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OUR NEWS LETTER HRSI

More homebuyers back out of deals as mortgage rates hit 23-year high

Homebuyers are backing out of deals at the highest rate in nearly a year, a new study found. The culprit: higher mortgage rates.

Roughly 53,000 US home purchase agreements fell through in September, according to Redfin, equal to 16.3% of homes that went under contract that month. That's the highest percentage of canceled contracts since October 2022 when mortgage rates surpassed 7% for the first time in two decades. The share is also up from 15.2% a month earlier and 15.8% a year earlier.

Pandemic boomtowns where home prices skyrocketed due to the influx of remote workers were hit the hardest with buyers with cold feet, Redfin noted, with some areas in Florida seeing contract cancellation rates over 20%.

In Our Newsletter

The reaction from buyers comes as mortgage rates remained at 23-year highs between August and September, convincing rate-sensitive folks to call it quits on their home purchase plans. Even more cancellations may be on the horizon, as rates hover near 8%.

"Buyers are extra cautious right now. They want to make sure they're getting a good deal given how much mortgage payments have gone up, and when they don't feel like they're getting a good deal, they're backing out," said Heather Kruayai, a Redfin premier agent in Jacksonville, Fla., in a statement.

Florida saw the highest cancellation rates

The Sun Belt region – which saw home prices jump by double digits during the pandemic – lost some of its heat as rates surged higher.

Among the 50 most populous metros analyzed by Redfin, Atlanta saw the most pending sales fall out of contract in September. Some 24.4% of contracts were canceled in the area that month, up from 23.6% in August – but slightly down from 27.1% a year earlier.

Metros in Florida rounded up the top five cities with the highest shares of cancellations, with Jacksonville seeing 24% of contracts fall through in September, followed by Orlando (23.6%), Tampa (22.7%), and Fort Lauderdale (22%).

The reason for the pullback by certain buyers isn't a surprise, given how quickly house prices have outpaced salary growth. Add in this year's high mortgage rates and payments become unaffordable for many.

For instance, those looking to purchase in Fort Lauderdale had to earn 22.2% more than they did a year ago to afford a median-priced home of $420,000 in August, a separate survey by Redfin found. That's an average income of $114,549 – nearly $40,000 above the national US median income of $75,000.

"Affordability is a big issue," Jeffrey Ruben, president of WSFS Mortgage, told Yahoo Finance. "The interest rate environment is definitely creating constraints in our industry. It's become a depressed kind of housing market."

'Buyers are frustrated'

Higher mortgage rates weren't the only reason derailing home purchases.

"Transactions are also falling apart due to skyrocketing insurance premiums and disagreements between buyers and sellers over necessary repairs," Kruayai said in a statement. "Overall, buyers hold a lot of the cards right now, and sellers are having to give out more concessions to close a deal."

In Florida, so many insurers have pulled out of the state due to rising costs that it has gotten harder for homebuyers to secure a homeowner's policy at a reasonable price. Homeowner's insurance is a must-have to secure a mortgage, leaving buyers scrambling to find an insurer in the first place and at a cost that won't leave them ineligible for a mortgage.

Builders, too, have seen cancellation rates spike as rates inched higher. According to LGI Homes latest earnings call, their cancellation rate during the third quarter was 27.9%, compared to 21.3% in the same period last year.

If there's one silver lining for price-struck folks, it's that homebuilders have taken notice of the shift in buyer sentiment and are offering more concessions to close deals.

Some 32% of builders said they cut prices in October, according to the National Association of Home Builders (NAHB), compared with 25% in August. That's the highest rate since

December 2022, when 35% of builders issued price reductions. The average price cut was 6%.

At the same time, 62% of builders said they offered sales incentives of all types in October, up from 59% the month prior and tied with the previous high for this cycle set in December 2022.

"The cost of a home through higher rates is becoming more expensive, and those on the hunt have no choice but to seek other financing such as adjustable-rate mortgages (ARMs) or new construction where there may be opportunities to get a lower rate," Ruben said. "Buyers today are growing frustrated."

