

# GWM Monthly Newsletter

Gauthier Wealth Management



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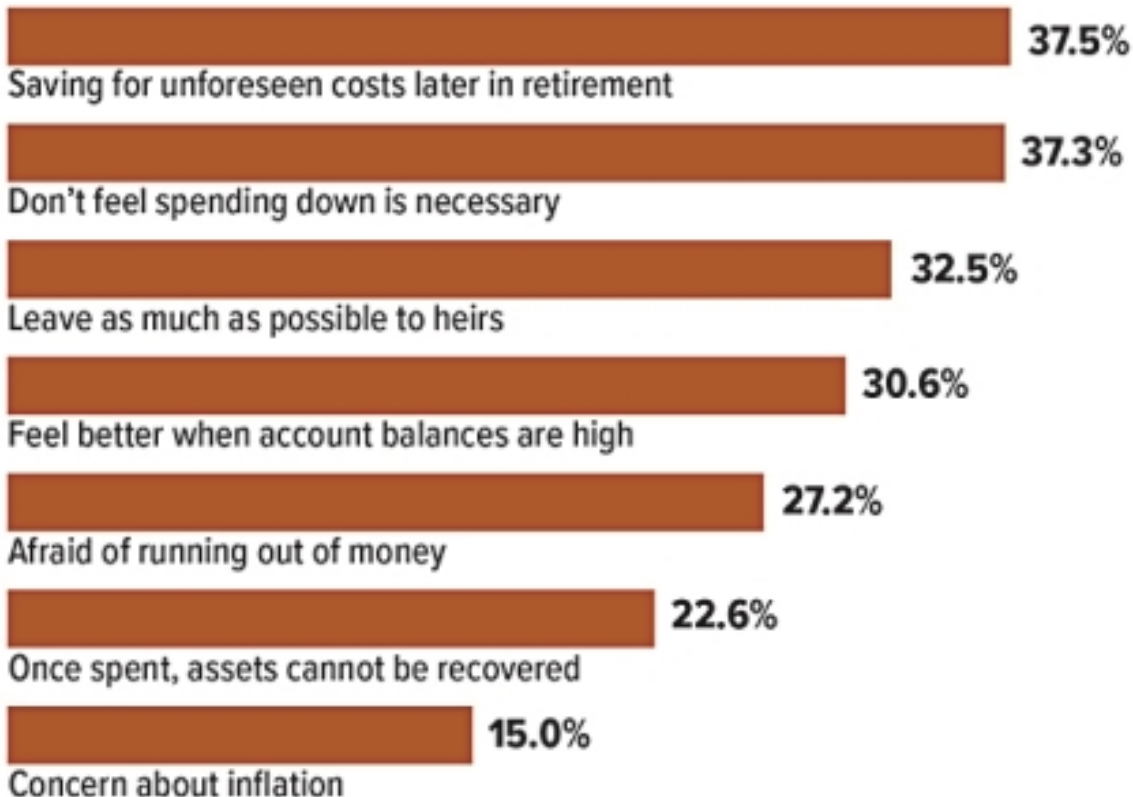
Happy fall! I think we're all ready for a little cooler weather, so it's nice to see the fall colors beginning to appear in the trees and football back on television. Although you never know if this will be the year for your team, there is always something so hopeful about new seasons, new friends, and old friends alike. Recently, a dear friend passed away. Too young, too loved, too much to offer his children and grandchildren to leave so soon. But we don't pick the day or the hour. And our plans ultimately fit into His plan, whatever that may be. As we approach this fall, let's plan a little extra time to be with family and friends. Like my friend's life, you never know when this season will be your last.

All the Best, Jon Gauthier, President, GWM

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## To Spend or Not to Spend?

About 77% of retirees between the ages of 62 and 75 plan to spend down at least some of their retirement assets. The top reasons cited include lifestyle, medical expenses and health insurance, housing expenses, and discretionary spending. The remaining 23% intend to maintain or grow their assets. Why would retirees not want to spend down the assets they've worked so hard to save? Here are the reasons they gave.



# Women Face Challenges in a Post-Pandemic World

The COVID-19 economic crisis tested the mettle of all Americans, particularly working mothers. Research shows that the pandemic's impacts on women have been far-reaching and potentially long-lasting. Now that the U.S. economy is picking up steam, it may be more important than ever for women to re-examine their retirement planning strategies.

