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SENIORS/BOOMERS NEWSLETTER

'the retirement experts'

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**THERE ARE LIARS, THERE ARE
OUTRAGEOUS LIARS, AND THERE
ARE EXPERTS**

Mark Twain?

The above quote, it is believed, was what Mark Twain actually said for the lies, damned lies & statistics quotation that has been attributed to him.

There is never a shortage of experts. When I watch the financial news shows, and read financial magazines, I am constantly bombarded with conflicting opinions from the 'so called experts' on whether or not this stock market is due for a small correction...a significant correction...or a catastrophic correction of epic proportions!

Perhaps one of these programs should get all these experts together and form a circular firing squad. Staying away from opinions in general, however, is probably your best course of action in determining how you should invest.

The financial results for the 2015Q3 period are basically in the books for the S&P 500. We are currently tracking a modest decline in earnings of 1.8% versus a year earlier.

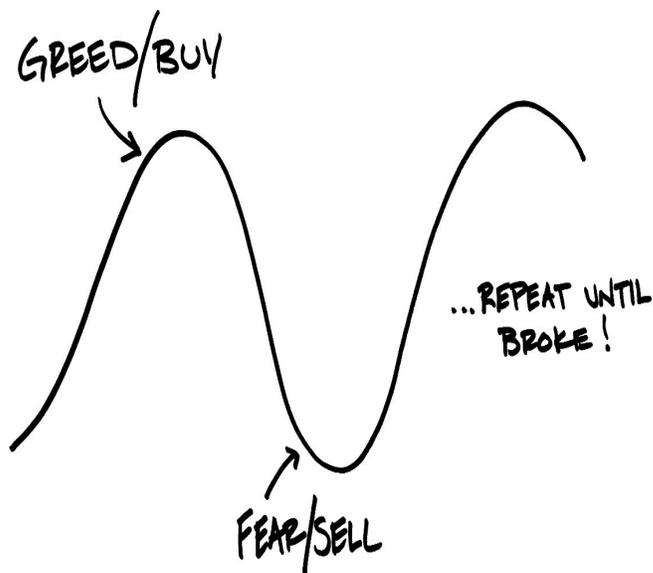
However, we all know that the energy sector has been horrific for the past year. When we remove this element from the earnings equations, earnings actually grew about 5%. That's pretty good for the rest of the economy.

Last month I went through a list of reasons why you not throw in the towel just yet. I also came across a beautiful summary from the CIO of Sonata Capital who said, "I can't recall a bull run ending with a P/E of 15". Me neither.

WHY MOST INVESTORS LOSE MONEY IN THE STOCK MARKET?

I was going to write a grand explanation of why the typical investor has a hard time making money buying and selling stocks. Then, I came across an illustration which summed it up perfectly.

My English teacher in college always wrote in the side margin...'the less said, the best read'. So in that spirit here is the explanation you've no doubt been waiting for:



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WHAT YOU NEED TO KNOW ABOUT LONG TERM CARE

When planning for retirement, it is a huge mistake not to have the talk about Long Term Care and what it costs. This is not an unknown risk. Longevity is fast becoming the reason many retired people may die broke.

Costs of care are significant. A home health aid can cost up to \$40/hour. Adult day care can go for \$242/day. Assisted living facilities average \$3600/month...but NOT in the northeast which can go as high as \$11,250/month. Continuing-Care retirement communities charge over \$200,000 entrance fees as well as \$3000/month, or more, for your residence.

Below are statistics compiled by Morningstar regarding Long Term Care. I am not providing these as a way of making anyone nervous...but it's important to know the facts. In random order,

*8 million Americans experience difficulty with self care and activities of daily living.

*13 million adults experience difficulty living independently.

*44% of men will need LTC during their lifetime.

*58% of women will need LTC in their lifetime.

*13.9% of individuals age 65 or older used some form of home health care in the past 2 years.

*0.88 is average nursing home stay for men.

*1.44 years for women.

*14% of population age 71 or older suffering from dementia.

*64% of nursing home residents have been diagnosed with some form of dementia.

*\$17,904 is the average cost for adult day care five days/week.

*\$43,200 is the average cost for assisted living.

*\$55,115 is the average annual cost for nursing home in Monroe, LA.

*\$182,500 for the same services in Manhattan.

*66% of caregivers are women.

*43.5 million adult family caregivers in the US

*\$119,220 are maximum allowable assets for a healthy spouse when other spouse is covered by Medicaid.

* Only 100 days of care in skilled nursing home are covered by Medicare.

Not many people want to go to a nursing home, and few can afford a Continuing-Care community. So, if staying in your home is also not a viable option, you may be left with an Assisted Living facility.

Here are some questions you will want to have answered if you had to go into Assisted Living:

>why/when would a resident have to leave?

>how are rate increases determined?

>has there been a history of rate hikes?

>when and where are meals served?

>can personal visitors come and go?

