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6 Common Medicare Myths That Should Be Dispelled

Medicare is one of the most critical elements of health care for senior citizens in this country. It's also one of the most misunderstood. A number of myths about Medicare have proliferated, costing countless enrollees both time and money. Here are six myths you might be swayed by and the reality about them:

Myth #1: You must be retired to apply for Medicare.

Reality: You can sign up for Medicare at age 65 regardless of whether you're still working or are already retired. And even though many people lump together Medicare and Social Security, the full retirement age (FRA) for receiving Social Security retiree benefits—currently 66 for most people but gradually rising to 67—has nothing to do with Medicare eligibility. But you can be penalized for applying late for Medicare, so sign up as soon as you reach age 65.

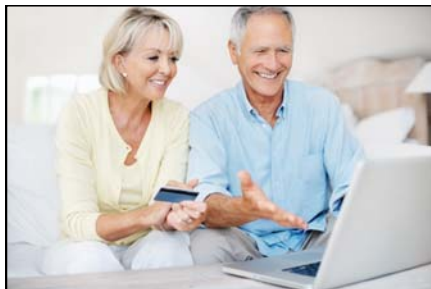
Myth #2: You won't qualify for any Medicare assistance if you haven't worked long enough.

Reality: It's true that you must have at least 40 work credits to qualify for Medicare Part A (hospital insurance). But there's no such requirement for Part B (physician services, outpatient care, and medical equipment and supplies) or Part D (prescription drugs). You're eligible for these programs if you are at least age 65, are a U.S. citizen or have been a

legal resident in the U.S. for the past five years, and you submit a valid application. In addition, even if you haven't worked enough to earn 40 credits, you still may qualify for Part A based on your spouse's work record or you could choose to pay the premiums to get Part A coverage.

Myth #3: Medicare Part B costs the same no matter when you apply.

Reality: If you fail to sign up when you reach age 65, you will pay more for the Part B program when you do apply, and your coverage may be delayed. The extra cost comes in the form of



surcharges on your premiums for all future years. If you're continuing non-Medicare health insurance past age 65 while still employed, or if you are covered under your spouse's health plan, you can avoid penalties for late Part B enrollment. Otherwise, you're required to enroll during an initial seven-month period that includes the three months before you turn 65, the month you reach that age, and the three months after that.

Myth #4: You don't need Medicare Part B because you have COBRA or retiree coverage.

Reality: Although Part B is optional, don't be fooled into thinking that it's useless when you have other coverage. In some cases, coverage under your non-Medicare plan will leave you responsible for high out-of-

Knopinski & Fauver Looks Forward

Ten years ago Rob and Colleen started Knopinski & Fauver Financial Advisors because we wanted to create a high-quality, high-service firm for a personal group of clients. Thanks to our wonderful clients, we have succeeded! Our next step was to create a succession plan to ensure continued service. After vetting many candidates, we are happy to announce the addition of Todd N. Lebor to our financial planning and investment advisory team. Rob will be retiring in the next year or so, but Colleen will continue working with Knopinski & Fauver clients.

Todd comes to us from Chicago where he's been running his own practice as a fee-only, independent Registered Investment Advisor Representative for thirteen years. Todd is a Certified Financial Planner (CFP®) and Certified Public Accountant (CPA) with a spotless compliance record and a commendable client retention record.

We're excited Todd could join us for a number of reasons. At forty-five years of age Todd offers longevity to Knopinski & Fauver. Todd also brings strong fundamental security analysis skills that will enhance our investment strategies. But most all, after spending many hours with him over the past months, we're confident Todd will deliver the same ethical, quality, and competent customer service our clients have become accustomed to.

When you meet Todd, please welcome him and his family to Colorado.

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Colleen & Rob

Come To Terms With Term Life Policies

For many people, permanent life insurance—which includes whole and universal life policies, among others—is a good financial fit. Very often, however, a less expensive option—term life insurance—works even better. As the name implies, this type of policy provides coverage for a specific term, usually a level-premium period of 10 to 30 years (which is then often renewable to age 80 or beyond). That limitation means you pay less in premiums, though the cost advantage generally decreases as you get older.

