

# Health and Money Newsletter

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Always learning.

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In this issue:

**Money:** Comparison of financial accounts, page 1, the new Social Security Fairness Act, page 3,

**Health:** Current health insurance enrollment options, page 4.

Mike Pinotti

## Savings Accounts, 401Ks, Roth IRAs and IULs.

### Maximizing Your Growth.

Let's break down what happens when you invest \$10,000 annually and earn a 4% return compounded yearly in a savings account, a traditional IRA or 401(k), a Roth IRA, and an Indexed Universal Life (IUL) policy.

The tool or vehicle in which your money grows can significantly impact your overall financial outcome due to taxation, accessibility, and long-term benefits.

1. Four percent earned in a regular **Savings Account**. A savings account is one of the simplest and safest places to store money. However, while a 4% return might seem appealing, there are some key drawbacks:

\* Liquidity - Your money is easily accessible.

\* Taxable Growth - Any interest earned is subject to income tax annually.

Inflation Risk - Most savings accounts don't outpace inflation. Example: If you

have \$10,000 in a savings account and earn 4% annually, you'd have \$10,400 after one year. However, if your tax bracket is 22%, you'll owe \$88 in taxes.

Savings				
Date	Investment	Earnings	Taxes at 22%	Balance
2025	\$ 10,000.00	\$ 400.00	\$ 88.00	\$ 10,312.00
2026	\$ 10,000.00	\$ 812.48	\$ 178.75	\$ 20,945.73
2027	\$ 10,000.00	\$ 1,237.83	\$ 272.32	\$ 31,911.24
2028	\$ 10,000.00	\$ 1,676.45	\$ 368.82	\$ 43,218.87
2029	\$ 10,000.00	\$ 2,128.75	\$ 468.33	\$ 54,879.30
2030	\$ 10,000.00	\$ 2,595.17	\$ 570.94	\$ 66,903.54
2031	\$ 10,000.00	\$ 3,076.14	\$ 676.75	\$ 79,302.93
2032	\$ 10,000.00	\$ 3,572.12	\$ 785.87	\$ 92,089.18
2033	\$ 10,000.00	\$ 4,083.57	\$ 898.38	\$ 105,274.36
2034	\$ 10,000.00	\$ 4,610.97	\$ 1,014.41	\$ 118,870.92

Figure 1: 10K annual invested at 4%.

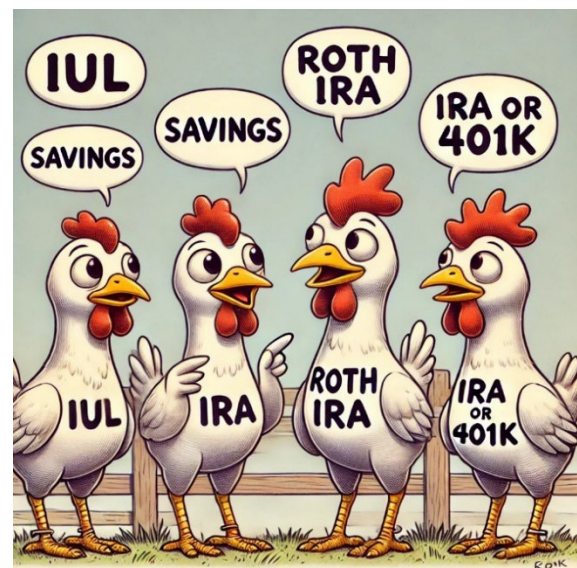


Figure 2:

2. Four percent earned in a **Traditional IRA or 401(k)**. A Traditional IRA or 401(k) is a tax-deferred retirement account, meaning your contributions reduce taxable income today, but withdrawals in retirement are taxed.

\* Tax-Deferred Growth - Your earnings compound without immediate taxation.

\* Employer Matching (for 401k) - Many employers match contributions.

