



Cindy Menker, CFP®, CPA, MBA
Financial Planner
Contour Financial, Inc.
9031 W 151st Street • Suite 107 • Orland Park • IL • 60462
708-460-3800
egonmenker@gmail.com • ContourFinancial.com



Inflation Cuts into Wage Gains

Driven by labor shortages, median hourly wages increased at an annual rate of 5.2% in December 2021, the highest level since June 2001. However, inflation cuts into buying power, and *real wages* — adjusted for inflation — actually dropped as inflation spiked in 2021. By contrast, negative inflation (deflation) during the Great Recession sent real wages skyrocketing temporarily even as non-adjusted wage growth declined.



Sources: Federal Reserve Bank of Atlanta, 2022, and U.S. Bureau of Labor Statistics, 2022, data 1/2001 to 12/2021. (Wage growth is calculated by comparing the median percentage change in wages reported by individuals 12 months apart; real wage growth is calculated by subtracting CPI-U inflation from wage growth.)

ETFs Are Gaining on Mutual Funds: Here's Why

Investor demand for exchange-traded funds (ETFs) has increased over the last decade due to some attractive features that set them apart from mutual funds. In December 2021, almost \$7.2 trillion was invested in more than 2,500 ETFs. This is equivalent to 27% of the assets invested in mutual funds, up from just 9% in 2011.¹

Fund Meets Stock

Like a mutual fund, an ETF is a portfolio of securities assembled by an investment company. Mutual fund shares are typically purchased from and sold back to the investment company and priced at the end of the trading day, with the price determined by the net asset value (NAV) of the underlying securities. By contrast, ETF shares can be traded throughout the day on stock exchanges, like individual stocks, and the price may be higher or lower than the NAV because of supply and demand. In volatile markets, ETF prices may quickly reflect changes in market sentiment, while NAVs — adjusted once a day — take longer to react, resulting in ETFs trading at a premium or a discount.

Indexes and Diversification

Like mutual funds, ETFs may be *passively managed*, meaning they track an index of securities, or *actively managed*, guided by managers who assemble investments chosen to meet the fund's objectives. Whereas active management is common among mutual funds, most ETFs are passively managed.

Investors can choose from a wide variety of indexes, ranging from broad-based stock or bond indexes to specific market sectors or indexes that emphasize certain factors. This makes ETFs a helpful tool to gain exposure to various market segments, investing styles, or strategies, potentially at a lower cost. Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

Tax Efficiency

Investors who own mutual fund shares actually own shares in the underlying investments, so when investments are sold within the fund, there may be capital gains taxes if the fund is held outside of a tax-advantaged account. By contrast, an investor who owns ETF shares does not own the underlying investments and generally will be liable for capital gains taxes only when selling the ETF shares.

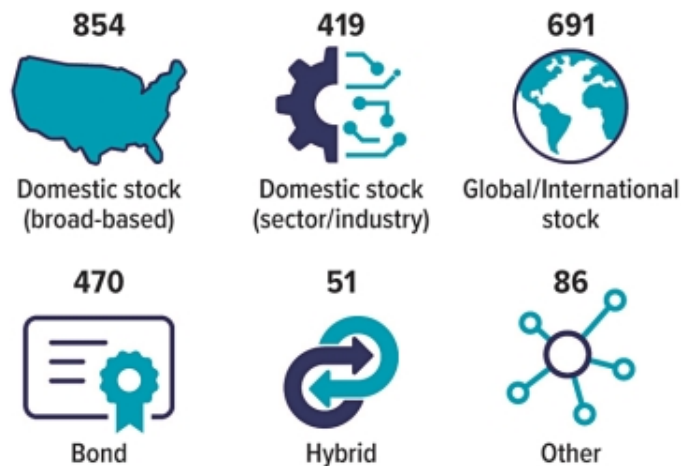
Trading, Expenses, and Risks

ETFs typically have lower expense ratios than mutual funds — a large part of their appeal. However, you may pay a brokerage commission when you buy or sell shares, so your overall costs could be higher, especially if you trade frequently. Whereas mutual fund assets can usually be exchanged within a fund family at the end of the trading day at no cost, moving

assets between ETFs requires selling and buying assets separately, which may be subject to brokerage fees and market shifts between transactions.

