



FLANAGAN FINANCIAL SERVICES  
THE FUTURE IS YOURS

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Is 0% better than 8.5%?

Currently it is estimated that the COLA increase for Social Security is projected to be about 8.5%.

Could a 0% increase be better than 8.5% increase? I know, 8.5% is always better than 0% - right. But could there be a situation where 0% is actually better? There might be.

Consider this for those of you receiving Social Security benefits. A 0% increase in your monthly benefit might actually be better than 8.5% increase. Again, it was recently projected that the 2023 Social Security increase could be around 8.5%. While that sounds great consider the following:

- 1) That 8.5% is a pretax increase. Which means that you might not get to keep that increase since you may have to pay taxes on that increase. If you have a 0% increase your income taxes could remain unchanged since your income remains unchanged.
- 2) If you are receiving Medicare Benefits, the Hold Harmless provision in Medicare does not allow for an increase in Medicare part B premiums more than the inflation increase. Again a 0% increase means your Medicare Part B premium could remain unchanged, while an 8.5% increase could mean that your gross monthly benefit cost could increase by \$100 or more each month, but after the increase in your Medicare Part B Premiums, you might not have 8.5%, maybe only 4.5%.
- 3) The main reason you are receiving the 8.5% increase is because .... Inflation has increased prices year over year by 8.5%, but again it's not 8.5%, because that is a pre-tax increase. You need to consider what the after-tax increase could be, possibly 4.5%? A 0% increase could mean that inflation could have been virtually non-existent thereby the cost of the things you purchase could have remained relatively constant.
- 4) All that being said, by the time you pay the income taxes on those benefits and pay the increase in Medicare Part B premiums you might have little if any of that increase remaining.
- 5) The estimated average increase is projected to be around \$159/mo. Should have you pay your taxes, along with the increases in Medicare Part B and possibly increases in your supplement plans, could you have \$50 left over. Now I'd like an extra \$50 a month, but I doubt that it is going to keep pace with inflation or change my lifestyle.

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So, consider this, would you rather have a 0% increase in your Social Security meaning the cost of living may have been virtually unchanged or receive an 8.5% increase with the thought that is possibly not even close enough to cover the increased prices of the goods and services you are receiving?

If this were to occur, could you actually be in a worse position than before the increase. Couple that with the current market turmoil and value losses, where is the “extra” money going to come from?

Well, if you have money in the bank earning virtually nothing, possibly there are options that might be able to earn more interest. Ask yourself, if you could 4-5-6% or more interest on your money could that be an option? While if might not be 8.5% it might help bridge the income gap.

For those of you in Chicago and Cook county, have you noticed you have not received your property tax bills? Usually, they are due by September 1. But remember this is an election year so don't expect those bills until when ... after the election. This is not the first time that Illinois politicians have done this, but this time could be even worse. Why you ask? This time due to record inflation, many property tax bills might increase by 5%. In Chicago if they enact the 5% increase as it has been projected that property tax revenue could increase by about 4-fold to about \$80+MM. But since it is an election year, you have the ability to possibly turn the tide and not support those that may have put you in this situation.

If that happens, then most likely your SS increase or lack of it could be financial straw that breaks the camel's back.

Doing nothing and hopping for the best again could be like sticking your head in the sand and hoping the truck doesn't run you over. Now is the time for us to consider options that might help you keep up with all the rising costs. Should inflation increase by 6% next year along with the 8.5% for this year, prices could be up 14% or more. If you have done nothing you could be in the financial death trap and now you are behind the 8-ball by 14%. Earning 1-2% isn't going to help, since after you pay those taxes you might have a negative return.

The time to act is now otherwise you might spend another year in a worse financial position. So give me a call at 630-235-5273 or email me at [mflanagan@flanaganfinancialservices.net](mailto:mflanagan@flanaganfinancialservices.net) and we can consider options that might help you avoid the financial death trap.

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