## Effects of the COVID-19 Economy

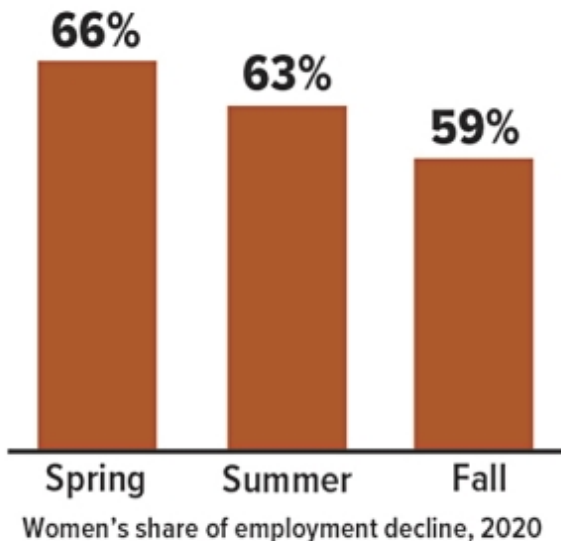
The COVID-19 recession had a disproportionate impact on working women because sectors that typically employ them — including retail, hospitality, and health care — were hit harder than others. As noted in a paper released by the National Bureau of Economic Research, "Employment fell more for women compared to men at every stage during the pandemic, with the biggest gender differences estimated for married women with children." Many women were forced to cut work hours or leave jobs entirely to care for family members and supervise remote schooling activities when day cares and schools shut down.<sup>1</sup>

In a Pew Research study, 64% of women said they or someone in their household lost a job or took a pay cut during the pandemic, and nearly a quarter took unpaid time off for personal, family, or medical reasons. Half of women ranked their personal financial situation as "only fair" or "poor."<sup>2</sup>

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## More Than Their Share of Job Losses

Prior to the pandemic, women made up 52% of the population. Yet they represented a larger proportion of the employment decline during the spring, summer, and fall seasons of 2020.



Source: National Bureau of Economic Research, 2021

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## Retirement at Risk?

When it comes to retirement savings, unmarried women have the most ground to cover, according to an Employee Benefit Research Institute survey. Nearly six in 10 have less than \$50,000 set aside for retirement; 31% have saved less than \$1,000.<sup>3</sup>

Couple these statistics with the retirement planning challenges women faced even prior to the pandemic — longer life spans and lower earnings and Social Security benefits, on average — and it's apparent that women need a carefully considered retirement strategy that will help them pursue their goals.

## Making Up Lost Ground

If you or a loved one need to make up lost ground, consider the following tips.

1. Save as much as possible in tax-advantaged investment vehicles, such as employer-based retirement plans and IRAs. In 2021, you can contribute up to \$19,500 to 401(k) and similar plans and \$6,000 to IRAs. Those figures jump to \$26,000 and \$7,000, respectively, if you are age 50 or older. If your employer offers a match, be sure to contribute at least enough to take full advantage of it. If you have no income but you're married and file a joint income tax return, you can still contribute to a spousal IRA in your name, provided your spouse earns at least as much as you contribute.

2. Familiarize yourself with basic investing principles: dollar-cost averaging, diversification, and asset allocation. Dollar-cost averaging involves continuous investments in securities regardless of fluctuating prices and can be an effective way to accumulate shares to help meet long-term goals; however, you should consider your financial ability to continue making purchases during periods of low and high price levels. (If you contribute to an employer-based plan, you're already using dollar-cost averaging.) Diversification and asset allocation are methods used to help manage investment risk while building a portfolio appropriate for your needs. Note that all investment involves risk, and none of these strategies guarantees a profit or protects against investment loss.

3. Seek guidance from your financial professional, who can provide an objective opinion during challenging times and may be able to help you find ways to reduce costs and save more. Although there is no assurance that working with a financial professional will improve investment results, a professional can evaluate your objectives and available resources and help you consider appropriate long-term financial strategies.

Sources: 1) National Bureau of Economic Research, 2021; 2) Pew Research Center, 2021; 3) Employee Benefit Research Institute, 2021

# Is a High-Deductible Health Plan Right for You?

In 2020, 31% of U.S. workers with employer-sponsored health insurance had a high-deductible health plan (HDHP), up from 24% in 2015.<sup>1</sup> These plans are also available outside the workplace through private insurers and the Health Insurance Marketplace.

Although HDHP participation has grown rapidly, the most common plan — covering almost half of U.S. workers — is a traditional preferred provider organization (PPO).<sup>2</sup> If you are thinking about enrolling in an HDHP or already enrolled in one, here are some factors to consider when comparing an HDHP to a PPO.

## Up-Front Savings

The average annual employee premium for HDHP family coverage in 2020 was \$4,852 versus \$6,017 for a PPO, a savings of \$1,165 per year.<sup>3</sup> In addition, many employers contribute to a health savings account (HSA) for the employee, and contributions by the employer or the employee are tax advantaged (see below). Taken together, these features could add up to substantial savings that can be used to pay for current and future medical expenses.

## Pay As You Go

In return for lower premiums, you pay more out of pocket for medical services with an HDHP until you reach the annual deductible.

**Deductible.** An HDHP has a higher deductible than a PPO, but PPO deductibles have been rising, so consider the *difference* between plan deductibles and whether the deductible is per person or per family. PPOs may have a separate deductible (or no deductible) for prescription drugs, but the HDHP deductible will apply to all covered medical spending.