Plenty of Choices

Number of ETFs by type of underlying investment



Source: Investment Company Institute, 2022 (data as of 12/2021). Bond funds are subject to the same inflation, interest rate, and credit risks as their underlying bonds. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance. A portfolio invested only in companies in a particular industry or market sector may not be sufficiently diversified and could be subject to higher volatility and risk. Investing internationally carries additional risks, such as financial reporting differences, currency exchange risk, and economic and political risk unique to the specific country. This may result in greater share price volatility.

Mutual funds typically have minimum investment amounts, but you can generally invest any dollar amount after the initial purchase, buying partial shares as necessary. By contrast, you can purchase a single share of an ETF if you wish, but you can typically only purchase whole shares.

The trading flexibility of ETFs may add to their appeal, but it could lead some investors to trade more often than might be appropriate for their situations. The principal value of ETFs and mutual funds fluctuates with market conditions. Shares, when sold, may be worth more or less than their original cost. The performance of an unmanaged index is not indicative of the performance of any specific security. Individuals cannot invest directly in any index.

Exchange-traded funds and mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

¹) Investment Company Institute, 2022

What's the Difference Between Medicare and Medicaid?

It's easy to confuse Medicare and Medicaid, because they have similar names and are both government programs that pay for health care. But there are important differences between the programs. Medicare is generally for older people, while Medicaid is for people with limited income and resources.

What Is Medicare?

Medicare is a fee-for-service federal health insurance program that provides reasonably priced health insurance for retired individuals, regardless of their medical condition, and for certain disabled individuals, regardless of age. It is managed by the Centers for Medicare & Medicaid Services.

What Is Medicaid?

Medicaid is a health insurance assistance program that is jointly administered by state and federal governments. Medicaid serves financially needy individuals who are also elderly, disabled, blind, or parents of minor children.

Who Is Eligible for Medicare?

You are eligible for premium-free Part A (hospital insurance) if you are age 65 or older and you (or your spouse) worked and paid Medicare taxes for at least 10 years. If you (or your spouse) did not pay Medicare taxes while you worked, and you are age 65 or older and a citizen or permanent resident of the United States, you may be able to buy Part A. Medicare coverage also may be available for disabled individuals and people with end-stage renal disease.

While most people do not have to pay a premium for Part A, everyone must pay for Part B if they want it. This monthly premium is deducted from your Social Security, Railroad Retirement, or Civil Service Retirement benefit.

Who Is Eligible for Medicaid?

Each state has different rules about eligibility and applying for Medicaid. To qualify, you must be a resident of the state in which you are applying and a U.S. citizen (or have qualified immigration status). While eligibility varies by state, federal law requires states to cover certain groups of individuals. Low-income families, qualified pregnant women and children, and individuals receiving Supplemental Security Income (SSI) are examples of mandatory eligibility groups. In addition, a financial eligibility requirement must be met. The individual must be financially needy, which is determined by income and asset limitation tests.

What Does Medicare Cover?

Currently, Medicare consists of four parts: Original Medicare Part A helps cover costs related to inpatient care in a hospital, a skilled nursing facility, hospice care, and home health care. Original Medicare Part B

helps cover services from doctors and other health-care providers, outpatient care, ambulance services, lab tests, physical therapy, durable medical equipment (like wheelchairs, walkers, and hospital beds), and many preventive services such as screenings and vaccines. Medicare Advantage (Part C) replaces Parts A and B and enables beneficiaries to receive health care through managed care plans such as health maintenance organizations and preferred provider organizations. Medicare Part D helps cover the costs of prescription drugs.



