continue. Your insurance professional can help you by providing information on straight term and ROP term life insurance, including their respective premium costs.

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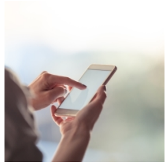
McCarthy & Cox
Retirement & Estate Specialists LLC
James Cox, CFP®
Thomas McCarthy, CFP®
Ryan Mickelson, CFP®
Mark Finney, CFP®, CRPC®
127 W. 5th St. | Marysville, OH 43040
937-644-0351
877-738-9871
jim@mccarthyandcox.com
www.McCarthyandCox.com

McCarthy & Cox
Retirement & Estate Specialists LLC



How can I save money on my cell phone plan?

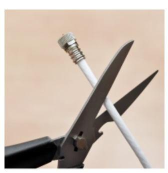
Paying your monthly cell phone bill might feel like a necessary evil: You can't live without your cell phone, but you don't like the steep price of your plan. Fortunately, there are ways to save money on your plan without sacrificing the cell phone services you need.

Review your monthly bill. Aligning what you're paying for with what you're actually using can go a long way in saving money on your plan. Look at your bill to get a breakdown of your average data consumption, as well as the number of phone calls and text messages you send/receive in one month. This will help you determine whether your activity levels match your plan. If, for example, you're paying for unlimited data each month but use only five gigabytes, on average, then it might make sense to decrease the data limit on your plan. Or if you depend on unlimited data, consider ways in which you can lower the amount you use. Turn cellular data off in your app settings and connect to Wi-Fi whenever possible to dramatically reduce data usage.

Research discount options. Ask your employer or your cell phone service provider to see if you're eligible for employee discounts. Members of the military, veterans, and senior citizens may also receive discounts, depending on the provider.

Sign up for a different plan. Most carriers offer plans that allow you to share data and minutes with others. These are often referred to as family plans, though you don't need to be related to someone in order to join your accounts. You might also consider prepaid cell phone plans, which generally don't require credit checks or contracts, and don't have data overage fees. Many types of prepaid plans are available on the market, so look at different ones to determine what works best for you.

Switch to an alternative carrier. Before you make the switch, though, indicate to your current provider that you want to cancel — you may be offered a deal for continuation of service. If not, keep in mind that many alternative carriers offer promotions exclusively to new customers. Make sure you know how long the promotion will last and what your monthly costs will be when it ends.



Should I cut the cord on cable?

In the last few years, it's become common for consumers to ditch cable television in favor of streaming services and devices. Many affordable streaming options are available, making it easier for consumers to give up cable without necessarily sacrificing their favorite shows. But there are some drawbacks to relying exclusively on streaming services for television viewing. Consider the following before you decide to cut the cord.

The most obvious benefit of cutting cable is the money you'll likely save each month. Compare what you spend on your monthly bill to how much of your cable subscription you actually use. Are you regularly watching all the channels you pay for, or do you watch only a few of them? Are the channels you watch worth what you pay each month? If not, it might make sense to cancel cable and switch to an alternative entertainment source.

You may decide to replace cable with a streaming service or device. In addition to being less expensive than cable, most services are user-friendly. You won't need to flip through hundreds of channels to find your favorite shows, and as long as you have an Internet connection, you can view them on the go on your cell phone or tablet. Plus, streaming services typically let you stop and start month to month without termination fees.

But depending on your viewing preferences, a streaming service might not be the right option for you. There is often a delay in the online release of many television shows, which can be frustrating for dedicated viewers. And if you're a sports fan, you might be disappointed to learn that you won't have access to live sports coverage through most streaming services. Comprehensive sports packages are offered by some services, but they can be expensive and are not available in all regions.

Another disadvantage of switching to streaming is that you may need to subscribe to multiple packages or invest in special streaming devices to access the programs you want. You might also consider the cost of high-speed Internet — you won't be able to stream without a relatively fast Internet connection. Between multiple subscriptions and reliable Internet, the cost of streaming can add up quickly. Be sure to compare prices and take advantage of any free-trial offers.