

## RETIREMENT AND BEYOND

### HOW DO I RETIRE?

#### FACTS ABOUT RETIREMENT

Webster's Dictionary defines *retirement* as "to disappear," "to go away," or "to withdraw." Actually these are not what most of us experience in retirement. We actually appear in places doing the things we always wanted to do, but could not because we were working 50 hours a week. We get into things that we have not been able to get into while we were working and we don't really have a chance at withdrawing especially when your retired friends, the church and your children learn you are retired. Retirement is a very busy and active time.

#### DID YOU KNOW:

- In 1960 a retiree was expected to live only about 3 years beyond the age of 65. Today a retiree is expected to live about 20 years past 65.
- The first retirement plan was created by Otto von Bismark in 1890 in Europe. He arbitrarily picked 65 as the age for retirement. The life expectancy at the time was about 45. This was not the only questionable thing Otto did, just ask Austria, Denmark and France.
- In the U.S. during the past century, the average mortality rates were:
  - 1900 - Age 47
  - 1935 - Age 60 (Social Security passed)
  - 1980 - Insurance companies started selling life insurance policies guaranteed to age 100.
  - 2001 - Insurance companies started selling life insurance policies guaranteed to age 120.
- Medical Science reports that the biological potential of the human body is between 120 and 140 years.
- The "Longevity Revolution" is here. It is also happening throughout the world. The U.S. ranks 31 st out of 190 countries in longevity. (Sweden & Norway are the top 2 in case you're wondering.)
- The fastest growing age group in America is the 85 and over set. Many of these would like to attend church, but can't.
- The average person today has more parents living than children.
- 45% of all women over the age of 65 are Widows who can expect to live another 16 years.
- Among all people throughout history who have reached the age of 65...65% of them are alive today!
- 39% of Texans over age 60 live alone and 29% of them do not drive.
- Over 90,000 people in the U.S. today are over the age of 100 and that number is expected to double in the next 15 years.
- According to the IRS, over 5,000 people a day turn age 60, and 4,000 people a day are turning 70<sup>1/2</sup>.
- There are 37 million retirees in the U.S today and that number will double in the next 10 years. By 2030, 20% of us will be over 65.

Because of the "Longevity Revolution," which we are now experiencing, the definition of retirement is certainly going to have to change. Conclusion: your Golden Years will now require MORE Gold.

## RESOURCES ON AGING

- National Council on Aging - [www.ncoa.org](http://www.ncoa.org)
- American Council on Aging - [www.asaging.org](http://www.asaging.org)
- Elderweb - [www.elderweb.com](http://www.elderweb.com) (if you Google Elderweb, go to All about ElderWeb)
- Dept. of Veterans Affairs [www.va.gov](http://www.va.gov)
- Administration on Aging - [www.aoa.gov](http://www.aoa.gov).
- AARP - [www.aarp.org](http://www.aarp.org).

Preparing for retirement isn't difficult. We just don't get around to planning for it until we are there. We plan meals, weekends and vacations, but we don't plan retirement. We procrastinate. We are like Cleopatra - Queen of De Nile.

## THE AGE WAVE OR TSUNAMI, IS ABOUT TO HIT THE BEACH

Here come the "Aging" Baby Boomers - the new name for the 78 million Americans who have transformed this country at each stage of their lives. As the oldest boomers prepare to turn 60 in 2006 they're set to reinvent old age in America. The generation that once declared "never trust anyone over 30 is now proclaiming that 60 is the new 30. By 2015 with the last of the boomers turning age 60, over 47% of the US population will be over the age 50.

Americans turning 60 can expect to live an average of 22 more years. Many intend to use that time to start new careers, going back to college, volunteering, etc. Their most pressing issues are saving for retirement, paying for Long Term Care and staying in the workplace. Boomers as a whole are in trouble because their expectations are going to outrun their resources. For every boomer who will receive an inheritance, there will be two with only home equity as a nest egg. These modest savings combined with uncertainty about Social Security, company pensions, the stock market, the labor market, etc., point to the need for boomers to become smarter about investing. Even though employers will have to retain some older workers to cover a smaller pool of younger talent, most boomers are going to have money problems. There will be some ugly surprises.