Tip: *Medicare and Medicaid were signed into law in 1965 to help provide health care to older individuals and those with financial need.*

What Does Medicaid Cover?

Each state administers its own Medicaid program within broad federal guidelines. Thus, states determine the amount, duration, and types of benefits that Medicaid will provide. Typical Medicaid programs cover inpatient and outpatient hospital services; physician and surgical services; lab tests and X-rays; family planning services, preventive care, including immunizations, mammograms, colonoscopies, and other needed care; mental health care; and services for pregnant women. There are also numerous optional benefits that states may offer.

Can You Be Covered by Both Medicare and Medicaid?

Some people who qualify for both Medicare and Medicaid are called "dual eligibles." If you have Medicare and full Medicaid coverage, most of your health-care costs are likely covered.

What About Long-Term Care?

Most long-term care isn't medical care, but rather help with basic personal tasks of everyday life, called custodial care. Medicare does not pay for custodial care. However, Medicare may pay for skilled care (e.g., nursing, physical therapy) provided in a Medicare-certified skilled nursing facility for up to 100 days. States have considerable leeway in determining benefits offered and services provided by their respective Medicaid programs. Generally, if you meet your state's eligibility requirements, Medicaid will cover nursing home services, home and community-based services, and personal care services.

When Buying Is Easy, Paying Later Can Be a Problem

If you shop online, you might have noticed a growing number of buy now, pay later (BNPL) services that offer the option to spread out the payments on your purchases. Buyers who make one partial payment upfront and agree to several additional interest-free installments can receive their orders right away. This is a key difference from the layaway plans of the past: Shoppers had to wait until the balance was paid to take their goods home. Many stores discontinued layaway plans in the 1980s when the use of credit cards became widespread.



By one estimate, BNPL amounted to nearly \$100 million — or about 2.1% — of all global e-commerce transactions in 2020. This share is projected to double to 4.2% by 2024.

Source: Worldpay Global Payments Report, 2021

BNPL plans are more popular with younger consumers trying to stretch their paychecks, partly because they are more comfortable shopping online (and particularly on smartphones). At first glance, it may seem like a worthwhile convenience, but there are good reasons to think twice before committing to installment purchases.

Credit Is Credit

BNPL plans are essentially point-of-sale loans. Applying for the financing is quick and easy, which seems like a plus when time is tight.

However, speedy access to credit also provides instant gratification and allows for more impulse buying. It might tempt you to overspend on things you don't really need and probably wouldn't buy if you had to save up and/or pay 100% of the cost upfront. And if you make a lot of smaller purchases across multiple services, it may be harder to keep track of how much you are actually spending.

In fact, one criticism of BNPL services is that they make it easier for consumers to fall into debt. As with credit cards, you would face financial consequences such as late fees and/or high interest rates if you encounter a financial setback and can't pay the installments on schedule.

Another point to consider is that credit-card companies report on-time payments to the credit bureaus, so using credit cards responsibly can help you build a positive credit history. In contrast, some BNPL lenders may not bother to report on-time payments — though they will surely report missed payments and collections. Before you use any BNPL service, read the fine print carefully to make sure you understand the terms and conditions and the company's credit reporting policies.

This is a resource that will answer your most important financial question, namely:

- If employed – When can I retire?
- If not employed – Can I stay retired?

Contour Financial will answer this question, suggest alternative scenarios, if needed, and implement investment strategies in order to reach your objectives.

Customized strategies are developed and implemented. Personalized service is provided by Certified Financial Planners (CFP) and/or Certified Public Accountants (CPA) to clients. Investment, retirement, tax planning & preparation, estate, insurance, cash flow and education planning are all integral parts to the process.

Contour Financial is a private wealth management business located in Orland Park, Illinois. We work primarily with middle income and wealthy clients. As a long-term National Association of Personal Financial Advisors (NAPFA) fee-only firm, all compensation is fully disclosed. For clients seeking investment management by our firm, assets are held at Charles Schwab Institutional, an industry leader.