

# **Aging in the 21<sup>st</sup> Century**

**Financial Issues**

**Dr. Jo Turner**

## **Money Problems**

- **Six plus one**
  - **Not enough money**
  - **Too much money**
  - **Inflation**

## **Money Problems**

- **Deflation**
- **Living too long**
- **Dying too soon**
- **Incompetence**

## **Ways to meet money problems**

- **Four plus one**
  - **Adequate cash reserves**
  - **Fixed assets**
  - **Equity assets**

## **Ways to Meet Money Problems**

- Adequate insurance
- Legal documents

## **Problem 1: Not Enough Money**

- Most common response
  - Not enough money for medicine
- Early retirement plans

## **Sources of Retirement Income:**

- **Social Security - 22%**
- **Pension plans - 18%**
- **Investments - 34%**
- **Work - 24%**
- **Misc. - 2%**

## **Social Security**

- **Average monthly benefit**
  - **\$874 for retired worker**
  - **\$1,454 for retired couple**

## **Problem 2: Too Much Money**

- **Lump sum payouts**
- **Inheritances**

## **Problem 3: Inflation**

- **A three percent inflation rate will boost your \$2500 real estate tax bill:**
  - **to \$3360 in 2012 and**
  - **to \$4515 in 2022**

## **Problem 4: Deflation**

- **Investments**
- **Retirement plans**
  - **Defined contribution**
  - **Defined benefit**

## **Problem 5: Living Too Long**

- **Out living income**
- **2/3 of all people who have ever lived to age 65 are alive today**

## **Problem 5: cont'd**

- **Increased cost of medicine**
- **Increased cost of funerals**

## **Problem 5: cont'd**

- **50% of women over 65 are widowed**
- **14% of men over 65 are widowed**

## **Problem 5: cont'd**

- **Normal retirement age - 65**
- **If indexed similar to the CPI, retirement age would be 73 for Social Security benefits.**

## **Problem 6: Dying Too Soon**

- **Dependents**



## **Plus one: Incompetence**

- **Loss of control of**
  - **Assets**
  - **Decisions**
  - **Privacy**

## **Plus one: Incompetence**

- **Example: Grouch Marx was declared incompetent by the court**

## **Solutions**

- **Adequate cash reserves**
- **Adequate insurance**
- **Fixed assets**
- **Equity assets**
- **Legal documents**

## **# 1 Adequate Cash Reserves**

- **Put and take dollars**
  - **Checking with interest**
  - **Credit Union Accounts**
  - **Money Markets**

## **Adequate Cash Reserves**

- **2 to 6 months take home pay or living expenses in one of the above accounts.**
- **Accessible credit**

## **Adequate Cash Reserves**

- **Women – because they live longer need:**
  - **Liquid account in own name**
  - **Knowledge of family finances**

## **Adequate Cash Reserves**

- **Women need skills in:**
  - **Writing checks, paying bills**
  - **Balancing checkbook**
- **Take a class in managing money**

## **# 2 Adequate Insurance**

- **Review need for insurance**
- **Review your policies**

## **Need**

- **Life insurance**
- **Property & Liability**
- **Disability insurance**
- **Health insurance**
- **Long term care**

## **Life Insurance**

- **Review policies**
- **Review needs**
- **Develop a plan to modify as needed**

## **Property & Liability Insurance**

- **Review risk**
- **Review policies**
- **Develop plan for any needed changes**

## **Disability Insurance**

- **Review need – is there one?**
- **Review policy**
- **Develop a plan to modify coverage as needed**

## **Health Insurance**

- **Explore need for Medicare supplement policies**
- **Examine policies**
- **Develop a plan**
- **See chart**

## **Long Term Care Insurance**

- **Do you need it?**
- **Can you afford it?**
- **Spend down**
  
- **[www.quotesmith.com](http://www.quotesmith.com)**

## Long Term Care Policy Analysis

- | <b>• Feature</b> | <b>Recommended Min</b> |
|------------------|------------------------|
| – Company rating | <b>A</b>               |
| – Require prior  |                        |
| – Skilled care   |                        |

## Long Term Care Policy Analysis

- | <b>• Feature</b>                      | <b>• Recommended min</b> |
|---------------------------------------|--------------------------|
| • Company Rating                      | • <b>A</b>               |
| • Prior skilled care<br>required      | • <b>NO</b>              |
| • Prior intermediate<br>care required | • <b>NO</b>              |



## **Long Term Care Policy Analysis Cont'd**

- Underwriting
- Waiting period
- Dollar/day
- Front-end
- 90-100 days
- \$80 to \$100