Is It Better to Take RMDs Monthly or Annually?

RMDs are usually taken annually, quarterly or monthly. But which makes the most sense?

If you have tax-deferred retirement accounts, you'll need to take required minimum distributions (RMDs) eventually. This amount is determined by a number of factors, including your age, account balance and the relative age of your spouse.

The IRS requires you to report this distribution on your annual taxes, so it has to happen by the end of each calendar year. Most retirees collect their RMDs either annually, quarterly or monthly. So long as you withdraw the minimum required amount by Dec. 31, the tax implications are unchanged.

But should you take RMDs monthly or annually? This important decision can be different for everyone's individual situation.

Consulting a fiduciary financial advisor can be a great first step to factoring RMDs, and the potential tax repercussions, into your retirement plan. But finding an advisor can seem daunting, so we created a free tool to help match you with up to three financial advisors.

Click here to take our free retirement quiz and get matched with vetted advisors in just a few minutes, each obligated to work in your best interest.

Research suggests people who work with a financial advisor feel more at ease about their finances and could end up with about 15% more money to spend in retirement.[1]

A 2022 Northwestern Mutual study found that 62% of U.S. adults admit their financial planning needs improvement. However, only 35% of Americans work with a financial advisor.[2]

What Are RMDs?

RMDs are amounts you're obligated to withdraw from certain tax-advantaged retirement plans, including:

- Traditional IRAs
- SEP IRAs
- SIMPLE IRAs
- 401(k) plans
- 403(b) plans
- 457(b) plans
- Profit-sharing plans
- Other defined contribution plans

According to the IRS:

”Required minimum distributions (RMDs) are the minimum amounts you must withdraw from your retirement accounts each year. You generally must start taking withdrawals from your traditional IRA, SEP IRA, SIMPLE IRA, and retirement plan accounts when you reach age 72 (73 if you reach age 72 after Dec. 31, 2022).

Account owners in a workplace retirement plan (for example, 401(k) or profit-sharing plan) can delay taking their RMDs until the year they retire, unless they're a 5% owner of the business sponsoring the plan.”

Your RMD amount is determined by your age and savings, and taxpayers can calculate it each year using the IRS' Uniform Lifetime Table.

Roth IRAs don't have RMDs, so you can leave money in those accounts as long as you live. While Roth IRAs do not have RMDs for the original account holder, beneficiaries who inherit a Roth account may be subject to RMDs.

Should You Take RMDs Monthly or Annually?

Determining when to take RMDs is a uniquely personal decision.

Here's an overview of both strategies. If you still have questions about when to take RMDs, **click here to get matched with a vetted financial advisor** who may be able to help.

Annual Withdrawals: What to Know

An annual withdrawal plan means you calculate and withdraw your RMD in one lump sum each year.

Your RMD is calculated based on the value of your retirement accounts as of December 31 the year before and using the Uniform Lifetime Table that the IRS releases for each year's tax filings.

Many taxpayers who choose to make annual withdrawals do so either at the beginning or end of each tax year and is a personal preference since you can withdraw this money at any time during the calendar year.

However, in the first year you qualify for a RMD, you must begin making withdrawals by April 1. For all years afterward, the IRS has no deadline other than the end of the year.

Whenever you choose to withdraw your RMD, there are pros and cons to the annual approach.

Annual RMD Withdrawals: Pros

Immediate resolution of your RMD tax obligations: By withdrawing annual RMDs all at once, you potentially complete your tax obligation. This assumes you have taxes withheld from your distribution and of the right amount.

Reinvestment opportunities: If you have other strong investments (excluding tax-advantaged accounts), you could potentially invest your RMD in those opportunities earlier, with more time for potential growth.

Potentially more growth: Since this is a tax-advantaged account, the sooner you withdraw this money, the sooner you pay taxes on it. By contrast, the longer you leave it alone, the longer it can grow tax-deferred. Withdrawing at the end of the year could mean more potential growth in your retirement account before taking an RMD.

