



# Alliance Benefit Consultants

## For All Your Insurance Needs

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## The Dubious Health/Wealth Connection

For those who are healthy, the odds are in favor of a long retirement. And because women outlive men, on average, they may face higher health-care costs.

Probability of living to ■ age 85 ■ age 90



Man in excellent health



Woman in excellent health



Man in average health



Woman in average health

Estimates are based on a 65-year-old person who retired in 2021.

Source: Society of Actuaries, 2021



## Accounting for Longer Life Spans



The Treasury Department and the IRS rolled out final regulations that will reduce the required minimum distributions (RMDs) that must be taken annually from traditional IRAs and most employer-sponsored retirement plans beginning at age 72. The life expectancy tables used to calculate RMDs were updated for the first time since 2002, and mandatory withdrawals will be smaller starting in 2022.

Source: Internal Revenue Service, 2020

PRACTICAL INSIGHTS FOR YOUR FINANCIAL GOALS



# Should You Speed Up Your Retirement Plans?

According to a March 2021 survey, an estimated 2.8 million Americans ages 55 and older decided to file for Social Security benefits earlier than they expected because of COVID-19. This was about double the 1.4 million people in the same age group who said they expected to work longer, presumably due to pandemic-related financial losses.<sup>1</sup>

Many older workers were pushed into retirement after losing their jobs, and others may have had health concerns. Still, it appears that work-related stress and the emotional toll of the pandemic caused a lot of people to rethink their priorities and their retirement timelines.

How do you know if you can realistically afford to retire early? First and foremost, determine whether you will have enough income to support the lifestyle you envision. Instead of accumulating assets, you may have to start draining your life savings to cover living expenses. Here are four important factors to consider.

## Lost Income and Savings

You may be sacrificing years of future earnings and contributions to your retirement accounts. For example, an early retiree who was making \$80,000 per year would forgo about \$400,000 of salary over five years or \$800,000 over a decade, not counting cost-of-living or merit increases. The 10-year total rises to nearly \$1 million when annual raises averaging just 3% are included.

If the same retiree could have contributed 5% of salary to an employer-sponsored retirement plan with a 100% match, he or she would also miss out on \$8,000 in contributions in the first year, more than \$40,000 over five years, and almost \$100,000 over 10 years.

## Debt and Other Financial Responsibilities

If you are still paying a mortgage, have other debts, or are supporting children or aging parents, you may not be ready to retire. Ideally, you should be free of “extra” financial responsibilities so you can focus on meeting your own living expenses without a regular paycheck.

## Reduced Social Security Benefits

The earliest age you can file for Social Security is 62, but your benefit would be reduced to 70% or 75% of your full retirement benefit — for the rest of your life. So even if you do decide to retire, you might think about waiting to claim your benefit until you reach full retirement age (66 or 67, depending on the year you were born) or longer if you have enough income and/or savings to cover your expenses. For every year you wait past your full retirement age, your benefits will increase by 8% (up to age 70).

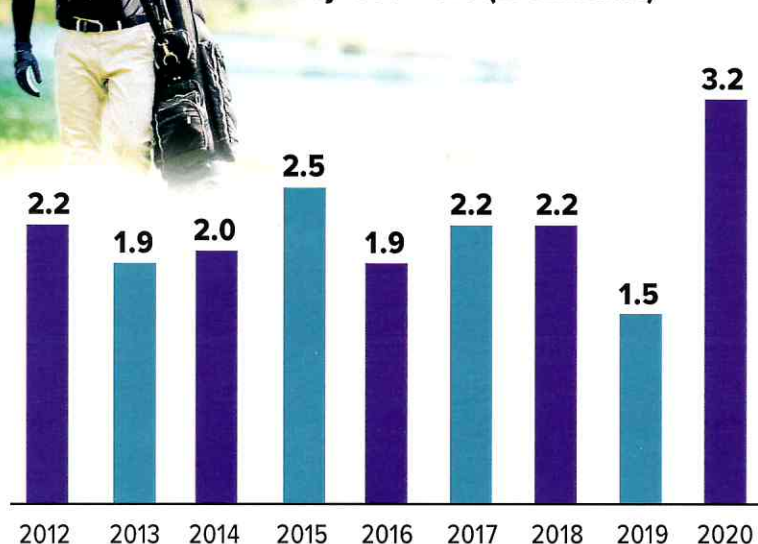
## Higher Medical Costs

If you retire before you (or a spouse) become eligible for Medicare at age 65, you could lose access to an affordable employer-provided health plan. You can purchase health insurance through the Health Insurance Marketplace or a broker, but the age-based premiums are more expensive for older applicants. For two 60-year-olds with a household income of \$100,000, the average premium for a silver Marketplace plan in 2021 is \$708 per month (\$8,500 per year), after subsidies. And if you seek medical treatment, you'll typically need to cover copays, deductibles, coinsurance, and some other expenses (up to the plan's out-of-pocket maximum).<sup>2</sup>

Even with Medicare, it's estimated that a married couple who retired at age 65 in 2020, with median expenses for prescription drugs, would need \$270,000 to have a 90% chance of paying their health-care costs throughout retirement.<sup>3</sup>

The bottom line is that some people might be giving up more than they realize when they retire early. Before you say goodbye to the working world, be sure you have the resources to carry you through the next phase of your life.

