RAA®
THE COMPASS
introduction | RMD reminder | medicare | market update
Fourth Quarter 2022

LOOKING BACK AND FLYING FORWARD

By Gary Krasnov, AIF®, CLTC® – RAA Vice President

As I sat down to begin writing this article, it struck me that 2023 is right around the corner. I have read that, as we age, time speeds up as each year is a smaller percentage of our life. If you are 10, one year is 10% of your life experience; if you are 64, like me, one year is .015% of your life - no wonder the years are flying by!

Looking back on the year, I think about some of the great events we participated in that gave us an opportunity to engage with you. We hosted six well-attended client seminars and this year, for the first time, we hosted a booth at both Sun N' Fun and Oshkosh. We also attended the Reno Air Races, though unfortunately, the smoke limited the amount of racing. As I write this, we are preparing for the Rotary To Airline Group (RTAG) Convention where our own Kat Schraeder will be giving a presentation on 'Avoiding Landmines in Your Financial Life'. The last event of the year for us will be the Blue Angels Homecoming show in Pensacola, so if you are planning to attend, please let us know.

Here in Atlanta, the days have cooled, and the leaves are changing color. The fall is my favorite time of year. But with it comes raking leaves, putting windows up on our screened-in porch and other fall chores like open enrollment, RMDs, 2022 tax withholding, 2023 tax planning, and of course, don't forget to change the batteries in your smoke detectors.

Healthcare is one of the most important yearly decisions we make. Few realize that after taxes, food, and shelter, healthcare is one of our largest lifetime expenses. There are several studies done each year and recently they have estimated that the average 65-year-old couple will spend over $300,000 on healthcare in retirement. For those of you still working, open enrollment has either taken place or is about to. If you have questions, please reach out to your advisor to discuss your options.

For those happily retired, Medicare open enrollment is also upon us. Please make sure you check to see what changes have been made to your current plan. Again, if you need help, we are here for you. And as I mentioned, it's also RMD, Roth conversion, and tax withholding time. You will be hearing from your advisor soon to discuss these aspects of your plan if you have not already.

In the blink of an eye, we will be readying ourselves for the holiday season. Since this is our last Compass of the year and although I might be a tad early, on behalf of everyone here at RAA and Allworth Financial, I want to wish you a healthy and happy holiday season.

Medicare Reminders

Studies show that being able to afford high-quality healthcare is the top concern for most pre-retirees.[1]

It's complex and the rules, costs, and coverages are ever-changing.

Always remember, it will save you money, time, and stress to organize your approach.

That said, if you have questions about healthcare, you're certainly not alone. The first thing you should do is reach out to your advisor. He or she can help you with your decision-making process and direct you to resources to help with your short- and long-term coverage needs while considering your overall financial plan and goals.

Open enrollment for Medicare is open until December 7th

Medicare open enrollment, which is also referred to as Medicare's Annual Election Period, runs from October 15th through December 7th each year. This period exists to allow you to re-evaluate and, if you so choose, to alter or upgrade your drug and Medicare coverage.

Any changes you make to your coverage during the open enrollment period will take effect on January 1st, 2023.

Here are some specifics of what you can accomplish during the Medicare open enrollment period.

You can:

- Change from Original Medicare to Medicare Advantage (with restrictions)
- Change from Medicare Advantage to Original Medicare (with restrictions)
- Move from one Medicare Advantage plan to a different plan
- Switch from one Medicare Part D drug plan to another
- Sign up for a Medicare Part D plan (if you didn't sign up when you were first eligible)

How much does retirement healthcare cost and what does Medicare cover?

First, let's lay out some potential costs of retirement healthcare.

Estimates vary, but while the typical person thinks they'll end up spending about $41,000 out of pocket for healthcare during retirement, the actual estimated average expenditure per couple is likely going to be closer to $315,000.

Why the disconnect?

It's primarily due to the fact that most people believe that once we turn 65, Medicare will take care of all our needs.

Unfortunately, the fact is that many people simply don't realize that Medicare coverage costs you money. In fact, due to inflation, Medicare Part B premiums rose 14.5% just last year. But on top of those costs and increases, Medicare also has coverage limits, as Parts A and B don't come close to paying for all the things you're likely going to need. (Your remaining healthcare expenses will either need to be covered by supplemental insurance or come out of pocket.)