## **Long Term Care Policy Analysis Cont'd**

- Length of coverage
- Prior hospitalization
- Pre-existing conditions
- Min. 3 years
- NONE
- 6 Months

## **Long Term Care Policy Analysis Cont'd**

- Inflation protection      • YES
- Waiver of premium      • 90-100 days
- Guaranteed renewable      • YES
- Alzheimer's              • YES

## **Sample Long-Term Health Care Policy Premiums at different Ages**

<b>Age</b>	<b>Company 1 annual premium</b>	<b>Company 2 annual premium</b>
<b>50</b>	<b>\$1490</b>	<b>\$2,606</b>
<b>60</b>	<b>\$2,034</b>	<b>\$3,890</b>
<b>70</b>	<b>\$5,008</b>	<b>\$8,230</b>

## **Review Your Policies**

- **On a regular basis**
- **List policy numbers, company name, address, location of policy and agent's name and telephone number**
- **Look for gaps in coverage**

## **Remember**

- **Think long and hard before you drop one insurance policy for another one**
  - **Things change**
  - **You may be uninsurable or the rates may be very expensive**

## **Remember**

- **Before you purchase long term health care – do the math – can you afford to pay the premiums now and in the future.**

## **# 3 Fixed Assets**

- **Assets that protect against deflation.**
- **Lending Assets – A portion of Retirement funds**
  - **Bonds**
  - **Certificates of Deposit**

## **# 4 Equity Assets**

- **Assets that protect against inflation**
- **Owning Assets:**
  - Home ownership
  - Retirement savings

## **Plans for Retirement Income**

- **Includes a balance of Fixed Assets  
and Equity Assets**

## **Retirement Income Planning - Savings**

- **Pre tax income**
  - 12 to 15% for retirement for beginning employees.
  - 20 to 25% for retirement for employees in late 30's or early 40's

## **Equity Assets for Retirement**

- **Tax Deferred**
  - 401(k)
  - 403 (b)
  - IRAs
  - ROTH IRAs

## **Retirement Income**

- **Real Estate**
- **Reverse Mortgages**
  - **AARP “Home Equity conversion Kit” (D15601) mail request to AARP Fulfillment, 601 E. Street, N.W. Washington, DC 20049**

## **Plus 1: Legal Documents - Incompetence**

- **Durable power of attorney**
- **A living will**
- **Health care power of attorney**
- **Living trust**

## **Durable Power of Attorney**

- **A legal document**
  - That appoints another person(agent) to act on the principal's behalf
  - Effective –even if the principal becomes incompetent.

## **Durable Power of Attorney**

- **Agent's power may be**
  - Broadly stated
  - Narrowly stated



## **Living Will**

- **A document that lets family members know what type of care you do or do not want to receive if you become terminally ill.**
- **Doctor should have a copy**
- **Write with assistance of an attorney**

## **Health Care Power of Attorney**

- **Maybe called Health care proxy**
  - **This document allows the signer to designate individual(s) to make health-care decisions on his or her behalf if he or she is incapable of making such decisions.**

## **Living Trust**

- **A legal arrangement between (you) the grantor and the trustee (person you identify) to control and manage the assets in the trust.**

## **Living Trust**

- **If correctly set up**
  - **Avoids probate at death of the grantor**
  - **Prevents court control of assets at incapacity**

## **Living Trust**

- Provides maximum privacy**
- Quickly distribution of assets to beneficiaries**
- Assets can stay in the trust**

## **Living Trust**

- Prevents unintentional disinheritance**
- Reduces or eliminates estate taxes**

## **Plan to Transfer Property**

- **Will**
- **Joint ownership**
- **Gifts**
- **Beneficiary trust**
- **Living trust**

## **References**

- **Conrad, Thomas L. (1996). A Kiplinger Guide Successful Retirement. McLean, VA: Conrad and Associates.**
- **Garman, E. Thomas and Fogue, Raymond E. (2003). New York: Houghton Mifflin Company**

## **References**

- **Goldsmith, Elizabeth B. (2001). CA: Wadsworth/Thompson Learning.**

## **References**

- **Peterson, Peter G. (1999). Grey Dawn. NY:Random House.**
- **Weltman, Barbara. (1998). The Complete Idiot's Guide to Making Money After You Retire. NY: Simon & Schuster Macmillan Company.**

## **References**

- **Women and Aging Letter.(2002)  
National Center on Women & Aging.  
Heller School for Social Policy and  
Management. Waltham, MA: Brandeis  
University MS35**