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SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

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"I'm not going to buy my kids an encyclopedia. Let them walk to school like I did" **Yogi Berra**

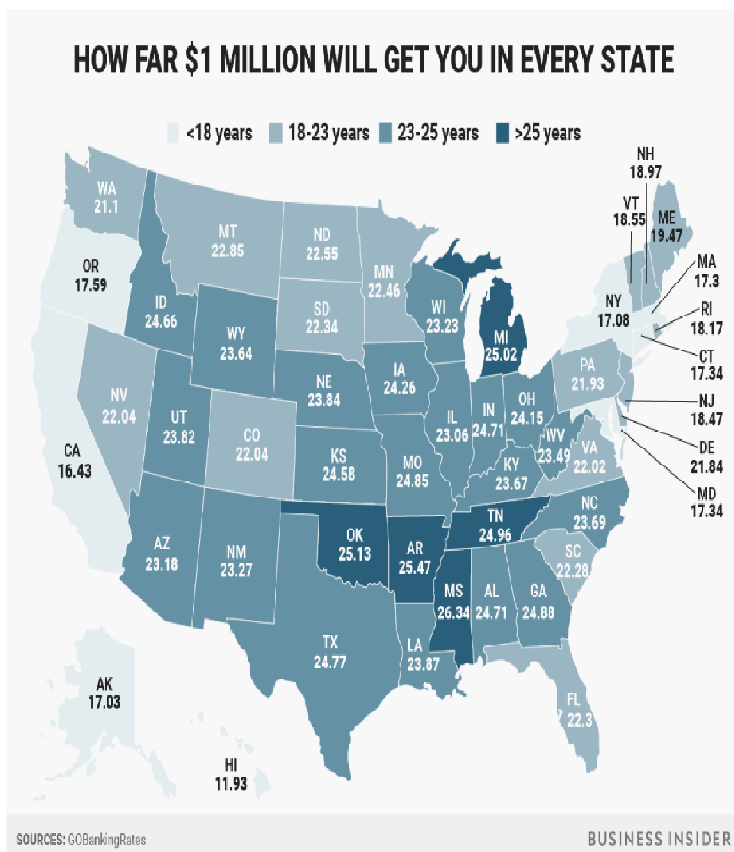
Believe it or not, the S&P 500 after inflation has produced just a 0.9% annualized price-only return since its March 24, 2000, top.

How can this be, you might ask, given that we're experiencing [the second strongest and second-longest bull market in U.S. history?] The culprits, needless to say, are the two severe bear markets that occurred along the way. The S&P 500 dropped by 49.1% during the 2000-2002 bear market, for example, and an additional 56.8% in the 2007-09 downturn. It takes a lot more than a powerful bull market to overcome these.

One way to appreciate the impact of those two bear markets is to realize that a mere correction today would wipe out the S&P's slight inflation-adjusted gain since March 2000. Just a 12.9% decline would do the trick, in fact.

So, now that we've covered what's gone on in the markets for the past 18 years, and you've come out in one piece, you may be wondering how far your million dollars will take you. Well, it all depends on where you live.

Here courtesy of Business Insider is a graph which you may, or may not, find surprising:



The Risks and What You Need to Know About… Long Term Care.

Only the most affluent households can afford to pay out of pocket, and only 12 percent of people in their late 50s and early 60s have opted to buy commercial long-term care insurance (LTCI), according to Rand Corporation research. Meanwhile, Medicaid covers 62 percent of long-term care in the United States, according to the Kaiser Family Foundation—but using that program comes with its own issues for household balance sheets.

Not all long-term care is provided in nursing homes, of course. A great deal of care is provided in home settings by paid caregivers and unpaid family members and friends—and that can bring the financial cost down dramatically.

The median annual cost of a private nursing home room in 2016 was $92,000, according to Genworth's annual cost-of-care survey, and it is far higher in some states ($160,000 in Connecticut, for example).

Higher incidence of nursing home need—and higher out-of-pocket costs—are concentrated among more affluent households, says Michael Hurd, lead author of the study and a senior principal researcher at Rand. "We know that well-to-do people are more healthy and they live longer," he says. "That means they are more likely to live to an age where nursing home use is heavy, and more likely to pay for it themselves, since few have long-term care insurance and the well-to-do are less likely to qualify for Medicaid."

