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SENIORS/BOOMERS NEWSLETTER

'the retirement experts'

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IF YOU THINK YOU'RE A PERSON OF INFLUENCE,TRY ORDERING SOMEONE ELSE'S DOG AROUND ………..old farmer's saying

I have many clients ask at what age they should start social security. Claim too early, and you lock in a lifetime of monthly payments that may be far lower than if you wait. Claim too late, and you may spend years living on an austere budget that saps you and your quality of life. Waiting to claim can also leave a lot of money on the table—your money—should you die in your 60s or even 70s.

Your personal health, family history and other factors will give you a rough indication of how long you are likely to live. This, in turn will help in the analysis of when to take benefits and what the breakeven point is going to be. The chart below should give you some direction with the thought process:

EXHIBIT 2

Breakeven Points for Beginning Social Security Benefits

Beginning Dates	Breakeven Points (Ages)
62 versus 63	78
63 versus 64	76
64 versus 65	78
65 versus 66	80
66 versus 67	79.5
67 versus 68	81.5
68 versus 69	83.5
69 versus 70	85.5
62 versus 66	78
66 versus 70	82.5
62 versus 70	80.5

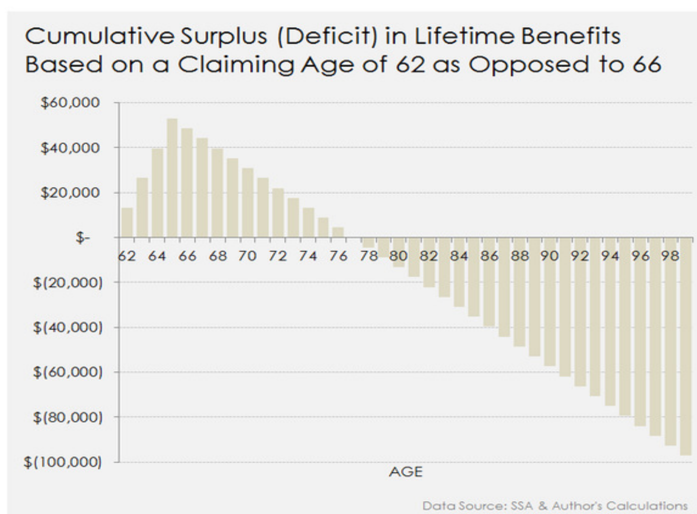
Source: Reichenstein and Meyer [2011]
Note: The "62 versus 63" of 78 means the breakeven point for delaying benefits from age 62 to 63 is age 78. Therefore, if the individual lives past 78, then cumulative lifetime benefits will be higher by delaying benefits from age 62 to 63. The exhibit assumes a Full Retirement Age of 66.

As you can see, beginning at age 66 (which is the normal retirement age for full benefits for most baby boomers), the breakeven age is 79.5 years versus taking benefits as early as possible at age 62 gives you a breakeven of 78.

In other words, let's say that your benefit at age 66 is $1000/month BUT you decide to retire and take benefits at age 62. The $1000/month drops to $750 and stays there for life...except for cost of living increases. Therefore if you live past 78 you are now receiving less total social security payments than would have otherwise coming your way by waiting.

In today's environment, many more people are living into their 80's and 90's, which is why it's going to take a lot of serious thinking about when to take benefits.

If you don't need the money right at the moment, you will probably be better off waiting. The chart below shows a considerable difference of waiting even till age 66. The difference is even more stark if you wait till 70.



Another consideration for waiting till age 70 before starting the checks, if you can afford to do so, is the size of the gain. The same $1000 at age 65 will now be $1320/month for life. This is particularly important for survivor benefits for the lesser earning spouse. This person is normally the wife who is both usually younger and will live longer, after the husband passes away.

If you need help with social security, please feel free to give me a call to discuss some of your options.

You might live to be 100

Live to 100. Sounds great. But what are the downsides? "How can there be downsides?" you may ask. After all, you'd have more time to golf, go fishing, and spend with the grand kids. Well, the risk may be that if you hadn't planned to live that long you could end up running out of money.

So how long of a retirement should you plan for? According to the IRS, a 70-year old person is expected to live for 17 more years to age 87. However, this is an average. Half of the 70-year olds will live longer and half will not. Therefore, a 70-year old individual who is basing his or her retirement plan and spending habits on living to 87 is rolling the dice.

Furthermore, when you consider that there are more than 55,000 U.S. centenarians who represent the fastest-growing segment of our population, there is reason to take notice.

