

Investor Insights and Outlook

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In Defense of Owning Premium Kitchen Knives (and what we can learn from them)

I know what you're thinking. This already seems like a strange topic to come from the same person who wrote "The Joneses are Broke" and "Why I (almost) Never Wear Suits to Work", but I respectfully request that you hear me out. While I stand by my suggestion that we all question the presence of "status symbols", this does not mean that I have a hard and fast policy against owning nice things. After all, there is often a great deal of truth to the notion that "you get what you pay for." The following lines are not intended to necessarily be an endorsement of fine cutlery, but rather an elevation of expectations for all products and services. It just happens that I have several great reasons to be a big fan of my Japanese chef's knife.

Results - First and foremost, my knife does what it is supposed to do and it does it very well. It holds an edge so sharp that it requires almost no pressure to cut through any ingredient that it touches. *It makes my job easy.* Not having to use too much force also *reduces the odds*

that I will do myself harm in the process.

Craftsmanship - The craftsman who made my knife was not trying to make a knife in the fastest way possible, and he does not want to be the highest volume cutlery maker in Japan. If you look closely at the blade, you can see where the steel was folded time and time again. Under intense heat, someone hammered out the impurities in the metal as they continued to fold the steel back over itself. *Discipline, hard work, patience, and care give strength to the final product.*

Accountability - Near the handle of my knife, you can find some Japanese characters pounded into the folded steel. This is the name of the maker. *Someone who truly honors his/her craft will stand by their work.* This signature ensures that this tool, and the craftsman responsible for its quality, will forever be connected.

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Meet “IRMAA”

A few years ago, Hollywood created a movie called “Meet the Parents”. The comedy offered an entertaining look at what a couple went through leading up to their marriage. And then of course, they lived happily ever after.

Well, a few years ago (and again this year), Congress enacted another in a series of “tax reforms”. Whether it was by accident or by design, these decisions produced a new tax commonly referred to as IRMAA (Income-Related Monthly Adjustment Amount).

For those of you already on Medicare, or for others who soon will be 65, you need to understand how IRMAA works. In essence, some folks will pay a standard premium for Medicare Part B (Medical Insurance) and Part D (Prescription Drug Benefit). But thanks to IRMAA, some of you will pay thousands of dollars more each year for the exact same benefits.

The narrative on the next page attempts to put some numbers to IRMMA. If meeting IRMMA gives you a headache, go watch “Meet the Parents”. Or give us a call and we will see if some good financial planning can help.

Meet “IRMAA”

MAGI: modified adjusted gross income (from two years prior to the calculation year - the "prior-prior" year)

Part B premiums (Medical Insurance)

Most people will pay the standard monthly premium amount. For 2018, this amount is \$134.00 per month (\$1,608 for the year).

If your MAGI is above a certain amount, however, you may need to pay an additional "Income-Related Monthly Adjustment Amount" (IRMAA). The MAGI bracket changes range from \$170,000 to \$320,000 (joint) or \$85,000 to \$160,000 (everyone else).

Depending on your filing status and your MAGI, this IRMAA (increase) will range from \$53.50 to \$294.60 per month (\$642.00 to \$3,535.20 for the year). Thus, the combined premium (standard plus IRMAA) will range from \$1,608 to \$5,143.20 for the year.

If you are even \$1 into the next MAGI bracket, your annual IRMAA will jump by \$642 (in the first bracket) or \$965 (in each of the next three brackets).

Part D premiums (Prescription Drug Benefit)

Most Medicare Prescription Drug Plans charge a monthly fee that varies by plan.

If your MAGI is above a certain amount, however, you may need to pay an additional "Part D IRMAA". The D-IRMAA (increase) will range from \$13.00 to \$74.80 per month (\$159.60 to \$897.60 for the year).

Thus, your combined IRMAA and D-IRMAA can increase anywhere from \$802 to \$4,433 for the year.

- Prepared by Jim Hallett

Kitchen Knives (Continued)

Durability - My knife has an all too rare quality in today's society of endless disposable goods. With proper care and maintenance, ***it will serve me for the rest of my life.*** For all that life may throw at me tomorrow, I can be confident that I have the issue of cutlery effectively solved.

Routine Care- It seems that ***anything intended to last for generations is likely to require some attention.*** I have to wash my knives by hand, and towel dry them quickly to avoid oxidation. The dishwasher might be easier, but that ***short-term thinking may sacrifice long-term quality*** and enjoyment of the knife.

Maintenance - I periodically take my knives from their rack and dedicate a period of time to sharpening the blades by hand. This process is slow and deliberate. I have come to a place where I find this activity strangely relaxing and it consistently results in a certain peace of mind. I know that ***periodic upkeep helps to ensure the best experience.***

In the interest of full transparency, some people find my appreciation for my kitchen knives to be a bit excessive. Probably every home-cooked meal from my childhood was prepared and consumed using inexpensive “garage sale” knives...and the food was great! You may be among the readers who think this topic was a bit silly, but I bet you have your own “chef's knife” in your life. It may be a reliable hammer, a classic automobile, or a piece of heirloom furniture. I'm hoping for some of you, your financial plan is an example of a well-crafted composition that will serve you and your family well for generations to come. Ask yourself if you would describe it using the **words in bold above.**

- Article by Matthew Miller



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