

FINANCE

FOR SENIORS



Retiring the Right Way

Smart financial planning starts early and never stops

More than a third of us don't have enough saved for our golden years, according to the National Association of Personal Financial Advisors. That will force many to keep working past the point where they'd like to retire.

Here's how to get organized, overcome common issues and hire a professional to make sure you're set to retire the right way.

ORGANIZING IT ALL

Regularly re-evaluate your future in the years leading to retirement, then be prepared to keep a close eye on market-connected sources of income. It's admittedly a lot to manage, since most people leave the workplace with a stack of retirement-related investments to sort through. Begin by taking a close look at your various mutual funds or stocks, pensions or other benefit programs, and various savings accounts.

Consolidating all of it into one neat package will give you a new perspective on where you stand going forward. You'll also be more prepared to react to market changes that often have such a huge impact 401(k) benefits in the future.

SETTING GOALS

Obviously, you're trying to amass enough savings and



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income to live comfortably outside of the daily work environment. But life has a way of surprising us. So after you've determined what you'll need to cover regular expenses, add a contingency on top of that in case of emergencies. Be aware of the tax implications if you decide to continue working, or elect to return to work, in order to

continue building your nest egg. Contact a financial advisor who you can trust to help guide the way.

FINDING A PROFESSIONAL

Ask family and friends for recommendations before partnering with an investment pro, and pay close attention to online reviews.

The National Association of Personal Financial Advisors also provides a search function to expand the vetting process. Consider discussing your retirement with several potential candidates, and don't be afraid to ask probing questions — beginning with their credentials. Your advisor should be a certified public accountant or certified

financial planner. Determine how long they've been involved with financial services, while asking for personal references. Discuss their compensation, which may be fee- or commission-based — or both. Keep searching until you find someone whose experience, skill set, pricing and approach match your goals.

Making the Most of Social Security

There are ways to maximize your return on this investment

Rather than providing all you'll need to retire, think of Social Security as a foundation for our golden years. If you'd like to make the most of this benefit, however, you'll have to follow certain guidelines while sorting through the sometimes complicated process of applying.

