Tracking #1-201388
March Financial Drip

Beyond Retirement: What About Your Other Goals?

In addition to saving for retirement, there may be several other major financial goals you'll need to juggle in a lifetime.

Let's say that at the age of 25 you earned $35,000. If your salary increased at the average historical rate, you'd have earned nearly $2 million in total by the time you were 65.[1] That might sound like a lot -- until you begin thinking about all the financial goals you'll need to juggle in a lifetime, including buying a home and paying for your child's education, while funding your own retirement.

If managed wisely, your money could potentially go a long way. It's really all about putting a plan in place and sticking to it. These tips may help get you started.

Get a jump on all your goals

You've read in these pages before about the value of starting early on retirement savings, even if you can only invest a little each month. The same goes for college savings and other goals. Even a $100 a month investment for college could potentially leave you with about $36,000 in 10 years, assuming an average annual return of 8% -- a good start that you can build on as your income grows.[1]

Set aside a slice of pay hikes

As your income rises over the course of your career, it's easy to slip into a pattern of "living up" to your means; that is, spending that extra pay you didn't have before on daily living expenses. Instead, consider setting a quota for yourself: earmark a predetermined portion of every pay hike for your savings goals. You may want to apply the same rule to other windfalls, like an unexpected bonus or tax return.

Use the right tools for the job

Just as your employer-sponsored retirement plan offers a tax-advantaged opportunity to set aside money for your later years, certain vehicles, such as 529 college savings plans, provide potentially attractive tax breaks for college savers. Minimizing the taxes you have to pay up front on investments and earnings gives you the chance to make the most of compounding over time.

Finally, whatever your particular financial goals may be, keep in mind the use of a qualified financial advisor.

[1]*Hypothetical example is for illustrative purposes only. Does not represent the return of any actual investment. Assumes inflation-adjusted 1.5% annual wage hikes, as reported by the Bureau of Labor Statistics.*

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Tracking #1-204106
APRIL FINANCIAL DRIP

Helping to Care for Aging Parents

Many baby boomers are finding that their aging parents are in need of health care assistance. Luckily, there are many options available today to help your parents grow old gracefully, either in their own home or in a facility, and several ways that you can finance the costs of the care.

If your parents are healthy seniors who can look after themselves, they generally are eligible to enter a continuing-care retirement community that allows them to buy or rent an apartment and ensures them lifetime nursing care when it is necessary. Another option for healthy seniors is private long-term care insurance, which can help cover nursing home costs or the cost of an in-home aide.

There are a wide range of services and options available if your parent needs more substantial assistance and is not eligible for the above-mentioned services. Many families opt for moving an aging parent into their own home. However, if sending your parent to a nursing home is inevitable, make sure you research each home extensively. In addition, the government offers little in financial help for those families paying for nursing home care. As a result, financial planning has become even more crucial to the economic well-being of adult children responsible for the care of their elderly parents. Don't wait until the last minute — start planning now to ensure the future care of your parents.

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Research Your Options

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There are a wide range of services and options available if your parent needs more substantial assistance and is not eligible for the above-mentioned services. Many families opt for moving an aging parent into their own home. If you are able to peacefully coexist with your parent, this may be a good idea because the arrangement frees you from worry about the upkeep of a second home, and you and your children can have valuable time to spend with your loved one.

Maintaining Their Own Home

When living together is not a workable plan, maintaining your parent in his or her own home is also an option. There are, however, several fairly expensive things that may be required to make a home environment safe and suitable for an aging person. Various safety features may be necessary, including first-floor bathrooms, grab bars in hallways and bathrooms, and a personal emergency response system in case your parent needs assistance while alone. If your parent is in need of daily assistance with meals or chores, he or she can apply for several services such as Meals on Wheels, which may be free for anyone over 60. If your parent needs more personal assistance, you may want to look into hiring an in-home aide at a skill level appropriate for the amount of help needed.

Medicare will only pay the full cost of professional help if a physician certifies that your parent requires nursing care and if these services are provided by a Medicare-certified home health care agency. Adult day care is also an option and a good way to get your parent to socialize with other adults. Prices for day care can cost up to $100 a day or more, depending on the amount of attention and activities provided, and reduced rates may be offered for those who can't afford the full charge. Call your local senior services groups and agencies to find one of the thousands of nationwide day care centers that may match your needs.

Financing Long-Term Care

One of the biggest worries of those caring for an aging parent is how to pay for the care needed. If you provide more than half of a parent's support and his or her gross income is less than $3,800, you can claim your parent as your dependent, giving you a tax exemption for each parent so cared for and allowing you to write off much of the medical expenses. (Note: The dependent exemption phases out at higher income levels. Check with your tax advisor.) You may also be able to claim a federal tax credit that will enable you to take up to $3,000 off the cost of in-home care or day care. Another option is the flexible spending account (FSA), which lets you pay for a certain amount of care each year with pre-tax dollars.