Here's a partial list of common healthcare needs that are not covered by Parts A or B:

- Long-term care
- Most dental
- Eye exams
- Regular physicals
- Hearing aids

The above can add up, so it's important to plan for these things so you're prepared. Remember that we do have an in-house insurance specialist that can help discuss how long-term care plans may fit into your overall financial picture. Please reach out to your advisor if you're interested. Health and healthcare are indeed, "the big unknowns" for every one of our financial futures.

Medicare (and healthcare in general) are integral parts of retirement and managing them correctly can save you time and money, and a lot of headaches. Please call us if you have any questions about Medicare, Social Security, investing, or retirement planning. We are here to help.

[1]Allworth Financial: The Healthcare Financial Factor
[2]Cost of Long-Term Care by State | Cost of Care Report | Genworth
[3]How Much Care Will You Need? | ACL Administration for Community Living

BLUE ANGELS HOMECOMING AIR SHOW & HAPPY HOUR

It's pure aviation excitement as the Blue Angels return home for the NAS Pensacola Homecoming Air Show on Friday, November 11th.

Join RAA and fellow aviation enthusiasts the evening before the show for happy hour on Thursday, November 10th. Bring your colleagues, friends, or family and join us for an evening of cocktails, food, and fun!

Thursday, November 10th at 6:30 PM

The Fish House

600 S Barracks St, Pensacola, FL 32502

RSVP at: raa.com/blueangels2022

Open Enrollment is Here!

For our clients who have yet to retire, identifying, choosing, and keeping the best, broadest, and most affordable healthcare coverage, as well as selecting benefits that align with your financial goals is paramount.

Now is one of the most important times of the year for you as an airline employee when it comes to your benefits. Open enrollment is available only one time per year and is a key part of your overall financial planning strategy. During this period, you'll be asked to make pivotal choices regarding your medical coverage, dental coverage, disability coverage, 401(k), and more.

Making the best elections for your family can significantly impact your financial future. It is important that you make any changes, if needed, during the enrollment window to ensure your benefit elections meet your specific needs.

Your team at RAA has combed through your offerings and they are ready to provide you with suggestions, help you through this process, and answer any questions you may have. We strongly encourage you to reach out to your advisor if you're interested.

RMD Reminder

With Thanksgiving and the holiday season right around the corner, that means it's also time to process your Required Minimum Distribution (RMD). If we do not have your RMD instructions yet for 2022, the deadline for processing is December 31st this year (unless this is your first RMD, then your deadline is April 1st, 2023).

Please make sure to reach out to your advisor to make RMD arrangements at your earliest convenience. We are here to help.

If you have already addressed your 2022 RMD with your advisor, please feel free to disregard this reminder.

By Andy Stout, CFA, CFP® - Chief Investment Officer

When I was returning from vacation this summer, there was a two-hour backup on the interstate because of construction. Fortunately, or so I thought, my "smartphone" instructed me to take a detour to reduce the delay to an hour.

I followed my device's directions and was greeted by an extra 3.5-hour delay.

Clearly, I should've stayed the course.

Aside from my travel adventure, we believe that staying the course is also the best advice for today's investors. We understand that in times like these you might wonder if you should change directions. After all, it's been a tough and sometimes scary year for all investors, with both stocks and bonds struggling.

But these struggles are exactly why you should block out the impulse to take shortcuts. Here's why.

Staying the course

The stock market's 24% drop this year is the third-worst start to the year since 1945. Fortunately, returns over the next 12 months show why staying the course makes sense.

The average 12-month return was an impressive 16.1% for the nine other worst starts to a year. Of course, there is never a guarantee that the future will repeat itself, but historically, it always has.