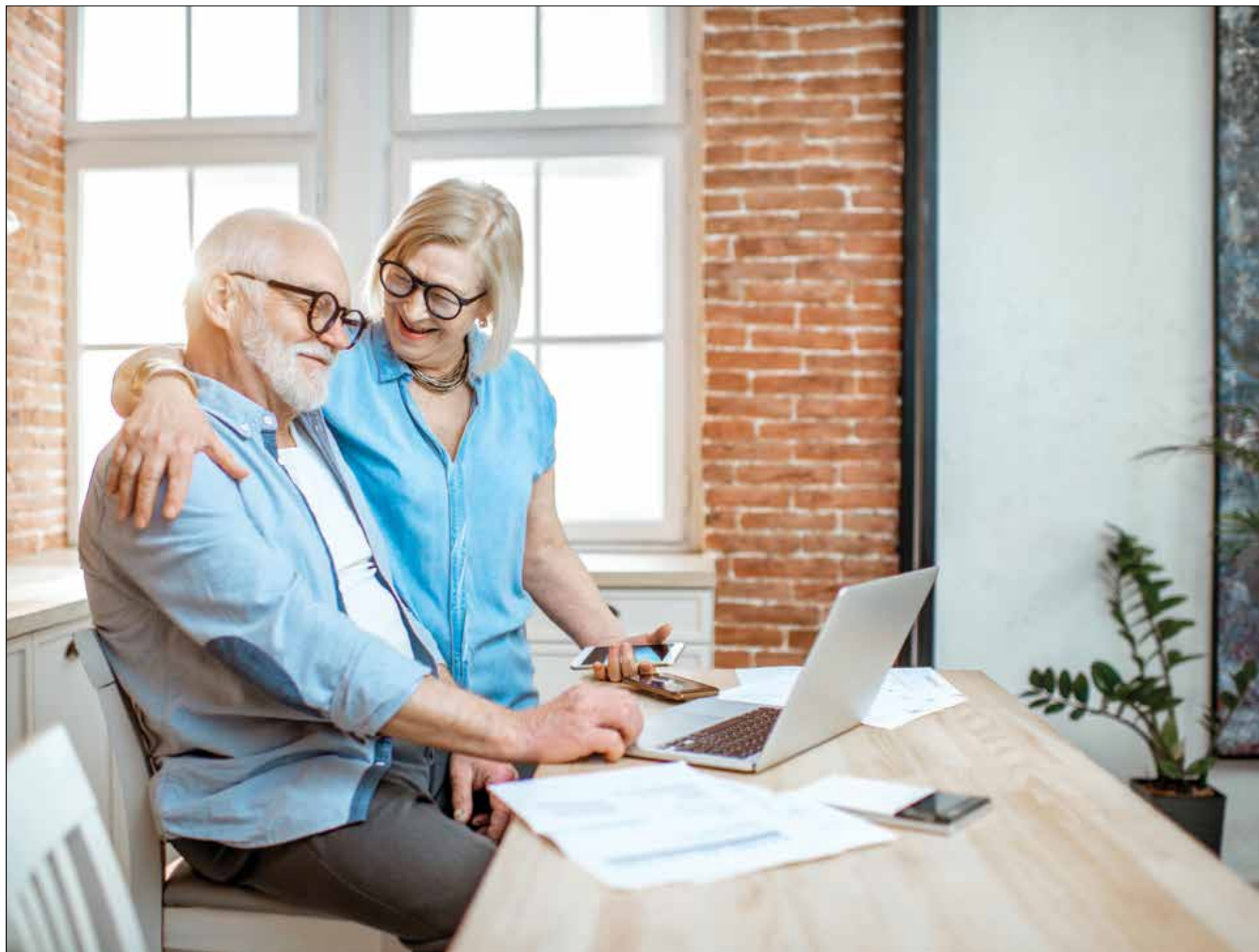
WHEN TO BEGIN

Benefits can kick in as early as 62 years old for those who've paid into the program, but with reduced payouts. Retirement age for most Americans is pegged at 66. Your particular monthly payout is based on your income. If you want until turning 70, however, your monthly benefit grows. Those who enjoy their work or who've started their own business may consider this option.

If you begin Social Security payments and then return to work, you will see your benefit shrink. Want to learn more? The U.S. Social Security Administration includes a retirement-estimating feature on its website where users can look up key details, including the age in which they'll be eligible for full benefits and estimated monthly stipends.

HOW TO APPLY

You will need your Social Security number, of course, but also your birth certificate



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and paperwork detailing your income from the previous year, like a W-2 form or self-employed tax return. You'll also have to update your status with the Social Security Administration should you decide to move, change your name, get married or divorced, begin receiving additional retirement income

including pensions, expand your family through adoption or if there are any changes in your citizenship. Calling the national toll-free number at 1-800-772-121, or visit your local Social Security office.

FAMILY BENEFITS

If you qualify through disability, members of your fam-

ily may also be eligible for their own benefits, without cutting into your individual payments. Children must be minors, full-time students who are 18-19, or have a childhood disability. Spouses may also be eligible if they are 62 and older, but the payment may be reduced if they are also earning their own

benefit. Spouses are also eligible if they reached retirement age but have not paid into the Social Security system. Both spouses and children may receive up to half of your full retirement payout each month. If you are divorced, your ex-spouse may qualify — even if you've remarried.

Starting Your Own Business

Growing older doesn't have to mean losing your entrepreneurial spirit

More and more Americans aged 55-64 are starting their own businesses, giving meaning and purpose to a period that used to be defined by rocking chairs and sunsets. But as always, smart financial planning and a solid business forecast are a must.

LOOK AT THE BIG PICTURE

The first thing to do, even before deciding whether to bring your new goods or services to market, is putting your future plans in perspective. How active do you intend to be, in particular once you reach retirement age? Do you have any health concerns? Did you have plans to see the world, or were you planning to stay closer to home? Will you ultimately downsize or move into a shared-living situation? How do you plan to disperse your estate? Are there family members who would ultimately take over? All of these decisions will have a direct impact when embarking on a start-up operation and on how you set up the company itself in terms of management and ownership.