>what is the refund if someone dies?

>what happens if a resident is hospitalized?

>does the facility have care for dementia?

>can hospice be brought in?

MEDICARE FACTS & AVOIDING MISTAKES

1. Social Security full retirement benefits and Medicare enrollment ages are different. Ages 66/67 for S.S.; 65 for Medicare
2. You have a 7 month initial enrollment period to sign up for Medicare...3 months before your birthday, your birthday month and then 3 months after.
3. You are guaranteed eligible for a Medigap policy during the first 6 months you are enrolled in Medicare.
4. Medigap policies are guarantee renewable so long as all premiums are paid.
5. There are no referrals necessary under Medigap and no networks.
6. Medicare PART C (Medicare Advantage) encompasses PARTS A&B and negates a Medigap policy.
7. How you pay for Medicare PART B matters. Paying with S.S. Deductions means that increases can never be more than your S.S. COLA.
8. If your employer has less than 20 employees, you MUST sign up for Medicare at age 65.
9. Being covered by COBRA will not avoid Medicare late penalties.
10. Be certain your large group health plan has 'credible coverage' for prescription drugs. If not, sign up for PART D.

SOCIAL SECURITY CHANGES

As many of you have read, there are two significant changes with Social Security which come into effect May 1,2016.

For those who will turn age 62 in 2016, or in later years, you will no longer be able to use the "File and Suspend" strategy. This allowed you to file for benefits & allowing your spouse to get a spousal benefit. This rule then allowed you to suspend your benefit so that it continued to grow...up till age 70.

Beginning next year, if you're not 62 in 2015, once you file you will get the larger of the two benefit possibilities; you will no longer be able to keep your benefit growing till age 70. The good news for anyone already age 62 , or for someone who has already begun using this strategy, this possibility still exists.

The 2nd change has to do with the "Claim now -Claim more later" rule. This allowed you to file for spousal only benefits once you were at your Full Retirement Age...allowing your own benefit to continue to grow up to age 70. (Every year after your FRA, your benefit grows by 8%/year). Again for anyone age 62 or older by December 31, 2015, this is STILL an option. Younger ones – NO.

Questions You Should Ask BEFORE Buying a Variable Annuity

Any retiree who has come into my office and showed me a variable annuity clearly knows my views on VA's. They are great for thirty & forty something's'...but with few exceptions...DO NOT belong in a retiree's, or near-retiree's portfolio.

According to the Securities and Exchange Commission (SEC), questions you should ask are:

How will the variable annuity fit into your retirement picture? And do you have any other way to do that?

For most investors, it's advantageous to make the maximum allowable contributions to Individual Retirement Accounts (IRAs) and 401(k) plans before investing in a variable annuity. It's also important to remember that variable annuities are typically suited for long-term investors who are using the annuity to save for their distant retirement.

Are you investing in the variable annuity through a retirement plan or IRA?

If you are, you're not receiving any additional tax-deferral benefit (which is often an important reason to purchase a variable annuity) since you have them already. Again, if purchasing this annuity is to establish a future income stream, however, then it may be worthwhile.

Are you willing to expose your account to market risk if the underlying investments perform badly?

Variable annuities can lose money. Although some companies offer a rider to help protect your principal, there are additional costs for this guarantee.

It's also important to remember that such guarantees are backed by the claims-paying ability of the insurance company. Therefore, it's always a good idea to check out the financial strength of the insurer prior to investing your money.

Do you understand the features of the variable annuity?

These include death benefits, guaranteed minimum income benefit, bonus credits, long-term care insurance, and more. Could you purchase any of those features, such as long-term care insurance, at a lower cost, and with a separate policy? These additional benefits are also subject to recurring fees and charges.

Do you understand all of the fees and expenses that the variable annuity charges?

These include surrender charges, mortality and expense risk charges, administrative fees, underlying fund expenses, and fees for other special features and riders.

How long do you intend to remain in the variable annuity?

Be sure your investment horizon is long enough to avoid paying any surrender charges for early withdrawals.

Does the variable annuity offer a bonus credit?

If so, does it also come with higher fees and charges? Will you lose the credit if you make early withdrawals? Does the bonus credit outweigh these additional considerations?

Do you know the effect of the variable annuity on your income tax situation?

There are tax consequences of purchasing a variable annuity, including the effect of annuity payments on your federal income tax status in retirement.

Withdrawals from variable annuities are taxed as ordinary income and any withdrawals prior to age 59 ½ are subject to 10% penalty. State income taxes could also apply.

Are you exchanging your variable annuity?

If so, do the benefits of the exchange outweigh the costs, such as any surrender charges? If the replacement product offers some additional benefits, do you need these benefits? Also, how do the fees, expenses, and investment options of the proposed replacement product stack up against your current annuity?

If you ever need help in assessing the merits of a variable annuity, please feel free to call my office for an unbiased opinion.