Stocks often enjoyed robust future returns after a bad start to the year.*

Year	First 9 Months	Next 12 Months
1974	-32.8%	38.1%
2002	-28.2%	24.4%
2022	-23.9%	?
2001	-20.4%	-20.5%
1962	-19.3%	31.7%
2008	-19.3%	-6.9%
1966	-15.1%	30.5%
1946	-11.3%	6.3%
1990	-11.1%	31.1%
1981	-11.1%	9.9%
Average	-19.2%	16.1%

**S&P 500 Total Return Index*

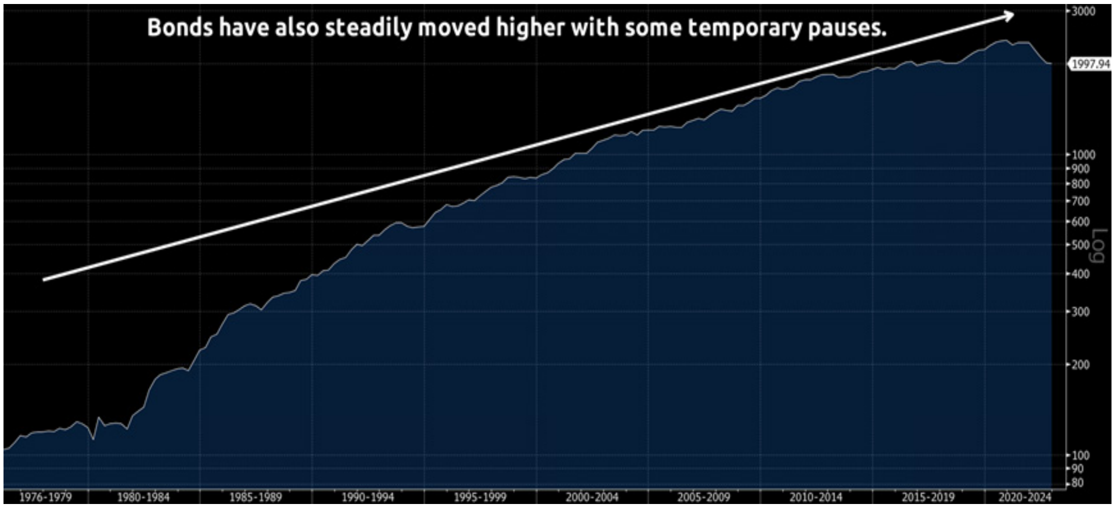
On the bond side of the equation, 2022 has definitely been the worst start to the year since the Bloomberg Aggregate Bond Index began in 1976. There were seven other years where the bond market posted negative returns in the first nine months. But, like stocks, returns over the next 12 months were undeniably positive, averaging almost 10%.

Bonds bounced back after negative returns.*

Year	First 9 Months	Next 12 Months
2022	-14.6%	?
1981	-3.9%	35.2%
1994	-3.3%	14.1%
1987	-2.9%	13.3%
2013	-1.9%	4.0%
2018	-1.6%	10.3%
2021	-1.6%	-14.6%
1999	-0.7%	7.0%
Average	-3.8%	9.9%

**Bloomberg Aggregate Bond Index*

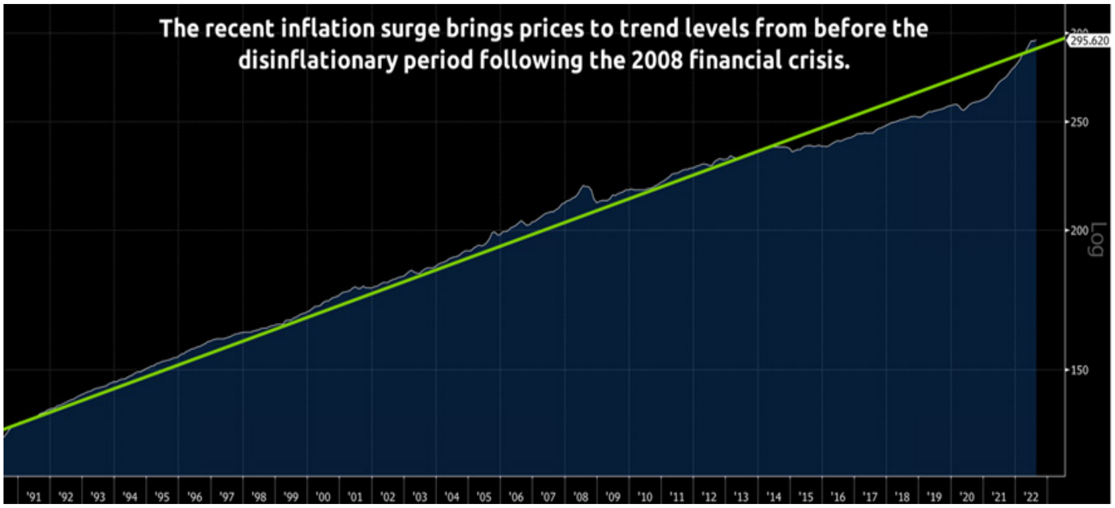
To be absolutely clear, we would not be surprised by additional short-term market turbulence in either stocks or bonds. However, history suggests that staying the course will ultimately be profitable. You can see this in the tables above and by looking at any long-term charts of stocks and bonds to see how they have historically moved higher.