And the researchers conclude that the risks for women are much higher than for men. Sixty-four percent of women will use some level of nursing home services, compared with 51 percent for men; but women's mean usage is double—301 nights for women compared with 141 nights for men.

Part of this is the greater longevity women experience, but another factor is that women, on average, marry men who are three years older," Hurd explains. "So the odds of the husband dying before the wife is elevated. Most men die married and most women die single. That means men are more likely to have someone available who can care for them."

In a similar vein, Rand found that risk of a long stay is lower for people with children; for example, those with four or more children will spend 38 percent less on care than people with no children. "The lifetime risk of needing care doesn't vary by whether you have children, but the amount of time spent in a nursing home can vary quite a bit," Hurd says. "It may be that following a rehabilitation stay, people with children are able to go back to their homes and communities more quickly."

Indeed, Rand's findings confirm other data on the importance of caregiving provided by family members, especially daughters. Rand found that the maximum number of nursing home nights used was 33 percent higher for those without children, compared with those who had four or more children. The length of stay was even lower for patients who have daughters.

Sales of new standalone individual LTC policies fell to 91,000 in 2016 from 372,000 in 2004, according to LIMRA. Over that same time period, new premium dollars fell to $228 million from $716 million. From 2012 to 2016, the drop in both categories was particularly steep: over 65%. And in the first half of 2017, only 34,000 Americans bought new LTCI policies, down 30% from the first half of 2016.

Instead, Americans are turning to hybrid, or "combo" life insurance policies that can also pay for lifetime care. To a lesser extent, they're also buying annuities that offer sizable payouts, if necessary, for long-term care. New premiums for combination life-LTC insurance rose to $3.6 billion last year from $2.4 billion in 2012, according to LIMRA; annuity-LTC hybrids more than doubled in sales, to $480 million from $210 million.

FREEDOM FROM TAXES

Most LTC benefits will be tax-free under the IRS guidelines for a tax-qualified LTC plans. (Life insurance death benefits usually are untaxed, as well.) Although premiums paid for standalone LTC insurance may be tax-deductible, premiums paid for LTC hybrids are not deductible.

Nevertheless, any LTC benefits paid by a hybrid product probably will be tax-free if the contract is structured to reimburse the individual. That can be true for qualified LTC expenses, delivered by licensed custodial care providers.

Hybrid LTC benefits under the indemnity model (in which insurance payouts are a set amount) also can be untaxed. Such policies typically pay a full daily or monthly benefit amount directly to the policyholder, if specified conditions are met. The benefits received from an indemnity policy can be untaxed up to the larger of actual outlays for qualified LTC or a per diem limit ($360 a day in 2017).

DEVILISH.DETAILS

Some aspects of LTC hybrids are relatively straightforward. Buyers of a life insurance-LTC combo, for instance, might get to use up to 90% of the death benefit during their lifetime for qualified custodial care expenses. “A client who buys $500,000 of coverage might be able to use up to $450,000 for LTC. Then the beneficiary would get $50,000 at death. If only $150,000 is used during the insured individual’s lifetime, the beneficiary would get $350,000.

But some of the finer points of these hybrids have to be carefully negotiated. Whether a hybrid is a whole life policy or a universal life policy, for example, can have a significant financial impact. With universal life the death benefit does not grow, so LTC benefits do not keep pace with the increased costs of custodial care. With whole life, dividends can increase cash value and death benefit. If the death benefit grows, the amount available for LTC also may grow.

Other hybrids come with a chronic care rider. These tend to be more restrictive in their definition of what qualifies for a claim. Essentially policyholders are borrowing to pay for qualifying care, but the loan amounts can be greater than would be available with loans up to the policy’s cash value.

DOUBLE.DUTY

Among annuity-LTC combos, “doublers” are gaining ground. With these annuities if an individual is deemed as needing long term care, the income he or she is receiving will double for up to five years. Some annuities continue the doubler even if the cash value of the contract zeros out.

WHAT’S THE CATCH?