If sending your parent to a nursing home is inevitable, make sure you research each home extensively. Reservations at the home selected should be made at least a year ahead of the time that you expect your parent will need it, as waiting lists are typically long at well-respected facilities. Keep in mind, too, that the government offers limited financial help for those families paying for nursing home care. Medicare will only pay for care on a short-term basis, and Medicaid only offers benefits to low income individuals with limited assets. And, with the average nursing home stay costing upwards of $90,000 per year, financial planning has become even more crucial to the economic well-being of adult children responsible for the care of their elderly parents.[1] Don't wait until the last minute -- start planning now to ensure the future care of your parents.

Publications for Long-Term Care Issues

- ***Caring for Your Parents: The Complete AARP Guide***
- ***Consumer Reports Complete Guide to Health Services for Seniors: What Your Family Needs to Know About Finding and Financing Medicare, Assisted Living, Nursing Homes, Home Care, and Adult Day Care,* 592 pages, Three Rivers Press, 2000.**

Helpful Resources

There are many resources that can help you by providing valuable information and referrals. In addition to the resources listed below, your place of worship, local hospital, and senior services groups and agencies may also be helpful.

LeadingAge (202-783-2242) offers information on how to choose a nursing home or assisted-living facility, a directory of continuing-care retirement communities, and information on long-term care insurance.

Family Caregiver Alliance (415-434-3388) offers information for caregiver concerns, newsletters, fact sheets (English, Spanish, and Chinese), and an online support group.

The National Alliance for Caregiving is a national resource center that provides information on elder-care conferences, books, and training for professionals.

National Association of Area Agencies on Aging (202-872-0888) is an advocacy group for local aging agencies.

The Eldercare Locator (800-677-1116) is a public service of the U.S. Administration on Aging service that puts you in touch with local services for older adults and their families.

Points to Remember

1. As the population ages, many baby boomers may be called upon to care for an aging parent.
2. There are a range of options available to senior citizens, depending on their circumstances and the degree of care they require, including continuing-care retirement communities, moving a parent into the child's home, or modifying a parent's home to make it safe.
3. Certain tax breaks may be available if you can claim your parent as a dependent.
4. Research all your options, and consult the various resources available for the elderly.

Tracking #1-201392
MAY FINANCIAL DRIP

Yours, Mine, and Ours -- A Couple's Guide to Retirement Planning

While the reasons for earning two incomes may vary from couple to couple, these families often face a similar financial challenge: participation in separate retirement programs.

As a couple, your combined retirement assets are not just limited to what you may have accumulated in your current employers' retirement plans. You also need to consider any older accounts that are still sitting in former employers' plans, or assets that have been moved to rollover IRAs. After inventorying your various retirement assets, consider some areas where a joint planning effort may help enhance your investment outcome.

Setting a Mutual Goal

Pursuing the goal of retiring together requires a long-term approach. Start by determining how large a combined nest egg you will need. This will depend on how much you have already saved and when you hope to retire, as well as your retirement lifestyle choices -- where you plan to live, whether you plan to maintain more than one residence, and what you plan to do with your time. All of these factors will affect your retirement income needs.

Keep in mind that Americans are living longer and that one or both of you could spend 20 or more years in retirement. Also carefully review the potential financial benefits of delaying retirement. Working for an extra few years could enable you to continue making contributions to your IRA or employer-sponsored retirement plan and delay taking withdrawals.

Asset allocation -- As with any investment portfolio, your retirement accounts should work in unison to pursue a single accumulation goal. Ask yourselves whether your overall asset allocation is appropriate for your combined objectives and risk tolerance. Are the portfolios adequately diversified? Are they overweighted in any one asset class or individual security? Also, consider how your retirement portfolios complement your other assets, such as taxable investment accounts and real estate.

Distributions

For couples in or near retirement, an equally important part of the planning process is determining when and how to withdraw money from retirement accounts. Consider which accounts (i.e., taxable vs. tax-deferred) to tap first. It may be better to liquidate assets in taxable accounts, allowing assets in IRAs and qualified retirement plans to continue growing tax-deferred. Remember, however, that with few exceptions, the IRS requires individuals to begin withdrawing money from tax-deferred accounts no later than age 70½, at which point you may want to rethink your distribution strategy. For instance, might it make sense to convert a traditional IRA to a Roth IRA to avoid taking distributions altogether? Your tax advisor can help you consider the tax consequences of conversion, as well as the potential benefits of a Roth IRA.

These are just a few of the issues dual-earner couples need to consider when managing their individual retirement plan accounts. Since no two couples' financial situations are alike, the best course of action may be to speak with your financial advisor about devising a coordinated plan for meeting your future financial needs.