Unlike permanent or “cash value” life insurance, which lets you build up cash value in your policy, term insurance provides only a death benefit and is often referred to as “pure” insurance. A big advantage of term insurance is its simplicity. Permanent life policies come in myriad forms, and may put the investment portion of your premium into fixed or variable investments. Fees vary widely depending on the type of policy and the riders and options you choose. Though often touted for the ability to promote saving through required premium

payments, whole life and other permanent policies may be inferior to other retirement savings vehicles such as employer-sponsored plans or IRAs. In contrast, term policies are easy to understand—you make a specified payment in return for a promised death benefit.

Shop For Quotes Online

Several online sites let you compare term policies from a variety of insurance companies.

The sites include:

- www.term4sale.com
- www.quickquote.com
- www.equote.com
- www.lifeinsurancerates.com
- www.freelifetermquote.com

Term insurance often appeals to those who are in the prime of their careers but who have multiple financial commitments, for mortgage payments, retirement and education savings, and other obligations. Term insurance lets such policyholders cheaply guarantee financial security for their families in the case of an untimely death.

The face amount of a term policy—its death benefit—remains

the same throughout whatever number of years the policy is in force. For most level-premium policies, the insurer can’t adjust that amount, the length of the term, or the amount of the premiums. When the term expires, however, your insurance coverage ends. Many term policies guarantee you the chance to renew the insurance for an additional term, but the new premiums will be higher, reflecting your shorter life expectancy.

The cost of a particular term policy depends on your age, your health, and other factors. Typically, when you apply for a policy, you’ll have to answer detailed questions about your medical history and risk factors—policies for

smokers usually cost more, for example—and you’ll have to pass a medical examination. (Some term insurance policies, approved in most states, enable you to obtain coverage without taking a physical.)

To find a term policy, you can shop online or you can work through an insurance agent. Choose a highly rated insurance company that will be around if and when your heirs need to collect on your policy. ●

Higher-Paying Job May End Up Costing You

Are you thinking about taking a higher-paying job in another state? Better think it through very carefully. That new job actually could end up providing you with less spendable income than you get from your current job.

How’s that possible? A number of factors may affect the cost of living in any area, and some job seekers fail to consider overall living expenses in the area where the higher-paying job is located.

In fact, according to Glassdoor, an online job-listing site, almost 70 percent of job hunters say salary is their top priority when looking at a new job offer.

Location and commute come in as the second choice at 59 percent. Benefits and perks come in third at 57 percent.

“Often times when people move, they have no idea what the overall cost is,” says Kristen Robinson, senior vice president of the Women and Young Investors unit of Fidelity Investments. “They’re just looking at the salary increase and thinking, ‘Wow, I’m making \$10,000 more a year.’”

Changing jobs can mean having to pay more for some perks or losing some benefits altogether. Health care costs may go up and 401(k) matches may go down. Or someone in the job seeker’s family may have a chronic

health condition that could lead to much higher expenses if coverage in the new position isn’t as good as at the previous company.

Other factors also enter the picture: property values (whether you own or rent) may be higher in the new area, which could mean increased property taxes and insurance rates or higher rental costs. These increased expenses could add significantly to the cost of living in the new area. Groceries may cost more, as well as gasoline and other everyday living expenses.

All of these factors could cut a \$10,000 annual salary increase considerably – if not completely – or

How To Save For Your Retirement At Every Age

When should you start saving for retirement? There's no time like the present, whether you're fresh out of school or in the middle of your career. And even if you haven't been able to set aside much, if anything, during your main working years, realize that it's never too late to begin.

Of course, you're more likely to secure a comfortable retirement if you can save consistently over your lifetime. Keeping that in mind, here's an overview of what you might do during different stages of your life.