**Copays.** PPOs typically have copays that allow you to obtain certain services and prescription drugs with a defined payment before meeting your deductible. With an HDHP, you pay out of pocket until you meet your deductible, but costs may be reduced through the insurer's negotiated rate. Consider the difference between the copay and the negotiated rate for a typical service such as a doctor visit. Certain types of preventive care and preventive medicines may be provided at no cost under both types of plans.

**Maximums.** Most health insurance plans have annual and lifetime out-of-pocket maximums above which the insurer pays all medical expenses. HDHP maximums may be the same or similar to that of PPO plans. (Some PPO plans have a separate annual maximum for prescription drugs.) If you have high medical costs that exceed the annual maximum, your total out-of-pocket costs for that year would typically be lower for an HDHP with the savings on premiums.

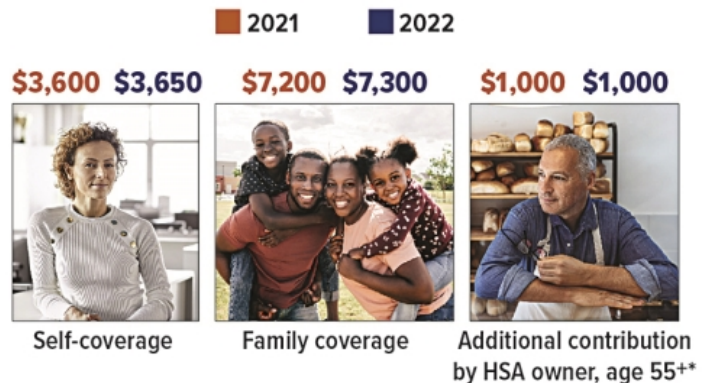
## Your Choices and Preferences

Both PPOs and HDHPs offer incentives to use health-care providers within a network, and the network may be exactly the same if the plans are offered by the same insurance company. Make sure your preferred doctors are included in the network before enrolling.

Also consider whether you are comfortable using the HDHP structure. Although it may save money over the course of a year, you might be hesitant to obtain appropriate care because of the higher out-of-pocket expense at the time of service.

## HSA Contribution Limits

Annual contributions can be made up to the April tax filing deadline of the following year. Any employer contributions must be considered as part of the annual limit.



## Health Savings Accounts

High-deductible health plans are designed to be paired with a tax-advantaged health savings account (HSA) that can be used to pay medical expenses incurred after the HSA is established. HSA contributions are typically made through pre-tax payroll deductions, but in most cases they can also be made as tax-deductible contributions directly to the HSA provider. HSA funds, including any earnings if the account has an investment option, can be withdrawn free of federal income tax and penalties as long as the money is spent on qualified health-care expenses. (Some states do not follow federal tax rules on HSAs.)

The assets in an HSA can be retained in the account or rolled over to a new HSA if you change employers or retire. Unspent HSA balances can be used to pay future medical expenses whether you are enrolled in an HDHP or not; however, you must be enrolled in an HDHP to establish and contribute to an HSA.

1–3) Kaiser Family Foundation, 2020

# Net Price Calculators Help Gauge College Affordability

Fall is the time when many high school seniors narrow their college lists and start applying to colleges. One question that is often front and center on the minds of families is "how much will it cost?" To help answer that question, you can use a net price calculator, which is available on every college website.

**How a net price calculator works.** A net price calculator can help families measure a specific college's true cost by providing an estimate of how much grant aid a student might expect based on his or her financial information and academic profile. A college's sticker price minus grant aid equals a student's net price, or out-of-pocket cost.

The numbers quoted by a college net price calculator are not a *guarantee* of grant aid, but the estimates are meant to be close. By completing a net price calculator for several colleges before officially submitting an application, students can get an idea of what their out-of-pocket cost would be at specific schools and rank colleges based on affordability.

**What information it asks for.** A net price calculator typically asks for the following information: parent income and assets, student income and assets, a student's general academic record, and family size, including number of dependents. A net price calculator might also ask more detailed questions; for example, a student's class rank and test scores, the amount parents contributed to their employer retirement plans

in the last year, current home equity, or how much parents expect to pay in health-care costs in the coming year. Every college has its own net price calculator, so there may be slight variations in the questions that are asked.

A net price calculator takes about 10 to 15 minutes to complete. Typing "net price calculator" in the search bar of a college's website should direct you to it.

**Results can vary.** Keep in mind that colleges have different sticker prices and criteria for determining how much grant aid they offer, so calculator results can vary, even when the same financial information is being entered. For example, after entering identical financial information on three different calculators, families might find that College A has a net price of \$25,000 per year, College B a net price of \$30,000, and College C a net price of \$40,000. Running a net price calculator for colleges that are similar in terms of selectivity and sticker price can help families compare the generosity of colleges in a similar peer group.

**Consider filing the FAFSA.** The FAFSA for the 2022-2023 school year opens on October 1, 2021. Families should consider submitting it even if they don't expect their child to qualify for need-based federal aid, because some colleges may require the FAFSA as a prerequisite for college-provided need-based and/or merit-based grants and scholarships.

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