## THE TOP TEN RULES OF RETIREMENT

- Start as early as you can.
- Plan, plan, plan. Have an exit strategy even though things are going great now. Sometimes there are things over which we seem to have no control: our health, the markets, corporate downsizing, our bosses, etc. Having an exit plan and knowing where you are financially can not only ease some of the pressure, but it will also assure a quality of life if brought to maturity. Part of your plan should be a budget. Know what your minimum expenses are going to be. Decide when you will start drawing Social Security. Benefits are reduced by 25% at age 62, when you can start drawing Social Security and increase to 32% at age 70. Visit [www.ssa.gov](http://www.ssa.gov) for more information.
- Pay off your debts, especially credit card debt. Start with the highest interest rates and work down. You want to end up with as much cash at the end of the month as you had when you were working.
- Use 401Ks and 403Bs, and be involved. These should not be passive investments. You can't always count on others to be as interested in you as you are. You can convert these to a steady income stream if you wish. See [www.immediateannuity.com](http://www.immediateannuity.com)
- Plan to balance you life with volunteer work at church, maybe a part time job, family/friends, periodic travel, hobbies, worship, intellectual/spiritual growth, rest and physical activities. Remember balanced, and not too busy. How you manage your time is just as important as how you manage your money. I love Luke 2:52, "And Jesus grew in wisdom, stature, in favor with God and men." There is balance here: intellectual growth through study and education, physical development which translates to 'staying in shape' for the older person, spiritual growth with a closer relationship to our Lord and finally fellowship with friends. We have a finite amount of time each day and if any one of the above consumes more time than it should, the other areas are lessened and thereby weakened. It will be a discipline.
- Balance your assets to ensure maximum returns along with liquidity. If in doubt, play it safe. Do not overlook, or fail to consider the effect of taxes. Look for taxdeferred and taxexempt investment opportunities.
- Make and pay for your funeral arrangements as early as you can.
- Obtain a good nursing home (Long Term Care) policy. These can be very complicated. Make sure you have

an agent that understands these types of policies.

- Have good health insurance, or supplemental health insurance. When you need it, it's too late to get it.
- Know that at the end of your career, things are going to get different and you are going to find yourself increasingly on the outside. Vision problems, hearing problems along with just being older and having less energy will ultimately isolate you to some degree. Be wise about it. Know its coming and know that you can't do a lot about it, unless you're the big dog.

## **AN EXIT STRATEGY**

Do only wealthy people need an estate plan? Most people think that the goal of "estate planning" is to reduce the taxes due upon a person's death. The simple truth: We all need an estate plan, regardless of our wealth, or social status.

A **Will** or **Trust** is the foundation of any estate plan. A Will helps:

- Arrange for the care of minor children.
- Determine how you want your personal assets and property distributed and to whom you want them distributed.
- Gives you an opportunity to discuss with your children your insurance, medical, health care, financial and burial plans. Gives you an opportunity to discuss how you want things done when you are no longer here.

## **WHY A WILL?**

If you do not have a Will, the state in which you reside at the time of your death will prepare one for you and you will have NO say on how your property and assets will be distributed. In addition, children and relatives could start positioning themselves to take over portions of the estate, even though it might just be \$10,000. It could create serious and destructive family problems.

Important decisions you must make in preparing a will are:

- Who will be the Guardian for your minor children?
- Who will be the Executor, responsible for managing your Estate?
- Who will get your property and assets, and when, after your death? This needs to be detailed and specific. Attaching lists to the Will is a common practice. An attorney and/or a financial planner can and should help with this.

## **WHY A GUARDIANSHIP FOR CHILDREN?**

If you don't name a guardian, anyone can volunteer for the job, and then a judge, whom you don't know, will decide who raises your children. Choose someone who is willing and able to raise your child, someone your child respects and is comfortable with, and has the same values and beliefs as you. A Guardian is a person named in a will whose role is to protect the interests of the deceased's minor children. Remember that money left to minor children will be at the disposal of the appointed Guardian or Trustee.

## **WHY A GUARDIANSHIP FOR ADULTS**

If you were to become incapacitated due to an accident, injury, or incompetence, you need someone who has the legal authority to act on your behalf with regard to your financial and medical decisions.

## **WHAT/WHO IS AN EXECUTOR?**

A person or institution such as a law firm, named in a will as being responsible for managing the deceased's estate, is an Executor. It is not an easy/simple job. The distribution of your assets can be seriously impaired by your choice of Executor if they are not careful and thorough. Also, you may think it makes sense to name your spouse as executor of your estate. But, what happens if your spouse is distressed and unprepared to manage financial affairs? You may want to consider naming a coexecutor to help guide the spouse in making sound decisions. This could be a responsible and financially competent grown child.

## **BENEFICIARIES IN A WILL**

Determine which assets are not governed by either a Will or a Trust. This includes Life Insurance, IRAs, 401Ks, Pension Plans, etc. Most people are not aware that these assets will avoid probate and that:

- Beneficiaries supersede a Will
- Beneficiaries supersede a Trust, and
- Beneficiaries supersede Community Property

Therefore, it is important that both Primary and Secondary Beneficiaries be reviewed and updated at least annually. Things happen, and situations change!

Is your current Beneficiary really the person or persons to whom you want to leave your money? You worked hard for it and it is your decision who should receive it at your death.