Annual increase in the number of retired baby boomers (in millions)



Source: Pew Research Center, 2020

1) U.S. Census Bureau, 2021

2) Kaiser Family Foundation, 2021

3) Employee Benefit Research Institute, 2020



# Taking a Fresh Look at Food Allergies

In April 2021, President Biden signed the bipartisan Food Allergy Safety, Treatment, Education and Research (Faster) Act. The new law designates sesame as the ninth major food allergen and requires packaged foods containing sesame to be clearly labeled starting in January 2023. About 1.6 million Americans have sesame allergies.

The Faster Act also prioritizes research to address a troubling rise in deadly food allergies. The number of Americans suffering from severe food allergies has increased at an average annual rate of 4% over the past couple of decades, and 32 million Americans are now at risk. By one estimate, food allergies cost U.S. families \$24.8 billion per year

(including medical bills, special diets, and giving up full-time employment to care for children with food allergies).

When a person is allergic to a particular food, the immune system overreacts and produces a type of antibody called IgE. This immediately triggers symptoms such as a hives; tingling hands, feet, or scalp; wheezing; vomiting; difficulty swallowing; and, in severe cases, anaphylactic shock, which is when blood pressure drops and airways narrow to block breathing entirely. People known to have food allergies must often carry medication that can be injected quickly, if needed, to reverse a life-threatening reaction.

Source: *The Washington Post*, April 23, 2021

**“The Big Nine”  
food allergens  
are responsible for about 90%  
of all food allergy reactions.**



Peanuts



Tree nuts



Fish



Shellfish



Soy



Milk



Eggs



Wheat



Sesame



# Breaking Down the Gender Wage Gap

An economic study released in 2021 identified significant gender differences in the job search process of graduating business majors. As a group, women tend to accept job offers more quickly than men, almost a month earlier, partly due to higher levels of risk aversion. The average salary for accepted offers is lower for women, but the gender pay gap narrows as the search period lengthens.<sup>1</sup>

Researchers concluded that some simple changes in college graduate recruiting policies could help reduce early-career gender wage gaps. These include providing students with accurate information about the labor market and limiting the “exploding offers” with short deadlines that might coerce them to make hasty decisions.

Across the U.S. labor market, women who worked full-time earned just 82 cents for every dollar earned by men in 2020. There is a mix of reasons for this pay gap, starting with the simple fact that more women

work in lower-paid industries (such as home health) and more men work in higher-paid industries (such as construction). In addition, women often have fewer years of experience, as they are more likely to take time out of the workforce or work part-time to help care for children or elders.<sup>2</sup>

These measurable factors don’t account for the entire pay gap, and even though gender-based pay discrimination is illegal, it persists in some work environments. In 2020, women earned less than men in almost all of the 350 occupations tracked by the Bureau of Labor Statistics.<sup>3</sup>

Increasing educational attainment by women has helped narrow the gender wage gap, but the pandemic was a colossal setback. In February 2021, the labor force participation rate for women was 55.8% — the same as it was in April 1987.<sup>4</sup>

1) National Bureau of Economic Research, 2021

2–4) U.S. Bureau of Labor Statistics, 2021

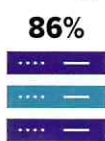
## Women’s median weekly earnings as a percentage of men’s earnings in the same occupation, 2020



Construction workers



Office & admin. support workers



Software developers



Registered nurses



Physicians



Educators/librarians



Chief executives



Lawyers

Source: U.S. Bureau of Labor Statistics, 2021



# Catalytic Converter Thefts Are on the Rise: Here's Why

According to the National Insurance Crime Bureau, catalytic converter thefts began to skyrocket during the second half of 2020, and local reports indicate that the trend continued in 2021.<sup>1-2</sup>

Catalytic converters, the small muffler-like devices that help control pollution from auto emissions, have always been a target for thieves because they contain precious metals more valuable than gold and are easily accessible under the car, between the engine and the muffler. (If your car sounds like a jackhammer, your converter may be gone.)

Converters have been required on most U.S. cars since 1975, but recent strict emissions regulations in China and other countries have sent the value of the precious metals — palladium, rhodium, and platinum — soaring to record levels. Thieves typically sell the part to a junkyard or recycler for \$50 to \$250, and some models might fetch as much as \$500.<sup>3-4</sup>

Some car owners have taken additional steps to secure their catalytic converters, such as installing a heavy metal cage around the converter (which can be pricey) or having it etched with the vehicle identification number or license plate number, which some police departments will do for free.

## Comprehensive Coverage

Replacing a stolen converter could cost \$1,000 to \$3,000 — one good reason to have comprehensive insurance, which covers theft of the car, its parts, or its

contents, as well as damage resulting from vandalism, falling or flying objects, animal collisions, fire, explosions, earthquakes, and weather-related risks such as wind and flood. All coverage is only up to policy limits.<sup>5</sup>

Along with catalytic converters, thieves who can't drive away the whole car often steal airbags, car tires, rims, xenon headlights, and global positioning systems (GPS), which are targeted because of their high street values. Keep in mind that comprehensive coverage typically applies only to GPS devices and other components that are permanently attached; unattached units would be considered personal property.

In general, comprehensive coverage costs significantly less than liability or collision coverage. Premiums depend on both the current value of the automobile and the level of risk to which it may be exposed, which means you will pay more if you live in an area where claims are prevalent. Insurers will look closely at the perceived level of risk in your specific ZIP code.

Comprehensive coverage is optional, but lenders typically require it. Some people who own older vehicles free and clear may sacrifice the extra coverage for the sake of lower insurance costs, but you might find that it offers a sense of security that may be worth the extra cost.

1, 3, 5) National Insurance Crime Bureau, 2021

2, 4) *The New York Times*, February 20, 2021



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