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FINANCIALJOURNEYS

FINANCIAL & RETIREMENT PLANNING FOR LIFE

Are your estate and financial plans shock-proof?

Don't wait until "what if?" becomes "what is."

Retirement is a time to enjoy family, hobbies, travel, volunteering, and maybe even taking a job that sounds fun and keeps you active. You may be in great health today and can't imagine a time when you wouldn't be able to do all the things you've dreamed about.

While we all hope to live independently throughout retirement and plan to take care of ourselves, it's still wise to put contingency plans into place, to shock-proof our financial and estate plans just in case.

By proactively planning with your advisor, you'll be in a better position to handle any life-changing events that come your way. Your financial plan should include a budget that accounts for housing options to meet your evolving healthcare, transportation and personal care needs.

Along with a financial plan, having an estate plan will help define your wishes for medical care and finances in case you become incapacitated. Consult with your advisor and review the article "Eight estate documents everyone needs" for recommendations on essential estate planning documents.

WHERE WILL YOU LIVE AS YOU AGE?

Think about your housing options now, so you have choices and won't have to make a hasty decision should an unexpected health event force you to move or modify your home.

(continued on next page)

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Are your estate and financial plans shock-proof? (cont.)

STAYING PUT

Most of us prefer to stay in our homes as we age. If that sounds like you, plan in advance for modifications you might need to make your home safer or more accessible (e.g., ramps, wider doorways, grab bars). Think about whether family members can take you to doctors' appointments, buy groceries and help with home maintenance. If you don't have a support system, you'll need a plan and budget for transportation, home repairs, and in-home health and personal care services. Hiring a personal aid, for example, costs an average of $21 an hour.

Sources: Legg Mason, longtermcare.gov

MOVING OUT

While it may be hard to imagine today, if you can't stay in your home due to a health event, consider other housing options that could provide more personal, social and healthcare support.

ASSISTED LIVING

Among the benefits of an assisted living facility: social connections with other residents and help with everyday tasks like laundry, taking medications and transportation. Some amenities are included in your rent, and some cost extra. Your monthly rent could be as high as $4,500, depending on the facility and care needed, so tour facilities in your price range and develop a short list. Ask about additional fees for services like help with dressing if you were to become less mobile.

NURSING HOME

If you face a chronic illness or injury that requires 24/7 medical care, your next step may be a nursing home, also called a "long-term" or "skilled-care" facility. Tour facilities and talk to staff. Ask residents and their families (if you can) about the level of response and care they receive.

Keep in mind these facilities are often part of a continuing care retirement community, so residents already in a community's independent or assisted care facility will get first preference on long-term housing. Ask if there's a waiting list for non-community retirees.

CONTINUING CARE RETIREMENT COMMUNITIES (CCRC)

If you're thinking about the levels of care you may need as you age and prefer to minimize changing neighborhoods and providers, a CCRC may be your best option. These communities progress in cost and care, from independent apartments to assisted living and finally long-term care. Ask whether there are buy-in costs that guarantee you first preference if, for example, you have to move from an independent apartment to the assisted living facility. Tour each facility within the CCRC and budget accordingly. ■

TAKE A TOUR

Tour assisted living and nursing home facilities now, so you'll have options in mind if you need them later.

TIPS

Visit at different times of day, including mealtimes.

Talk to residents and visiting family members.

Review fees for rent and additional services.

Ask about average response time to assist a resident.

If you are or could become wheelchair-bound, assess whether the apartments are modified for accessibility.

NEXT STEPS

- Think about if you'll need transportation or live close enough to walk to shopping and medical facilities.
- Learn what fees are required upfront to buy into a continuing care retirement community.
- Calculate how much to set aside should you need long-term care.

Can debt be used to your advantage?

For some, smart borrowing can be a useful tool, but it's not one-size-fits-all

"Debt" tends to call to mind a negative connotation. But, when used strategically, certain kinds can serve as useful financial tools, affording you access to more liquidity and potential growth down the road. Before setting out to pay your debt off as quickly as possible, consider the various factors at play. You may find that the long-term advantages of holding certain types of debt can outweigh the benefits of paying it off sooner, so be sure to discuss the benefits and considerations with a knowledgeable financial professional. ■