INSIDE THE NUMBERS

Leveraging a lifetime of experience and improved financial means, seniors are



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actually more likely to start their own business, the U.S. Global Entrepreneurship Monitor confirms. In fact, new business activity has consistently risen on a year-to-year basis among this age group. The same rate has declined among younger Americans, who may be less apt to take financial risks because of budget pressures

relating to new families or building their careers. In some cases, seniors have amassed enough wealth that they can begin these ventures without taking out a significant loan — or any loans at all. Seniors with higher aspirations have also had longer to build up significant reserve funds that can smooth the way during the lean early years of

a new business.

WHY NOW?

Seniors have decades of learned skills that can now be put to use to further their own financial goals. They've also made key connections over the years that can ease the start-up process, including long-held banking relationships, previous work with var-

ious contractors and familiarity with local government permitting and regulations. If they pair this new business with smart lifestyle changes like downsizing, they may also have significantly lower personal expenses. Finally, they usually have lots of experience with planning and executing a comprehensive business plan.

Dealing With Medical Costs

Juggling Medicare, insurance and out-of-pocket expenses can be daunting

Unfortunately, health issues tend to become more common in our seniors years — and then the accompanying bills begin to pile up. Managing it all can start to feel like a return to full-time employment, in particular for those with chronic illnesses. Here's how to deal with medical costs.

HEALTH SAVINGS

Consider putting away pre-tax money in order to cover the inevitable medical expenses that will come up later. Health savings accounts are an idea way to do it. This personal account allows you to save and then withdraw your money tax free, as long as it's used for qualified medical expenses including co-payments and deductibles, among other things.

Eligibility for an HSA is based on being covered by health plans with deductibles that are deemed “high.” The monthly premium on these plans is usually lower, but you end up paying more in out-of-pocket expenses before the insurance company takes over. HSAs are designed to fill that gap, potentially saving thousands. You aren't eligible, however, if you have Medicare or a non-deductible insurance plan.

MEDICARE

As with Social Security, this benefit can be leveraged higher



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— if you know how to manage your account. Don't simply auto-enroll, or you may end up higher out-of-pocket payments and less coverage for prescriptions. Part A and Part B cover hospital insurance and outpatient services, respectively. Be aware, however, that you can expect annual changes to your prescription drug benefit so

explore multiple Part D options. It pays to shop around.

Part C, meanwhile, is the so-called Medicare Advantage plan. This allows you to consolidate elements of Parts A, B and D through private insurance companies. Part C may include options not available through original Medicare plans, including dental, hear-

ing and vision. Critically, Plan C also has an annual limit on your out-of-pocket expenses.

OTHER CONSIDERATIONS

Take the time to look into long-term care plans as soon as possible. Set aside reserves specifically for this often-needed health option, or consider a

hybrid insurance plan that combines life and long-term insurance products. In the meantime, become an active patient. Ask plenty of questions, in particular about tests that may be unneeded but tend to run up your bill. Consider generics when filling prescriptions, which can also turned into huge savings.

Creating a Budget

It's more important than ever as you transition toward a fixed income

Begin by setting up a budget calendar, then try to limit the amount of money you spend based on your actualized monthly income and savings. Look for the best deals, and trying to leverage as much as you can from available benefits. In the end, you'll find the financial security that so often evades so many seniors.

BUDGET CALENDAR

This straight-forward money-management tool provides a visual aid when dealing with finances. Begin with an honest accounting of all savings and income, then write in when regular expenses come due on a month-by-month basis. Fixed expenses will include rent or mortgages, insurance premiums and any debt payments. Flexible bills include food, utilities and transportation expenses. Those with progressive or chronic illnesses should also build in an expense cushion for regular medical care. Leave some room for personal care, repairs and maintenance and entertainment costs, too. Now you're ready to more closely track expenses and income.

SETTING GOALS

Now that you have a better idea of how much you're spending per month, compare that with how much income and savings you have on hand.



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The idea is to stretch these funds through the entirety of your retirement — so you may need cut back. The ideal expenditure levels for everyone follow the 70/30 rule, a budgeting formula that guides spending decisions by limiting them to 70% of total income.

During your working life, that leaves 30% for savings. As

a retiree, these savings simply remain in reserve for later use. When you find your expenses moving past 70% of what you've budgeted, consider whether you actually need this item or activity — or if it's simply wanted. Is it time to downsize? If you can't immediately reach the 70/30 goal, make it a near-term goal.