Annual RMD Withdrawals: Cons

Potentially higher estimated taxes: If you pay taxes quarterly, you can potentially increase your estimated taxes by taking an early minimum distribution.

Cash flow disruption: Some may need the structure of a regular income for their financial planning purposes, which a lump sum withdrawal can disrupt.

Potentially forgetting: If you wait until the end of the year to make your RMD, there's a chance you'll forget to do so altogether.

Risk of spending tax-allocated funds: When you withdraw from your retirement account, you must pay taxes on the account's profits, as well as the principal. If you take your RMD early in the year, there's a risk that you could potentially spend the portion of money you will later need to pay taxes. (Although you can set some retirement accounts to automatically withhold taxes on your behalf.)

Monthly/Quarterly Withdrawals: What to Know

The other common approach to RMDs is taking this money either every month or quarter. As with annual distributions, it's probably a good idea to **speak with a financial advisor** to see which method could potentially make the most sense for your retirement plan. You can make distributions as frequently as your portfolio allows. However, monthly is the most common approach.

Monthly/Quarterly Withdrawals: Pros

Cash flow management: Making monthly withdrawals allows you to treat this as regular income. Many retirees may prefer this style of cash flow over a lump sum, as it helps with personal finance and budgeting.

Estimated taxes: If you pay quarterly taxes based on other income, having your RMD arrive in regular segments could help simplify estimated taxes.

Tax payments: If you make monthly withdrawals, it could be easier to have your portfolio manager automatically deduct any applicable income taxes so you don't have to worry about setting the money aside.

Monthly/Quarterly Withdrawals: Cons

Reduced growth: The longer you leave your money in place, the more potential it has to grow. If you take your withdrawals over the course of the year, your portfolio could potentially lose some opportunities for growth based on reduced capital.

Potential for miscalculation: While less of a concern if you work with a financial advisor (**click here to get matched with up to three for free**), if you withdraw your money in stages (rather than one lump sum), there can be more opportunity for miscalculations.

Is It Better to Take RMDs Monthly or Annually?

Ultimately, this choice comes down to what's best for your individual financial situation.

Your money could have the potential for additional growth if you take your entire RMD at the end of each calendar year. However, personal budgeting may be easiest if you take your RMD in 12 monthly portions.

Consulting a fiduciary financial advisor could help you determine a plan that factors RMDs and taxes into your overall retirement goals. Fiduciaries are obligated by law to act in your best interest and any potential conflicts of interest must be disclosed.

Yet knowing how to find a vetted fiduciary advisor is, for many, the most confusing task of all. Common Google searches related to the topic reveal a desperate search for direction. “Fiduciary financial advisors near me,” “best fiduciary financial advisor,” and “financial investment advisors near me” are searched hundreds of times per day.

Finding a fiduciary shouldn't be that hard. Thankfully, now it isn't.

1 in 4 older, low-income Americans are uninsured

As people age, health issues tend to mount, but roughly a quarter of low-income adults over 65 have no medical insurance.

That's the age when most Americans become eligible for Medicare, the federal health insurance for seniors. But many of the uninsured seniors are Hispanic Americans who aren't eligible for that coverage, or lower income people who may not be able to afford Medicare premiums.

"It's particularly concerning to think of older adults not having health insurance, given that the prevalence of disease and related complications increase with age," said study first author Nathalie Huguet, an associate professor of family medicine at Oregon Health & Sciences University.

"It's more challenging to manage health conditions in the United States without insurance," she said in a university news release. "This can lead to costly hospital stays and avoidable illnesses that require expensive health care services." For the new study, researchers examined electronic health record data for more than 45,000 patients who became eligible for Medicare between 2014 and 2019. These records covered visits at community health centers, which largely serve people with limited finances. They provide care regardless of a patient's ability to pay.

The study found that it was more common for Hispanic Americans to lose insurance coverage at 65.

Medicare requires participants to be U.S. citizens or permanent legal residents. Undocumented immigrants are unable to receive this health coverage.