WHY	BUILD UP SAVINGS	GET A TAX BENEFIT	CARRY "GOOD" DEBT	SAVE LIQUIDITY FOR GOALS AND OPPORTUNITIES
BENEFITS	If your debt interest rate is low, you may potentally earn a higher rate with investments; remaining invested could potentally provide additional earnings that increase your net worth over time.*	Certain loans qualify for tax deductions or credits that can make the "real" cost of the debt lower than the stated interest rate.	Carrying some debt can help you build equity and a good credit rating.	Holding on to low-interest debt may allow you to deploy existing liquidity toward other goals and opportunities, like building a contingency fund, making a down payment on the perfect summer home or investing in a business.
CONSIDERATIONS	Can you use existing liquidity to maximize your contributions to tax-advantaged retirement accounts or other types of savings vehicles?	Consider your marginal tax bracket to assess the real benefits of any deductions or credits and keep in mind certain benefits phase out as your income increases.	If you carry debt in more than one place, such as a loan as well as revolving credit card debt, eliminate the highest interest debt first.	Paying off your debt could increase your monthly cash flow to use for other expenses, but it could also limit liquidity. How will you access money should something unexpected crop up? Can you borrow against the asset you're paying down?
DISCUSS	Assess your portfolio: Could it potentially outperform the cost of your debt? Review your tax bracket and amortization schedule, too.	Do the tax benefits associated with your debt reduce the real cost enough to suggest keeping it may be the better option?	Review your balance sheet to weigh your different interest rates.	Thoroughly review your debt and interest rates to determine whether a large purchase fits into your long-term financial plan. Identify sufficient sources of liquidity to tap into.

NEXT STEPS

- Understand what interest rates and tax advantages are associated with each type of debt you own.
- Identify sources of liquidity for emergencies, large purchases or investment opportunities.
- Determine if there are opportunities that might be more constructive than paying down debt, such as maximizing your contributions to retirement accounts.
- Ask yourself how comfortable you are about carrying some debt.

*There is no assurance that any investment strategy will be successful. Investing involves risk including the possible loss of principal.

Eight estate documents everyone needs

Estate planning helps take the decision-making stress off you and your family. Having documents in place will allow you to define life's big decisions, including how you would like your medical care and finances managed. Family members and healthcare providers will be clear of what you want if you are unable to speak for yourself.

We can help you navigate the process and coordinate with an estate planning attorney to make sure your updated documents align with your financial plan. Take a look at the eight essential documents you'll need.

1 LAST WILL AND TESTAMENT

Everyone with assets needs a will. This legal document identifies the property you'd like to have distributed to your heirs. It specifies last wishes, names guardians for minors and identifies who is responsible for managing the estate and implementing your wishes. If you have kids and don't specify guardians for them, the state will choose on your behalf. And, without direction on how you want your assets distributed, the state will decide via probate court.

2 DURABLE FINANCIAL POWER OF ATTORNEY

A durable power of attorney gives someone you trust the authority to handle your financial and legal decisions should you be unable to do so yourself. It can be a family member, attorney or friend, as long as it's someone you believe will act in your best interests.

3 DURABLE MEDICAL POWER OF ATTORNEY

Your healthcare proxy or durable power of attorney will need relevant health information and a copy of your living will. Include a HIPAA provision so your physicians can disclose your medical information to whomever will make medical decisions for you.

4 LIVING WILL AND MEDICAL DIRECTIVES

In a living will, you specify what types of life sustaining medical treatment you do or do not prefer if you were to become terminally ill. Medical directives apply in the event you are unable to communicate your wishes for treatment.

ALMOST **70%** OF PEOPLE TURNING AGE 65 WILL NEED LONG-TERM CARE AT SOME POINT.

Source: longtermcare.gov/the-basics

5 REVOCABLE OR LIVING TRUST

In many states, a living trust can be used to distribute property a little more privately than a will. It also can help avoid a costly and stressful probate court process and may offer substantial tax benefits.

6 BENEFICIARY FORMS

For certain assets, such as insurance policies and retirement accounts, the beneficiary form prevails over the will. So your named beneficiaries will receive those assets unless you update the beneficiary forms. Keep current copies and update the forms after a life change, such as a divorce, marriage or birth of a child.

7 LETTER OF INSTRUCTION

This letter includes any of your wishes not covered by a will (e.g., whether you want to donate your organs).

8 LIST OF CONTACTS

List contact information for family, friends and your professional advisors who will need access to your documents to oversee your legal, financial, insurance and health matters. ■

NEXT STEPS:

- Schedule a review to update existing documents.
- Identify any major life changes that should trigger an estate plan review.
- Make sure the right people have updated copies of your documents so they can help execute your wishes.