However, planning too conservatively could be detrimental as well. After all, you don't want to cut your standard of living down to the point that you'll be miserable. And of course, you always have the option to make adjustments in your spending as time goes on.

All of this comes down to two simple facts: You can control how long your money will last, but you only have a limited ability to predict how long you will last. So what can you do to reduce the risk of running out of money too soon?

A fixed immediate annuity offers an income that will continue for a lifetime, no matter how long you live. And it will help you plan for the possibility of living to 87, 97, or beyond.

Long Term Care and Medicaid Planning

Using the government to pay for your long-term care costs may seem like a good idea. And Medicaid planning has become a popular topic among seniors. But what's in store for individuals who plan to rely on a welfare program for their special needs?

A study has shown that there was a shortfall between Medicaid reimbursements paid to nursing homes and Medicaid allowable costs. Among the 37 states surveyed, the average disparity was almost $10 per day on every Medicaid patient. And for the last year data is available, the total amount of unreimbursed, allowable Medicaid costs exceeded $3 billion.

To wipe out this shortage, states would not only have to increase the reimbursements to nursing homes by at least $10 per day. They would also have to make allowances for future increases. However, considering the status of many state's budgets, this is not likely to happen in the near future. Therefore, the chance is high that Medicaid shortfalls will increase. But this is a problem for the government and nursing homes to deal with, thus it doesn't affect you. Right?

Wrong.

If nursing homes continue to feel a cash-flow squeeze, they could possibly reduce the number of beds available to Medicaid patients. The nursing homes would then be in a position to accept more patients who have insurance or those that can pay out of pocket. And the Medicaid patients might end up in any part of the state where space is available.

Medicaid is the source of payment for 60% to 70% of the residents in the average nursing home. On the other hand, you may not want to count on the government's program and the changes that politicians implement.

If you do wish to go the government route however, there is a common belief that you may be able to accomplish this by way of gifting. The hope is that assets can be passed onto children and grandchildren to preserve an inheritance for them. You gift until you're impoverished and then eligible for Medicaid.

As you are probably aware, everyone has a $14,000/year gift tax exemption that you can use for as many recipients as you like...1,5,10, etc. At this level there is no need to file a Gift Tax Return.

BUT...there's almost always a but. The gift tax exemption has nothing to do with Medicaid. Gifts will be reviewed by Medicaid and anything but very small gifts ($500, $1000) will be counted toward the Penalty Divisor.

Social Services will look back 5 years and will examine all of your financial records: Bank accounts, Credit cards, investment statements. Anything relating to money. This will also include any asset of any value: real estate, automobiles, jewelry. Nothing is excluded. If they find it, it will be counted.

So how does the penalty work? When Medicaid determines that improper transfers were made, they total up all sums and divide that number by the average monthly nursing home cost. For N.J. it's about $10,000.

If you gave away $105,000 over the 5 year look-back period, you would have 11 months where you would not be eligible for Medicaid. (Fractions of a month are rounded UP). Somehow your family would have to find a way to foot the bill and/or take care of you.

The bottom line is that, if you can afford it, a long-term care insurance policy can give you the additional income that you may need to pay for those special-need expenses. In addition, it can protect your assets, and provide the freedom to choose where and how you receive the services.

Never Slap a Man Chewing Tobacco

WILL ROGERS

We've all heard the saying, 'don't fight the Fed'. To give this full support, let's look at some facts:

According to Doug Ramsey, chief investment officer at Leuthold Group, the Federal Reserve quadrupled its balance sheet from from the start of the financial crises through last year, at which point they finished with Quantitative Easing. From the March 2009 lows through the end of 2014, the U.S. Stock market's value has increased 226%, or about $18.6 trillion. How's that for a correlation?

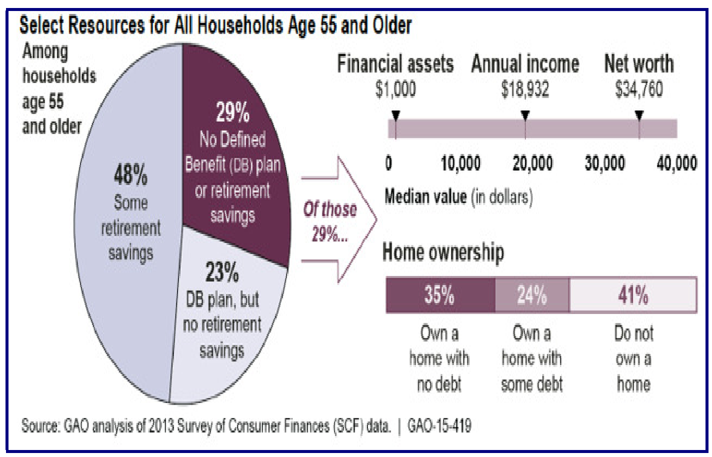
The second part is that the Fed is now reducing their balance sheet by retiring & selling bonds beginning this past January. What has the market done? Well, it's basically been flat since then.