What matters the most for the economy

Economists currently believe that the US economy rebounded to grow about 2.5% in the third quarter. But what matters the most is the Federal Reserve's actions to tame inflation. The latest CPI (Consumer Price Index) report showed that total consumer inflation increased by 8.2% over the past year.

Interestingly, a chart of total inflation shows that the recent spike has lifted prices to levels where we might have ended up had it not been for the Great Recession. Following that crisis, we entered a period where inflation was lower than what the Fed desired, which is why interest rates were near zero for so long. Now, prices are up to their 30-year trend level.



Despite the total inflation level, the Federal Reserve is most worried about the current inflation rate of change. Even though the current 8.2% year-over-year change is lower than June's 9.1%, it's nowhere near comfortable levels.

As a result, we expect the Fed to remain aggressive in its fight against inflation. The committee will probably increase short-term interest rates by 0.75% when it meets on November 2. That would be the fourth consecutive 0.75% rate hike and would lift the fed funds rate to a target range of 3.75% - 4.0%.

The Federal Reserve has been able to hike interest rates this abruptly because of the still-strong job market. Specifically, September's unemployment rate fell back to 3.5%, a 40-year low. (The Federal Reserve has a dual mandate of stable inflation and full employment.)

However, a few labor market cracks have appeared. Specifically, the number of job openings unexpectedly fell from 11.1 million to 10.1 million, indicating employers are hiring fewer people. Additionally, a recent survey showed that manufacturers had pulled back on hiring. Finally, the number of layoffs has started to move up.

Unfortunately, the Federal Reserve likely won't pause its rate hikes until it sees consistent evidence that inflation is falling. Herein lies the risk. Monetary policy (i.e., rate hikes) works with about a 6-12 month lag, so, in that sense, the Fed actually doesn't have a strong indication of the economic effects of the actions it's already taken.

Putting it all together

A problem with veering off course is that it can be challenging to get back on track. The reason for that is emotions can take over. For example, it seems easy to bail out when things look scary, but when do you get back in? There is no all-clear signal the market can give you.

In fact, it's quite the opposite, because when the economy and market appear to be at their worst, it's often an excellent opportunity. (You can see this in the tables at the beginning of the article.)

We recognize that anxiety about the economy and the market is high and that it's been a challenging year for all investors. However, we also acknowledge that markets move higher over time, and staying invested has benefited countless patient investors. Of course, navigating this terrain can be challenging, but understanding the numerous capital market interactions can help ensure your investments are prudently positioned for long-term success.

October 14, 2022

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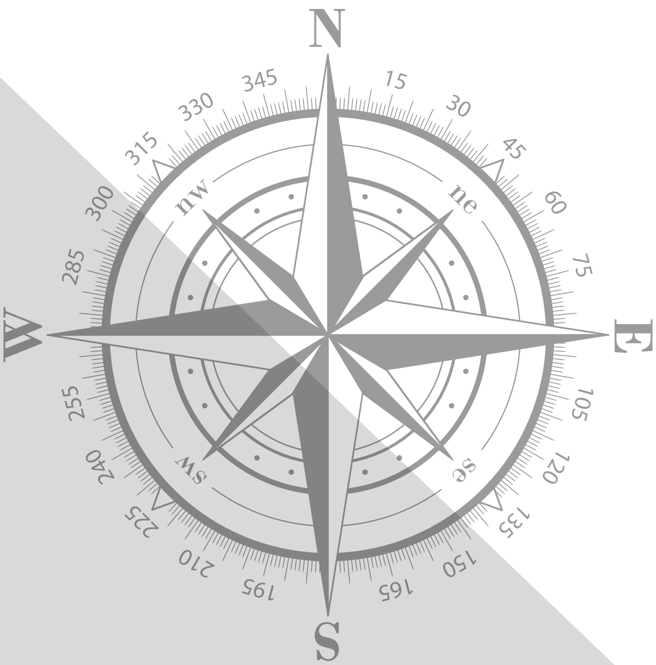