Of course, LTC hybrids are not without flaws. As mentioned, premiums are not tax-deductible. Combo products often require a large upfront outlay. Moreover, advisors may question the idea that clients should purchase life insurance or an annuity if they don’t have a true need or desire for such a product.

“We’ve looked at the combo policies but haven’t recommended any,” says Dave Yeske, managing director at Yeske Buie, a financial planning firm with offices in San Francisco and Vienna, Virginia. “It seems like they might be a fit where someone has a cash value policy that we want to convert. Also, in situations where someone may not medically qualify for straight LTC, my understanding is that the underwriting for the combo policies is more liberal.”

`Without such client situations, Yeske’s firm has stayed with traditional LTC policies, for clients with that need. “We try to steer them toward companies that seem to have a long-term commitment to this product,”.

10 Essential Stock Market Lessons

Jim Grant, of Grant’s Interest Rate Observer has seen just about everything in his 30+ years of writing about the markets. He is well known and well respected across Wall Street. He recently put out a list of the 10 most important lessons he’s learned in finance. Here they are:

1. **The key to successful investing is having everyone agree with you — *LATER*.**
2. **You aren't good with money.**
3. **Everything about investing is cyclical.**
4. **You can't predict the future. Nor can the guy who claims he can.**
5. **Every good idea gets driven into the ground like a tomato stake.**
6. **Markets are not perfectly efficient.**
7. **Patience is the highest-yielding asset.**

8. **Never stand in line to buy anything.**

9. **Leverage is like chocolate cake: just a little bit, please.**

10. **Do your own thinking. Don't let your emotions enter into it. Keep out of any environment that may affect your acting on your own reason.**

14 Retirement Mistakes to Avoid

(Courtesy 24/7 Wall Street)

1) **Having all your nest egg in retirement funds can come with tax penalties and high fees.**
2) **It's a mistake to redeem retirement plans early.**
3) **Putting up with high fees and commissions.**
4) **Making poor retirement-fund option decisions.**
5) **Misallocating your retirement funds.**
6) **Not taking advantage of IRS 'catch-up' rules.**
7) **Not taking advantage employer 401k matching funds.**
8) **Trying to time the market.**
9) **Stopping annual retirement contributions.**
10) **Chasing fads and hot trends.**
11) **Failing to understand how Social Security works.**
12) **Not expecting the unexpected.**
13) **Too much spending, even if you are rich.**
14) **Avoid thinking bull markets never end, or bear markets are the end of the world.**

Cheapest Places to Retire

To come up with its list, GoBankingRates developed a formula to predict annual expenditures in each city by using cost-of-living indexes from Sperling's Best Places and U.S. Bureau of Labor Statistics. Data on the top 10 cheapest places to live on their list follow:

10. Montgomery, Ala.
Annual expenditures: $36,971
Annual amount spent on housing: $7,149
Annual amount spent on health: $5,335

9. Akron, Ohio
Annual expenditures: $36,147
Annual amount spent on housing: $5,401
Annual amount spent on health: $5,514

8. Cleveland, Ohio
Annual expenditures: $36,056
Annual amount spent on housing: $4,448
Annual amount spent on health: $6,474

7. Augusta, Ga.
Annual expenditures: $35,781
Annual amount spent on housing: $6,672
Annual amount spent on health: $5,574

6. Brownsville, Texas
Annual expenditures: $35,461
Annual amount spent on housing: $6,513
Annual amount spent on health: $5,694

5. Toledo, Ohio
Annual expenditures: $35,095
Annual amount spent on housing: $4,925
Annual amount spent on health: $6,174

4. Memphis, Tenn.
Annual expenditures: $33,859
Annual amount spent on housing: $6,354
Annual amount spent on health: $5,694

3. Jackson, Miss.
Annual expenditures: $33,676
Annual amount spent on housing: $4,925
Annual amount spent on health: $5,514

2. Detroit, Michigan
Annual expenditures: $33,356
Annual amount spent on housing: $3,177
Annual amount spent on health: $5,994

1. Birmingham, Ala.
Annual expenditures: $33,219
Annual amount spent on housing: $5,242
Annual amount spent on health: $4,915