

# Sherree Craig Achieves NAHU Advanced Self-Funding Certification



Sherree L.  
Craig, CEBS

Sherree L. Craig, CEBS, senior account executive in the Insured Benefits Division at Allen Insurance and Financial, has achieved an Advanced Self-Funding Certification from the National Association of Health Underwriters.

The NAHU Advanced Self-Funding Certification ensures knowledge of regulatory concerns, service model options, cost-containment strategies and underwriting concepts necessary for providing advice and direction on employer self-funded health plans.

Craig has been with Allen Insurance and Financial for 20 years. She works with businesses across Maine on their employee benefits offerings.

“Employers have limited options to control their own health plan expenses with an insurance company. Self-funding is a valuable tool to consider for a company’s health plan strategy,” said Craig. “This certification allows me to better assist businesses who elect to self-fund their medical plans with using the most cutting edge cost-control techniques, while assuring that they are fulfilling their plan sponsor obligations.”

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# Deb McDonald Achieves ACSR Designation



Deb  
McDonald

Deb McDonald, a business insurance account manager at Allen Insurance and Financial recently achieved the designation of Accredited Customer Service Representative in Commercial Lines from the Independent Insurance Agents & Brokers of America.

McDonald has been with Allen Insurance and Financial since 1995. She lives with her family in Union.

The ACSR designation program was developed to recognize the contribution made to each customer by the service they are provided through independent insurance agencies such as Allen Insurance and Financial.

Independent Insurance Agents & Brokers of America is the nation's oldest and largest national association of independent insurance agents & brokers with more than 300,000 members. Find them online at [independentagent.com](http://independentagent.com).

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## Considering Self-Funding in the Battle Against Increasing

# Health Insurance Costs

By Sherree L. Craig, CEBS, Insured Benefits Division



Sherree L.  
Craig, CEBS

With a predicted medical trend increase of 6.5% in 2018 (PwC), businesses can expect to see a bump in their health insurance costs again this year.

Until the underlying issue of the cost of medical care can be controlled, company health insurance plans will be impacted with higher premium costs, reduced insurance protection and increased employee dissatisfaction with their benefits.

More businesses are exploring the opportunity to be creative with their company health plan offerings through a risk-mechanism called self-funding. What are they doing? They are paying for all of their employees' health care with the assistance of a third party administrator (TPA), insuring only their highest cost claims with a stop-loss insurance policy. This way, they have several advantages over a fully insured health plan.

1. Removal of insurance company overhead costs
2. Reduced state premium taxes
3. Improved cash flow and,
4. Flexibility in plan designs and service offered.

This flexibility leads us into several strategic initiatives considered next generation for health plan cost control, and employers are adopting these innovative ideas to help reign in their medical spending.

All health plans are required to pay 100% for preventive services. How about removing all financial obstacles (co-

payments and deductibles) for the treatment of the chronic conditions that lead to the largest medical costs down the line? With this concept, Value Based Plan Design” diabetics are getting proper testing and medications to prevent the catastrophic claim that is imminent without proper care. Another tool being adopted by self-funded health plans is the reference-based pricing model. A reference price (the most that will be paid) is determined for a treatment, either by a percentage of the allowable Medicare payment (i.e., what the federal government has to pay for that service) or by a study of comparable pricing from well-respected providers (Centers of Excellence).

The plan payment for any provider is capped at that reference price. A health plan might also choose to negotiate with that provider to accept that price (Direct Provider Contracting), or the health plan policy might be to have the member pay the balance bill if higher than the reference price.

Self-funding is not an answer for all employers. If you do choose to make that leap, or want to explore the opportunities, be sure to speak with an experienced professional. There is a lot of work to be done when moving in this direction and thorough education, preparation, and analysis is critical.