INCOME BOOSTS

The average monthly Social Security benefit isn't enough to live on. Instead, it's more of a starting point. Seniors typically combine these funds with proceeds from retirement accounts, pensions and savings to make ends meet. Others may continue working part time. But that's not the only

way to boost your retirement income. There are also programs, numbering in the thousands, that can help pay for food, utilities, medicine and other everyday expenses, if you qualify. Visit the National Council on Aging's BenefitsCheckUp site to learn more about these programs and your eligibility.

Real Estate For Seniors

Some want to downsize, others are looking for new adventures

About one-sixth of home-buyers are older than 50, according to the National Association of Realtors. This has opened up new areas in the real estate market, while encouraging some agents to narrow their focus to this growing segment.

NO MAXIMUM AGE

There is no maximum age to apply for a mortgage, and there are laws in place making age-based discrimination illegal. Still, you and your prospective lender need to keep certain realities in mind. You will have to be sure that savings and retirement income will be enough to cover expenses when you eventually leave the workforce — and you can't wait too long. Lenders won't qualify those whose only income is derived from IRAs, 401(k)s or other account distributions. (Remember that withdrawal from these retirement distributions are subject to penalties.)

SPECIALIZED HELP

The National Association of Realtors has developed a new designation called senior real-estate specialist to provide any needed special assistance. These pros have additional training in helping older buyers and sellers with the often-complicated decision



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making and financial planning involved with purchasing a home late in life. Their skill-sets also include in-depth knowledge of estate-planning, tax implications and benefit programs aimed at helping seniors with these transactions. They'll also be able to recommend properties and developments that are closer to desirable amenities like senior

centers, recreation options and community services.

BEFORE YOU BUY

Price notwithstanding, not every property is suited for purchase by a senior. Educate yourself on the lending options available for seniors in your area with help from a trusted real estate professional. Once you've secured a pre-approval,

every step of the home search should be geared toward your individual situation: The property should have the potential for fast and very high appreciation, since you might not complete the entire 30-year payment cycle on your mortgage.

If you're considering a condo, remember that ownership includes certain maintenance and amenities — but

they're paired with additional owner-association fees. That might make this a poor option if you're trying to keep monthly expenses low. Whatever you choose, make sure all of your potential showings are move-in ready, with few or no needed repairs. With an expert agent guiding the way, you should be able to find a dream home at any age.

Don't Wait On a Will

Avoiding these necessary decisions can make your passing much more difficult

The AARP reports that nearly two-thirds of Americans have never gotten around to writing their will. Of course, it's an unpleasant topic, but those who die without completing one leave an unsettled estate. Final disbursement will ultimately be decided in probate court with a third-party administrator — the last thing you'd want grieving family members to endure.

Here's how to begin the process, and what to include while completing this important document.

GETTING STARTED

You'll have to choose an executor for the estate, someone who will follow your finish wishes. You'll also need to choose beneficiaries. Next comes the hard choices of who will get what. Try to be as specific as you can be, with complete explanations of your decision-making process, in order to potentially avoid family strife after you're gone. Remember that there can be disputes and regulatory issues if these beneficiaries are not also attached to your various accounts. Attach a letter to the will with additional information, if you'd like to go into more detail. Finally, contact a respected



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attorney you trust to make the document official. This isn't always required, but doing so will ensure that your will is proper and legal.

GETTING HELP

Many seniors avoid completing a will simply because they don't have the resources to hire a lawyer. Thankfully, there are free programs like Serving Our Seniors, which

helps with wills and power-of-attorney decisions in many states. Certain cities have local programs, too. The Denver-based Wills on Wheels drafts free legal documents with assistance from lawyers and paralegals. AARP sponsors Legal Counsel for the Elderly, a Washington, D.C., program connecting volunteer attorneys with seniors who need wills, social services or

other legal advice. Popular online options, according to U.S. News and World Report, include LegalZoom, Do Your Own Will, U.S. Legal Wills, Total Legal and Gentreo, among others.

FINAL STEPS

You're not done when you sign. Wills must be officially witnessed before they're considered complete, and the wit-

ness can't be under 18 or listed as a beneficiary in the document. They'll need to be available to attend court and testify on your behalf during a hearing after your death. Once you've met all of these standards, place the will in a secure, fire-safe place with other vital paperwork and then notify a trusted family member as to its whereabouts.