So, it does pay to watch the Fed!

When You Find yourself in a Hole...Stop Digging...WILL ROGERS

The chart below comes courtesy of the Government Accountability Office (GAO). They have found that among households with members aged 55 or older, nearly 29% have neither retirement savings nor a traditional pension plan.

Of the other 71% in the study, the agency found that the median amount of savings was $104,000 for households with members between 55 and 64 years of age. For those between 65 to 74 it was $148,000. No matter how you cut, this is very alarming.



$18,433

That's the median amount in a 401(k) savings account, according to a recent report by the Employee Benefit Research Institute. Almost 40 percent of employees have less than $10,000, even as the proportion of companies offering alternatives like defined benefit pensions continues to drop.

In a recent study released by the Schwartz Center for Economic Policy Analysis at the New School they have more dire news. Although Social Security is of paramount importance in retirement planning helping to provide most of the income for about half of households age 65 or older, it is obviously not enough.

Projected Poverty Rates For Those Near Retirement Age

The authors use the threshold of twice the federal poverty line to demarcate those who are likely to be poor or near-poor in retirement and conclude: 9% of near-retirement workers (ages 55- to 64) will face extreme poverty, earning less than the poverty threshold. Another 24% will live in near-poverty, with income below twice the federal poverty line.

Table 8: Poverty Projections for Current Near-Retirement Population

		Percent of Population	Number of People
Percent of Poverty Threshold	Less than 50%	2%	358,571
	51 to 100%	7%	1,535,819
	101 to 200%	24%	4,900,262
	201 to 300%	20%	4,068,937
	More than 300%	47%	9,741,993

Source: Authors' analysis of SIPP 2008 panel data, waves 10 and 11. Data universe is all U.S. residents aged 55-64 who worked during the reference period (August 2011-March 2012) and had positive earnings. Sample does not include unpaid family members or members of the Armed Forces. Projections assume that a person will retire at age 65, and take into account retirement savings, as well as all other assets owned, including home equity. Details on how projections were created are discussed in the technical appendix.

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• Boston College is offering a free guide on how to take Social Security benefits. You can download a copy at http://crr.bc.edu/social_security_guide.

• Are you looking for information regarding opportunities of volunteering for seniors? Go to www.getinvolved.gov

• You can find thousands of forms from the IRS, Social Security and other Federal agencies. Go to www.forms.gov

• Looking for product manuals on line? You can find over 100,000 manuals for downloading at www.retrevo.com/samples/index.html

• The Eldercare Locator offers help and tips on how to save money on prescription drugs at www.eldercare.gov

• Make sure you get your free annual credit report and check its contents. Correct mistakes. The site where you do this is not freecreditreport.com (where it's NOT free after 30 days). Instead, go to www.annualcreditreport.com. Also, rather than getting your report from all 3 bureaus at once, take each one in turn every 4 months. This will get you 3 free reports per year.

• Tired of phone trees. You know. Pushing 20 buttons on your phone before talking to a real person. Go to www.gethuman.com for a list of customer service numbers, AND the numbers (CODES) you can use to bypass the automated system.

• Have you ever wondered where you could get a checklist for…well, you name it? Things to do in an emergency. Things to do before moving into a new house. Or, out of an old house. Etc, etc, etc. You can find a list for almost anything at, www.simplychecklists.com

• You can be even more efficient at blocking spam for free at www.mailwasher.net

• There is nearly $33 billion in unclaimed assets sitting in state treasuries. Are you owed any of that money? Find out at www.unclaimedproperty.org. For old pensions go to www.pbgc.gov

• Calculate your future social security benefits by going to www.ssa.gov and click on Estimate Your Retirement Benefits.

• If you are retired and have an employer's retiree health plan, you must still apply for Medicare Part B. Failure to do so will result in a permanent 10% penalty on your premium for *each* year that you waited (unless you're on a 'working spouse' plan)