In addition, patients with low incomes may be unable to afford Medicare premiums.

The study also revealed that patients are often diagnosed with new chronic health conditions like diabetes or high blood pressure after they become eligible for Medicare.

In all, about 86% of patients studied had two or more chronic health conditions after they turned 65 — compared to 77% of patients younger than 65.

Patients who had been uninsured and then obtained Medicare were diagnosed with more new chronic conditions than patients who had insurance before enrolling in Medicare, the authors said.

"It's likely these patients unknowingly had chronic conditions for beforehand," Huguet said. "Medicare enables older Americans to receive the essential health care that they need. However, having access to health care earlier in life can also prevent conditions from developing or getting worse as we age."

The authors said they hope their research will encourage policymakers to improve access to care for aging Americans, especially preventive care. They also hope community health centers will offer more senior-focused care.

Bond yields hit a 16-year high. Divergent paths for the US economy could bring them down.

Investors responding to Bank of America's latest fund managers survey released this week have never been so convinced bond yields will fall over the next 12 months.

But the reasons why yields are expected to drop from 16-year highs are built on two divergent paths for the US economy.

The firm's survey found roughly two-thirds of investors expect the US economy to experience either a "soft landing" or "no landing" scenario, in which the Federal Reserve is able to bring inflation back to its 2% target without tipping the economy into recession.

This outcome would also mean the central bank can likely hold off on further interest rate increases, which would bring down yields.

Nearly a third of respondents, in contrast, see a more troubling "hard landing" tipping the economy into recession, resulting in rate cuts bringing down yields.

In either case, this would mean we've reached — or are at least near — "peak fed funds," according to BofA investment strategist Elyas Galou, with market history also suggesting a similar thesis.

The case for a vaunted soft landing, which the Federal Reserve has made clear is its "primary objective," is currently backed by falling core inflation and a resilient labor market. Should both trends continue, pressure may stay off the Fed to raise rates again and ease the pressure on yields.

But a more dramatic break in both the economy and market in a "hard landing" outcome would likely bring buyers into the fixed-income market as investors seek safer assets in a downturn.

"There's immense pressure on the economy right now, and we're warning clients that a recession seems like more of a possibility than persistently high inflation," eToro US investment analyst Callie Cox told Yahoo Finance via email on Wednesday.

"If growth slows down, I'd expect there to be more interest in safe havens like Treasuries. Apparently, Wall Street overwhelmingly sees the same scenario playing out. Fund managers see an environment that probably won't last for long."

And a hard landing scenario could also be sparked by further interest rate hikes, which would send yields even higher in the near term. This could be keeping bond investors on the sidelines today.

The resulting recession, however, would mean interest rate cuts in 2024 and a rally in bonds.

"We expect a mild U.S. recession to occur in mid-2024, and we think this economic downturn paired with moderating inflation will push the FOMC to cut rates faster than markets currently anticipate," Wells Fargo's team of economists wrote on Oct. 13. "As a result, we look for Treasury yields to decline across-the-board in 2024."

The key to bringing investors back to the bond bidding table and ending a lingering bear market for fixed income remains further conviction on the Fed's path forward. And, overwhelmingly, investors responding to BofA's fund managers survey believe that the answer is coming sooner rather than later.

Of course, with two scenarios convincing investors yields are heading the same way, the lingering risk for markets is yields that continue to press higher. And there is currently no shortage of alternative outcomes being suggested as possible futures from experts across the investing world right now.

Ask one group of corporate executives and they may say a recession is inbound as credit tightening grabs hold of the economy. Others will point to continuously strong data and say one of the most talked about recessions in history isn't ever actually going to come.

One strategist could tell you the Fed needs to hike once more because a strong labor market is providing the consumer with too much spending power. Another will say it's imperative the Fed waits to see the lagging impacts of monetary policy to do their work.

Bets on the Fed's benchmark interest rate indicate the odds stand at 52/48 that the Fed either leaves rates unchanged or raises rates at least once more by the central bank's January meeting, according to data from the CME Group.