## **OTHER IMPORTANT DOCUMENTS**

**DURABLE POWER OF ATTORNEY** – a document that can be used if you become incapacitated as the result of an accident or sickness. With this document you name a person who can transact business on your behalf. There are different types of “Power of Attorney.” Some provide broad authority and some limit the authority. It is best to use an attorney when signing these.

**MEDICAL POWER OF ATTORNEY** – a document that authorizes someone to make Medical Decisions for you if you are unable to do so. Due to the 1996 Federal Health Insurance Portability and Accountability Act (HIPPA), health care providers need written authorization from a patient or a patient’s authorized agent before they can release certain personal health care information.

**LIVING WILL OR MEDICAL DIRECTIVE TO PHYSICIANS** – a document that allows you to spell out the medical treatment you want under specific circumstances.

This allows someone to “pull the plug” on life support. Terri Schiavo’s case, the Florida woman whose right to die dispute went all the way to the U.S. Supreme Court, underscores the importance of stating in writing your desires about the medical treatment you want to receive and who can make decisions for you if you cannot do so for yourself.

## **WHAT IS A REVOCABLE LIVING TRUST?**

It is natural to think of estate planning solely in terms of planning for death. After all, a Will is not effective until someone dies. But, what happens to your finances if you become mentally or physically incapacitated? In this situation a “Revocable Living Trust” can be a perfect solution.

You can create a “Revocable Living Trust” and name yourself and/or your spouse as Trustee(s). As long as you are mentally/physically capable, you will retain complete control over the assets in the Trust. Should you become permanently disabled or incapacitated, the Trust becomes irrevocable. Your successor/trustee will step in to manage your assets according to the provisions set forth in the Trust.

Other reasons you might want to set up a Revocable Living Trust instead of a Will are:

- A Will guarantees the expense and time consuming process known as Probate is avoided. A Revocable Living Trust avoids probate.
- A Will is public record. Anyone can go to the county court house and read your Will. A Revocable Living Trust is completely private.
- A Will is generally valid only in the state of residence at the time of death. If you have a Will made in one state and move to another state a new Will is required. A Revocable Living Trust is good in all states.
- A Revocable Living Trust gives you total control of your assets both now and after your death.
- It is generally easier to make changes to a Revocable Living Trust than to a Will.

Elder Law Attorneys – [www.naela.org](http://www.naela.org); Phone 5208814005. Legal hotline for older Texans, phone 18006222520.

## WHAT ABOUT LIFE INSURANCE?

This piece of the puzzle is often overlooked, or not given adequate consideration. Inadequate or no insurance coverage can be devastating to a family's finances when life takes a turn for the worse, regardless of the family's income level. What is the first thing that usually runs through your mind when you hear about the death of the bread winner in a family? "I wonder if he had any life insurance for his family?"

Facts about insurance and things you can do with it:

- Proceeds from Life Insurance policies are tax free.
- You can pay final expenses, i.e. medical and burial.
- You can avoid Probate Court.
- You can pay Estate Taxes.
- You can use the Cash Value to pay Long Term Care Expenses (Nursing Home care), college costs or debt.
- Leave money to a charity.
- Make a 1035 Exchange to an Annuity.
- Pay off a home mortgage.
- Leave a legacy to your family.

Questions to think about:

- Do I really need any life insurance and if so, how much? If you are not responsible for anyone, you probably do not. But, if you're in debt, married, have children, or taking care of aging parents, you probably do. If you are not in debt, have already paid for your funeral, have the kids out of school and have other assets, you probably do not.
- How Much Do I Need? There is no magic formula, but you can start by figuring out what you want Life Insurance to do for you. Do you simply want a policy to cover your funeral expenses, debts, unpaid medical bills or the balance on your mortgage? If you should die suddenly, how much would your family need to live continue without your paycheck?
- What kind of insurance do I need? Whole Life, Term or Universal Life? There are extensive options offered by Insurance companies. See your agent, or financial advisor for matching needs with programs.

## LONG TERM CARE

The "Greatest Threat" to your family's assets is not a loss in the stock market, but the high cost of Convalescent Care/Nursing Home Care. If you were to ask a friend of yours if he or she plans on being in a nursing home, you will hear a loud silence. No one answers, "Yeah, I plan to in a few years." No one **plans** to be there, but they are all full despite the fact that nearly all of their customers are there against their wishes. As we live longer, the odds increase that 50% of all men and 30% of all woman will spend some time during their old age in a nursing Home, or they will need convalescent/rehab care, skilled nursing care involving Occupational Therapy (exercise above the waist) and or Physical Therapy (exercise below the waist). The average cost of a nursing home in Dallas - Ft Worth today is about \$5,000 per month. This number is expected to double over the next 10 to 12 years. The average stay in a nursing home today is 2 1/2 - 3 years. That will cost anywhere from \$150,000 to \$300,000!