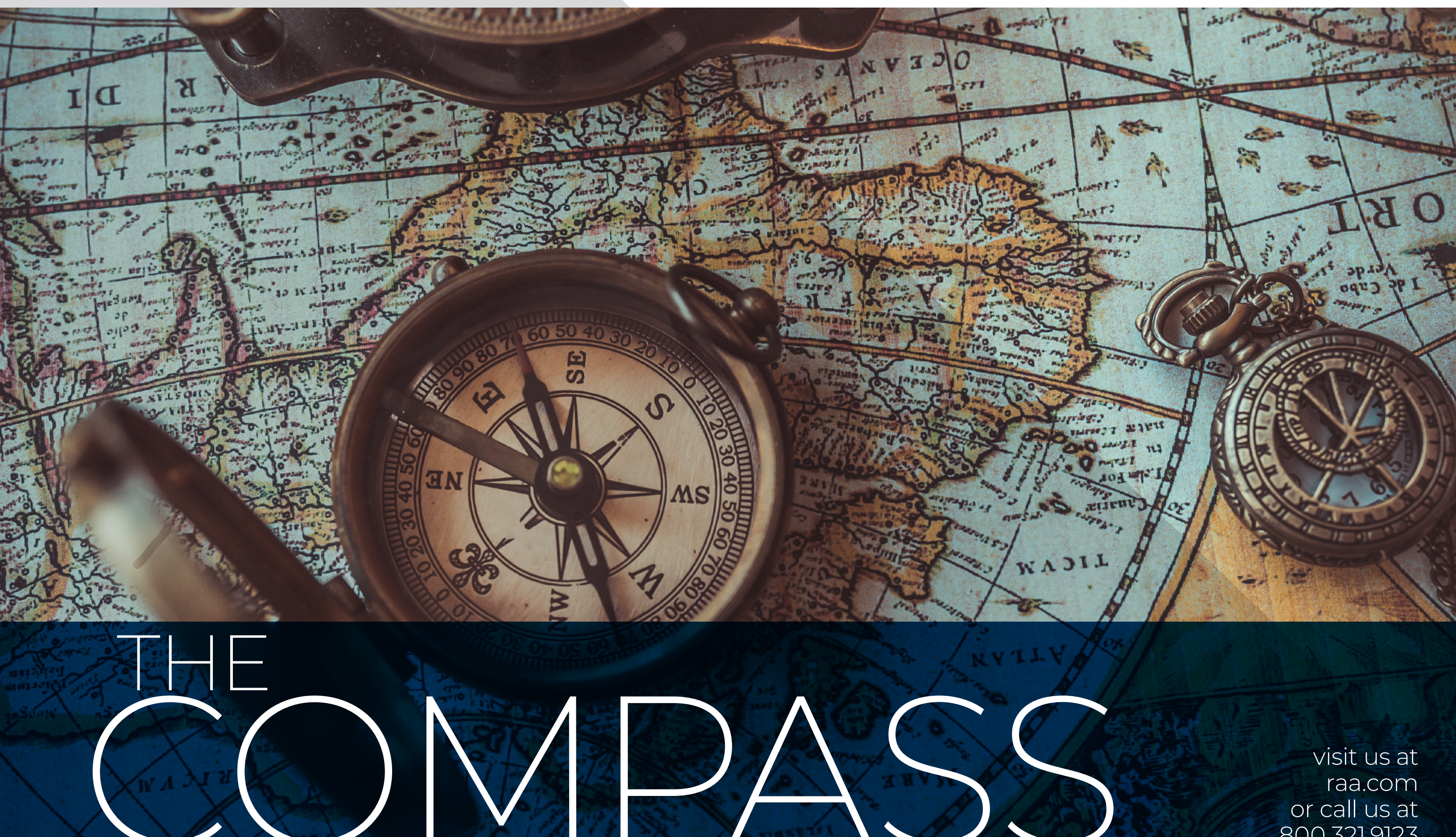

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