But until Wall Street has a firmer consensus on whether the Fed is done, don't expect the bond market to settle down.

"Volatility has been elevated," Charles Schwab strategist Kathy Jones told Yahoo Finance Live this week.

"And it probably is going to continue to be because a lot of that has to do with uncertainty about the direction of policy. This dysfunction in Washington is not helping. You've got global issues, wars now that are contributing to that."

ACA premiums rise, but subsidies protect consumers

Premiums on the federal Affordable Care Act exchange will increase in 2024, but the Biden-Harris Administration has pledged that generous subsidies will ensure that most consumers remain shielded from the rising costs. According to the Centers for Medicare and Medicaid Services, the average monthly premium for the benchmark silver plan in 2024 will see a 4% increase in the 32 states participating in the federal exchange, HealthCare.gov. The uptick mirrors the increase seen in the previous year and marks a shift from the four consecutive years of premium declines that preceded it.

U.S. Department of Health and Human Services Secretary Xavier Becerra emphasized the administration's commitment to affordable healthcare coverage. "Millions of Americans have obtained affordable, high-quality health care coverage through the marketplaces," Becerra stated. He said everyone should visit HealthCare.gov to explore the available health insurance plans and learn more about the options that best suit their needs.

"The Biden-Harris Administration has made it a priority to continue to strengthen the ACA and build on its progress by reducing premiums for the millions of Americans enrolled in Marketplace coverage," Becerra added. CMS Administrator Chiquita Brooks-LaSure also highlighted the growth and strengthening of ACA Marketplaces in recent years. She encouraged consumers to explore HealthCare.gov and their state-based marketplaces to preview plans and premiums before the Open Enrollment period.

Administration officials have credited the Inflation Reduction Act for continuing the qualification criteria for health insurance coverage assistance and pre- miums, which will remain stable for the third consecutive year. The law has allowed four out of five HealthCare.gov consumers to secure plans for $10 or less per month, thanks to expanded financial assistance.

Also, because of the Inflation Reduction Act and other reforms made by the Biden-Harris Administration, more people who were not eligible for financial help before can now get lower premiums through tax credits. That includes families whose employer-based insurance was too expensive and people with low incomes.

For the first time, the Marketplace application will include optional demographic questions related to sex assigned at birth, sexual orientation, and gender identity. Officials added those questions to analyze health disparities in access to coverage to improve the consumer experience by enabling individuals to attest in a way that reflects and affirms their identities.

Consumers have the choice to answer, skip, or indicate their preference not to answer any or all three optional questions. Importantly, individual responses or decisions to skip these questions will have no impact on their eligibility results, plan pricing, or plan costs. Federal officials said they would protect the privacy of all shared information.

In 2023, 96% of enrollees who selected plans on the federal exchange during open enrollment were eligible for expanded subsidies. For current policyholders who remain within their coverage tier, approximately two-thirds can find plans for less than $10 per month for the upcoming year.

Overall, four out of five consumers will have the option to select plans on the federal exchange for $10 or less per month, providing cost-effective healthcare coverage options for most Americans. Nearly all consumers will have access to at least three insurers, with an average of just under seven options available to choose from. For those seeking assistance with the application process, the HealthCare.gov call center is available around the clock, providing support in 200 languages.

Additionally, consumers can find local assisters, agents, or brokers in their area by visiting Health-Care.gov and selecting the "Find local help" option.

The Marketplace Open Enrollment Period on HealthCare.gov will run from Nov. 1 to Jan.15. Those who enroll by midnight on Dec. 15 (5 a.m. EST on Dec. 16) will secure full-year coverage starting on Jan. 1, 2024. Given that Jan. 15, 2024, is a federal holiday, the enrollment deadline will be extended until midnight on Jan. 16 (5 a.m. EST on Jan. 17) to allow consumers to enroll in coverage. Consumers enrolling after Dec. 15 but before the January deadline will have coverage starting on Feb. 1, 2024.

To contact us: go to www.healthcareil.com or Call (800) 739-4700