The questions are: How will your children pay for this if you do not do anything now? How will you pay for your parents if they do nothing about this?

Common Misconceptions and Fatal Financial Errors:

- **"MEDICARE WILL PAY ALL OF MY MEDICAL COSTS AFTER 65"**. They may pay for a portion of your hospital and skilled nursing costs, but they will not pay nursing home fees/charges.
- **"MY SPOUSE/KIDS WILL TAKE CARE OF ME."** Whereas this sounds good, it can be a disaster. Transferring (moving from bed to wheel chair to commode to shower, etc), incontinence, bathing, dressing, eating, medications all require effort, strength, patience and in some cases special knowledge. Usually it's best for the caregivers and the care receivers to obtain professional help whether it's in your home, or in a nursing facility. Being a caregiver is highly stressful, so know that your wife/husband/kids are going to experience frustration and stress. Sometimes it works and sometimes it doesn't.
- **"WE'LL HAVE SOMEONE COME TO OUR HOME, WHEN THE TIME COMES."** If you are paying for this, you could be spending \$10,000 per month for around the clock coverage. Nursing policies vary in benefits. Be sure and review yours.

- *"I'LL HIDE MY ASSETS, GIVE THEM AWAY, CREATE TRUSTS, ETC. SO I WILL BE ELIGIBLE FOR MEDICAID."*

Before you attempt this, I would seek the advice of an attorney.

- *"IT'S NOT GOING TO HAPPEN TO ME."* Statistically you should not bet on this. The odds are not in your favor unless you fly a crop duster blind folded, or work in a mine in a third world country.

Eldercare Locator 18006771116.

## FINANCIAL TOOLS FOR RETIREMENT

- Savings/investments - There are many plans and programs, rates and rules. Some programs require a great deal of education, or a great deal of trust. It is strongly recommended that you retain the services of a qualified Financial Planner. Money will dramatically affect the quality of your retirement.

- Roth IRAs - Taxes are withheld at the time of the contribution. Monies returned are tax free.

- Traditional IRAs - Contributions are tax deductible at the time of investment. Taxes are paid at time of withdrawal, hopefully when you are in a lower tax bracket.

- Stretch IRAs - Paid out over a long period of time, perhaps generations.

401K and 403B. Essentially the same, but one is for government and the other nongovernment. Information on these programs usually comes from your company. Would recommend that you be active in the process.

It is not unusual that everyone in the deal makes money except the person investing. Keep asking questions.

- Home Equity Conversion Mortgage (HECM) also called Reverse Mortgages - The ability of those 62 and over to take 60% to 80% of the value out of their homes and use the income for living costs. Instead of you making payments to the lender, the lender will make payments to you. The payments can come lump sum or monthly. The up front costs can make this an expensive way to borrow money, but sometimes it will be the only way an owner can stay in his or her home.

To find out more about this program visit: [www.reversemortgage.org](http://www.reversemortgage.org)

## MEDICAID

Medicaid is a joint State and Federal program. These programs are governed by the rules of each State. If you are without assets, or have totally depleted your assets, but still require long term care, you will be put on Medicaid. Medicaid is for people without assets. Medicaid Planning is complex, intimidating and the rules are stringent. It is important that you consult with an Eldercare Licensed Attorney.

Reasons why you might not like Medicaid:

- You may have no control over which nursing home you (or your loved one) will be in or where it might be located.
- The quality of care may not be to your liking.
- There will probably be no Privacy
- Loss of Control and Self Dignity

**Medicaid Information: Phone 1-800-252-8263.**

## MEDICARE

Medicare is available to all Americans upon arriving at the age of 65. It is health insurance for those at retirement age. It is structured as follows.

### PART A-HOSPITAL (Automatic)

- \$ 952 Deductible per benefit period
- No charge for days 1 60
- Copay \$ 228 per day 6190
- Copay \$ 456 per day 91150
- Covers Hospice Care and Skilled Nursing Care

### PART B-DOCTOR (Optional \$ 88.50 per month, deducted from Social Security payment)

- \$ 123 Calendar Year Deductible
- 80% Coverage
- 20% Copay( No Stop Loss )

- Doctor's Visits, Surgery
- Outpatient Lab and Xray
- Physical Therapy, Occupational Therapy

### **PART C-PPO PLANS**

**PART D** - If you have Part A, you can be in Part D. Part D is the new prescription drug program.

Visit [www.medicare.gov](http://www.medicare.gov) for information about Medicare and Medicare Information at [www.medicareed.org](http://www.medicareed.org).

Medicare will not pay for all of your medical costs. You will need supplemental insurance for this.

We hope that the above is helpful in conveying the scope of things you, and/or your parents are facing or about to face. It is our recommendation that you visit with an attorney specializing in elder care and a financial planner. It is our recommendation that you get your family involved in your retirement. Ask God for His guidance and pray for His blessings.