Ages 20-40: It makes sense to get in on the ground floor when you can. For many people, the best place to start is with a 401(k) plan or another such employer-sponsored retirement plan that offers substantial tax advantages.

For instance, if you're eligible to participate in a 401(k), you can defer up to \$18,000 to your personal account in 2016. (This figure is indexed for inflation annually and may be adjusted upward.) Your contribution isn't taxed now. Your employer may provide matching contributions, too, based on how much you put in. So if you're eligible and not actively participating in your company's plan, you're leaving money on the table.

But don't stop there. If possible, supplement your 401(k) or similar plan with an IRA or other kind of saving plans. With a traditional IRA, your contributions may be wholly or partly tax-deductible. Then, as

possibly even cause the increase to fall into negative territory.

Some benefits, including health care costs and 401(k) match, are not negotiable. But Scott Dobroski, a spokesman for Glassdoor, says people considering a job change based on salary should take a hard look at the numbers and decide what perks and benefits are most important. For example, a flexible work schedule may rank high on a job seeker's list of preferences.

Dobroski adds that job seekers also should crunch the numbers to get a better understanding of the overall

with a 401(k), money withdrawn during retirement is generally taxable. With a Roth IRA, you can't deduct contributions, but future distributions are generally exempt from tax.

Starting to save early in one or more of these retirement plans puts time on your side, and the power of tax-deferred investment compounding can be formidable. Suppose you're age 30 and plan to retire at 67. Let's assume that you earn \$100,000 a year and contribute 5% to your 401(k), while your employer provides an annual 50% match of 3% of your salary. If you earn a hypothetical return of 7% annually on account funds, your yearly contributions of \$5,000, bolstered by your employer's \$1,500, will grow to \$1,081,038 by the time you're ready to retire.

Of course, this is a busy time of life, and the cost of buying a house and starting a family, among other expenses, could affect how much of your income you can earmark for retirement savings. But if you can manage to save regularly and steadily, the potential payoff could be substantial.

Ages 40-60: If you're able to sustain a sound retirement saving strategy that you began in your 20s and 30s, you'll be ahead of the game. But financial obligations during this 20-year stretch sometimes can be overwhelming. You might move to a larger home, expand your family, and shoulder part or all of the cost of putting your kids through college.

However, if you can keep saving, your

financial picture. One positive change could be that the new job is located in a state with no state income tax. Seven U.S. states—Alaska, Florida, Nevada, South Dakota, Texas, Washington, and

Wyoming—currently don't have an income tax. And residents of New Hampshire and Tennessee are also spared from handing over an extra chunk of their paycheck on April 15, though they do pay tax on dividends and income from investments.

If you're considering accepting a higher-paying job in another state, feel free to contact us. We may be able to help in your decision-making process. ●

retirement plan and IRA contributions will continue to bolster your nest egg during a time when your job income may rise substantially. You can continue IRA contributions even if they're nondeductible. Moreover, once you reach age 50, you can make "catch-up" contributions that increase the maximum amount you can put in a 401(k) each year. The maximum catch-up contribution for 2016 is \$6,000. (This figure, too, is indexed annually for inflation.) These extra amounts can help you make up for lost ground once you've paid those college tuition bills. Depending on your situation, you also might decide to convert traditional IRA funds to a Roth IRA. You'll owe current taxes on the amount you convert, but you may secure tax-free payments in retirement.

Furthermore, if you can manage to pay off your mortgage during these years, you could earmark the money that had been going for monthly loan payments to increase the amount you put away for retirement.

Ages 60 and up: Now is the time for a final savings surge. Be sure to maximize retirement and IRA contributions, and set aside extra money in other accounts if you can.

At the same time, consider several crucial decisions that could affect your retirement lifestyle. One very important question is when to apply for Social Security benefits. For most Baby Boomers, full retirement age (FRA) is age 66, but it gradually increases to age 67 for younger people. If you apply before you reach FRA, as early as age 62, you'll receive lower monthly benefits. Waiting longer, until as late as age 70, will produce higher benefits. Other decisions about Social Security may affect married couples.