*Sherree Craig is certified in self-funding by the National Association of Health Underwriters. The NAHU Advanced Self-Funding Certification ensures knowledge of regulatory concerns, service model options, cost-containment strategies and underwriting concepts necessary for providing advice and direction on employer self-funded health plans.*

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# Retirement Income Planning: The Total Return Approach Vs. the Bucket Approach



Thomas C.  
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Presented by [Thomas C. Chester, CFP™, AIF®](#)

Most working Americans have only one source of steady income before they retire: their jobs. When you retire, however, your income will likely come from a number of sources, such as retirement accounts, social security benefits, pensions, and part-time work. When deciding how to manage your various assets to ensure a steady retirement income stream, there are two main strategies to consider: the total return approach and the investment pool—or bucket—approach.

## **The total return approach**

With the total return approach, you invest your assets in a diversified portfolio of investments with varying potential for growth, stability, and liquidity. The percentage you allot to each type of investment depends on your asset allocation plan, time horizon, risk tolerance, need for income, and other goals.

The objective of your investment portfolio generally changes over time, depending on how close you are to retirement:

- Accumulation phase. During the accumulation phase, your portfolio's objective is to increase in value as much as possible, with a focus on investments with growth potential.
- Approaching retirement-age phase. As you near retirement, your portfolio becomes more conservative, moving toward more stable

and liquid assets in order to help preserve your earnings.

- Retirement phase. Once you retire, the idea is to withdraw from your portfolio at an even rate that allows you to enjoy a sustainable lifestyle.

Traditionally, a widely quoted withdrawal rate for the first year of retirement has been 4 percent. Ideally, that 4 percent should be equal to the amount left over after you subtract your yearly retirement income (e.g., pensions, social security, and so on) from your total cost of living, including investment management fees. Each year, you will most likely increase your withdrawal percentage to keep up with inflation. Keep in mind, however, that the appropriate withdrawal rate for you will depend on your personal situation as well as the current economic environment.

### **The bucket approach**

The bucket approach also begins with a diversified portfolio, following the total return approach throughout most of the accumulation period. Then, as retirement approaches, you divide your assets into several smaller portfolios (or buckets), each with different time horizons, to target specific needs.

There is no “right” number of buckets, but three is fairly common. In a three-bucket scenario:

- The first bucket would cover the three years leading up to retirement and the two years following retirement, providing income for near-term spending. It would likely include investments that have historically been relatively stable, such as short-term bonds, CDs, money market funds, and cash.
- The second bucket would be used in years three through nine of retirement. Designed to preserve some capital while generating retirement income, it would include more assets with growth potential, such as certain mutual funds and dividend-paying stocks.
- The third bucket, designated to provide income in year 10 and beyond, would contain investments that have the most potential

for growth, such as equities, commodities, real estate, and alternatives. Although the risk profile of this bucket is typically higher than the other two, its longer time horizon can help provide a buffer for short-term volatility.

As you enter the distribution phase, you draw from these buckets sequentially, using a withdrawal rate based on your specific lifestyle goals in a particular year.

### **The big picture**

Many people are familiar with the total return approach, but the bucket approach has been gaining popularity recently, thanks in large part to its simplicity. It also accounts for different time periods during retirement, potentially allowing you to allocate money more effectively based on your personal situation.

Perhaps the greatest benefit of the bucket approach is that it can help provide a buffer during times of market volatility. For example, if the value of the investments in buckets two and three suddenly fluctuates due to market conditions, your immediate cash income is coming from bucket one, which is likely to be less volatile. This may also alleviate the need to sell investments that have lost money in order to generate retirement income.

Of course, while the bucket approach has its advantages, some investors simply feel more comfortable using the total return approach. Remember, the best strategy for your retirement is unique to you and your personal preferences and needs. However you choose to pursue your retirement dreams, it's important to work with a financial professional who can help you create the most appropriate strategy based on your goals and situation.

Contact us today to learn more about the different paths you may take to pursue a sustainable and enjoyable retirement.

*Diversification does not assure against market loss, and there is no guarantee that a diversified portfolio will outperform a non-diversified portfolio.*

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# “There is nothing like a dame”



Sarah Ruef-  
Lindquist,  
JD, CTFA

By Sarah Ruef-Lindquist, JD, CTFA

Beyond medical care, one of the few differences for how professionals approach women as compared to men is in the area of financial planning. Of course, this is has to do with differences largely beyond a woman's control, but thoughtful recognition of the differences can have a tremendous impact on women's financial lives.