401K with Employer Matching					
Date	Investment	Earnings	6 % Employer Match	Taxes at 22%	Balance
2025	\$ 10,000.00	\$ 400.00	\$ 600.00		\$ 11,000.00
2026	\$ 10,000.00	\$ 840.00	\$ 600.00		\$ 22,440.00
2027	\$ 10,000.00	\$ 1,297.60	\$ 600.00		\$ 34,337.60
2028	\$ 10,000.00	\$ 1,773.50	\$ 600.00		\$ 46,711.10
2029	\$ 10,000.00	\$ 2,268.44	\$ 600.00		\$ 59,579.55
2030	\$ 10,000.00	\$ 2,783.18	\$ 600.00		\$ 72,962.73
2031	\$ 10,000.00	\$ 3,318.51	\$ 600.00		\$ 86,881.24
2032	\$ 10,000.00	\$ 3,875.25	\$ 600.00		\$ 101,356.49
2033	\$ 10,000.00	\$ 4,454.26	\$ 600.00		\$ 116,410.75
2034	\$ 10,000.00	\$ 5,056.43	\$ 600.00		\$ 132,067.18

Figure 3: 401K with employer 6% matching.

\* Withdrawals in retirement are taxed. There may be penalties for early withdrawals. Withdrawals before age 59½ often incur penalties. Example: If you invest \$10,000 and earn 4% annually, your balance grows to \$10,400 tax-free. However, when withdrawn, taxes reduce the net benefit.

3. Four percent in a Roth IRA. **A Roth IRA** allows for tax-free growth and tax-free withdrawals.

\* Tax-Free Growth & Withdrawals - You never pay taxes on gains.

\* No Required Minimum Distributions (RMDs) - No forced withdrawals.

\* Contribution Limits - Limited annual contributions.- Income Limits - High

earners may not qualify. Example: A \$10,000 investment growing at 4% would be worth \$10,400, and when withdrawn, you keep every penny tax-free!

4. Four percent earned in an **Indexed Universal Life (IUL)** life insurance policy. An IUL provides both a death benefit and tax-advantaged cash value growth.

\* Tax-Free Growth & Withdrawals - Gains are not taxed if structured correctly.

\* No Contribution Limits - Unlike retirement accounts.

\* Creditor Protection often protected from lawsuits. Costs, fees, and insurance costs can reduce growth.

Policies must be structured properly.

	Premium	Account	Surrender	Net Death
Year	Outlay	Value	Value	Benefit
1	10,000	6,652	0	436,110
2	10,000	13,377	0	436,110
9	10,000	63,509	52,709	436,110
10	10,000	70,770	60,370	436,110
	100,000			

Figure 4: An IUL at 4.25% average gain for a 54-year-old male with a standard risk rating.

**Which Option is Best?** It depends on your situation in life, your goals, risk tolerance, and many other factors.

For short-term needs, a savings account provides easy access. For retirement savings, a Roth IRA is often best due to tax-free withdrawals. If you expect to be in a lower tax bracket in retirement, a Traditional IRA/401(k) might be beneficial. For a flexible, tax-free retirement option, an IUL can be powerful. Understanding

where your money grows will help you maximize wealth and minimize taxes.

A 4% return is modest compared to some exchange-traded funds (ETFs) that track the market and are accessible through 401(k), IRA, or Roth IRA accounts.

For instance, the **Vanguard S&P 500 ETF (VOO)** is a low-cost ETF that has consistently delivered competitive returns. As of January 31, 2025, **VOO** returned, over 26% for 2024, 13% for the last 3 years, and 14% over the last 5 years.

See <https://finance.yahoo.com/quote/VOO/>

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## Social Security Fairness Act

More benefits for those who are entitled to a government pension.



Figure 5: Recent retirees.

On January 5, 2025, President Joe Biden signed the **Social Security Fairness Act** into law, significantly impacting public sector retirees. This legislation repeals two provisions—the **Windfall**

**Elimination Provision (WEP)** and the **Government Pension Offset (GPO)**—which previously reduced Social Security benefits for individuals receiving public pensions from non-Social Security-covered employment.

### Key Changes:

- **Windfall Elimination Provision (WEP):** The WEP reduced Social Security benefits for retirees who also received a public pension from non-Social Security-covered employment. Its repeal allows approximately 2 million retirees to receive an average increase of \$360 per month in their Social Security benefits.
- **Government Pension Offset (GPO):** The GPO reduced spousal or survivor benefits for individuals with a government pension from non-Social Security-covered jobs. Eliminating this provision benefits over 700,000 surviving spouses, with increases ranging from \$700 to \$1,190 in their monthly benefits.