Another decision involves your home. Downsizing to a smaller, cheaper house, perhaps in an area with lower costs, could help you minimize your expenses as you approach retirement.

Finally, remember that retirement planning doesn't end when you retire. It's an ongoing process, and from now through the rest of your life, you'll probably need to make periodic adjustments to your investment strategy and your plan for tapping your savings. ●



Remember The Lesson Of Rebalancing

Sometimes investors need to be reminded just how unpredictable equity markets can be. Any big, unforeseen event—such as the United Kingdom’s so-called “Brexit” vote to leave the European Union—can result in dramatic market swings. And because such fluctuations are as inevitable as they are unpredictable, it makes sense to be prepared for all possibilities.

The best way for most investors to deal with short-term volatility is to stick to a long-term plan, rather than panicking or making ill-considered market moves. And your plan will need a proper balance between stocks and bonds in your portfolio. Historically, stocks have outperformed other kinds of investments and have provided a hedge against inflation, while bonds have provided steady income and more protection against market volatility.

Diversification and asset allocation—core principles for attempting to control investment risks—are used to create a portfolio that may have the breadth to reduce volatility when markets get turbulent. Your overall tolerance for risk can help

determine how you allocate your investments to stocks, bonds, and other assets. Diversification and asset allocation are designed to minimize inherent risks, although there are no absolute guarantees.

But as important as it is to choose a mix of investments that makes sense for you, you’ll also need to revisit your portfolio periodically to help restore the balance you’ve established. If stock prices rise, for example, that part of your portfolio may grow larger than you intended—and this could make you vulnerable if equity prices fall. “Rebalancing” helps you get back to the target percentages you started with.

Yet as simple as that may sound, rebalancing can seem counterintuitive in practice. It requires you to sell investments that have been doing well and buy others that have slumped. Your natural inclination may be to keep riding a wave of success, and to stay away from parts of the market that

haven’t performed well.

But rebalancing can help impose needed discipline for your plan. It can enable you to sell high and buy low and to maintain the broad balance that may cushion your holdings against volatility. And though it sometimes may result in a lower rate of return than you would have gotten if you’d let your winning positions continue to grow, that may be a small price to pay for feeling more comfortable about your investments.

Rebalancing also can help you resist the impulse to try to “time” the market—attempting to jump in when prices are rising and to get out before they fall. That is rarely a recipe for success and could lead to significant losses.

How often should you rebalance? Expert opinions vary, but you probably should review your portfolio and rebalance at least once a year. The end of the year could be a good time to get your ducks in a row. ●



6 Common Medicare Myths

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pocket costs. Under COBRA, you’re generally covered for a period of 18 months after retirement, although you usually have to pay the premiums (plus a 2% administrative fee). The deadline for enrolling in Part B following expiration of COBRA coverage is eight months after you stop working. Again, if you fail to do so, you’ll be hit with surcharges on your Part B coverage.

Myth #5: You don’t need Part D coverage for prescription drug costs because you don’t take any medicines regularly.

Reality: This would be true only if you manage to go through the rest of your life without needing any prescriptions drugs. But that’s

unlikely, and it makes sense to safeguard yourself from exorbitant costs that easily could reach hundreds or thousands of dollars a month if you fall ill. Like other forms of insurance, Part D protects you against future events that may happen. If you wait to apply for Part D until it’s an emergency, you could be assessed permanent penalties for applying late. Part D also can work in conjunction with drug coverage under other plans.

Myth #6: You can sign up for Medicare only during the annual “open enrollment” period.

Reality: This is a principal

misconception about Medicare. The annual open enrollment period—from October 15 to December 7—is an

opportunity for those already covered by Medicare to change their coverage. It doesn’t apply to newcomers, whose time to enroll is based on their birthdays or the end of coverage through their employers or their spouses’ employers. If you miss out, you’re subject to permanent penalties and delayed coverage.

Don’t be guided by what you think you know about Medicare. Get all the facts you need to make informed decisions. ●