One might assume that a longer average life expectancy – 6 years longer – for women is a good thing. It is, but you have to cover living expenses for those additional years.

When over your working years you have earned on average 79 cents for every dollar earned by your male counterpart, the challenge of paying for that longer life expectance grows. Lower earnings impact not only what one can set aside and save for retirement, but likely the amount contributed to retirement by an employer and the amount ultimately available from social security as well.

Combined with years out of the work force for child-rearing and/or caring for aged family members and you have the 'perfect storm' of inadequate resource to support a woman who will likely outlive a male spouse.

When advising women, we want to focus on several options, including elections that can be made on a spouse's pension and



maximizing benefits for them down the road. For instance, some couples may want to elect a higher immediately payout on retirement and forgo a future spousal benefit, but this is usually not a good idea for down the road when the surviving spouse- especially if her benefits alone are significantly lower and she is any number of years younger than her spouse, has less to live on. They will lose that income with the death of their spouse.

For widows or divorced women who were married at least 10 years to their spouse and have not remarried, we want to be sure they consider elections available to them as surviving or former spouses. Many divorced women learn that they are entitled to a social security amount, that though 50% of their ex spouse's benefit, amount exceeds 100% of their own. Electing to receive the 50% spousal benefit in no way diminishes the ex-spouse's benefit, but can improve their own income outlook for the rest of their lives.

Surviving spouses who do not remarry have several elections: Depending on their age and whether they are caring for a disabled child or a child age 16 or younger, they can elect current benefits as survivor, defer taking a higher benefit and continue working and even switch to a higher benefit at full retirement age or later. The optimal strategy will depend heavily on the need for income and health status. If one is in poor health, a common strategy is to begin benefits as early as possible to maximize how much is available before death. For a healthy spouse with a family history of longevity, a strategy to maximize the income over a long period of time may be preferable. Of course, this must be balanced with the need for income.

Women may have more years ahead than many men; careful planning can help the quality of those years. Of course, it's always best to get advice from your financial advisor before making any decisions or changes in your financial plans. Talk through your

options with a professional who knows your income and overall financial situation.

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# February is for Falling ... in Love?

By Sarah Ruef-Lindquist, JD, CTFA



Sarah Ruef-  
Lindquist,  
JD, CTFA

February is a month that always reminds me of falling in love...Valentine's Day smack in the middle of the month, and I got married in March, and my husband's birthday is in February, so it's all about love, and falling in love. But this February has had a different kind of falling feeling in just the first week...the stock markets.

According to colleagues who research such things, the S&P 500 gained +5.7% (total return) in January 2018, the index's 15th consecutive up month. This number of consecutive up months has only been achieved once before for the S&P 500, between March 1958 and May 1959. So perhaps not surprising that falling prices – even a 10% correction – could result in the first “down” month for the S&P 500 in the month of February 2018.

Even still, those same colleagues tell me that the S&P 500 has gained +10.1% per year (total return) over the 50-year period of 1968-2017 despite 7 bear markets – at least a 20% decline each

time. To me, that demonstrates durability. Love it or hate it, the stock market is – so far in its history – durable, weathering depressions, recessions, war time, peace time, administrations stable and not-so-stable, reflecting the value of capital in our economy. Of course, this is no prediction of future results.

Some folks felt that the drop in market value in the past week on all indices meant it was time to go to cash or get out of the market. My advice? “Not so fast,” because how do you know when to get back into the market? Staying in cash means not only eroding purchasing power due to inflation (which is predicted by many to be increasing from historic lows), but potential for lost opportunity, the cost of not being invested, should the market improve.

Of course, it's always best to get advice from your financial advisor before making any changes in your financial plans or investment strategy. Talk through your options with a professional who knows your goals and risk tolerance. And let's remember to keep February about falling in love.