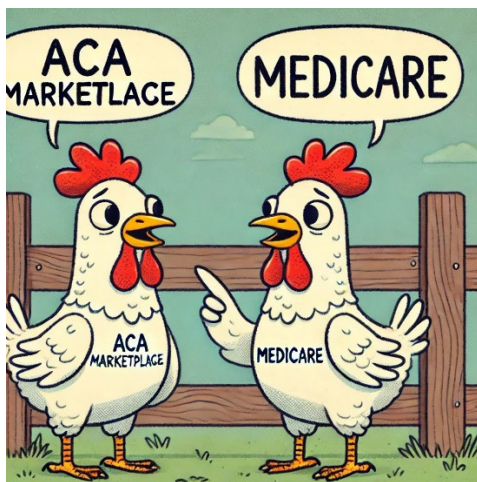
While the law provides financial relief to many public sector retirees, it also raises concerns about the long-term sustainability of the Social Security Trust Funds. The increased benefits are expected to strain the already challenged funds, potentially accelerating their depletion timeline.

Additionally, due to funding constraints and staffing shortages within the Social Security Administration (SSA), beneficiaries may experience delays of over a year in receiving the increased benefits. The SSA is working to implement these changes while minimizing the impact on regular services.

In summary, the Social Security Fairness Act aims to rectify long-standing benefit reductions affecting public servants, ensuring they receive the full Social Security benefits they have earned.

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## Current health insurance enrollment options.



### Affordable Care Act (ACA) Marketplace:

- **Open Enrollment Period:** The Open Enrollment for 2025 coverage concluded on January 15, 2025.

- **State-based plans:** Most state-based plans like Minnesota and Virginia follow the ACA rules and regulations for enrollment.

[cms.gov](https://www.cms.gov)

- **Special Enrollment Period (SEP):** Outside the Open Enrollment Period, you may qualify for a Special Enrollment Period if you experience certain life events, such as:
  - Losing other qualified health coverage
  - Getting married
  - Having a baby
  - Moving to a new area

If you qualify for an SEP, you can enroll in a Marketplace plan within 60 days of the event.

[healthcare.gov](https://www.healthcare.gov)

### Medicare:

- If you are about to turn 65 or have recently turned 65 you can sign up during your **initial enrollment period (IEP)**.
- There are differences in the enrollment periods between Medicare Supplement and Medicare Advantage plans.
- **Medicare Supplement (Medigap) Plans:**
  - **Initial Enrollment Period:** You can apply for a Medigap plan **any time**



**after you turn 65** and enroll in Medicare Part B.

- **Guaranteed Issue Rights:** You have guaranteed issue rights during specific times, such as when you lose other health coverage.
- **Special Enrollment Periods:** You can apply for Medigap outside of the initial enrollment period if you qualify for a Special Enrollment Period due to certain life events.
- **Medicare Advantage (Part C) Plans:**
  - **Initial Enrollment Period:** You can join a Medicare Advantage plan when you first become eligible for Medicare or during the Annual Enrollment Period (October 15 to December 7 each year).
  - **Annual Enrollment Period:** You can switch or join a new Medicare Advantage plan during this period.
  - **Special Enrollment Periods:** You can switch plans if you move, lose other coverage, or qualify for other specific circumstances.
  - **General Enrollment Period:** If you missed your Initial Enrollment Period, you could sign up for Medicare Part A and/or Part B during the General Enrollment Period, which runs from January 1 to March 31 each year. Coverage starts the month after you sign up.
  - **Medicare Advantage Open Enrollment Period:** If you're already enrolled in a Medicare

Advantage Plan, you can switch to another Medicare Advantage Plan or return to Original Medicare between January 1 and March 31. Changes take effect the first of the month after the plan receives your request.

- **Special Enrollment Periods:** Certain circumstances, such as moving to a new address or losing current coverage, may qualify you for a Special Enrollment Period to join or switch Medicare plans. The timing and rules depend on your specific situation.

[medicare.gov](https://www.medicare.gov)

#### Next Steps:

- **Seek Assistance:** If you need help understanding your options, consider contacting myself, [Mike Pinotti at 888-367-0001](#) a licensed insurance agent.



Most special enrollments opportunities are required to be elected within 60 days of the event.