

# STAYING INDEPENDENT

This eBook brought to you by:  
[Buy-Ebook.com](http://Buy-Ebook.com)

Our site has got a great collection of the best ebooks which are sold on the Internet, but at a lower price than on any other site.

## Affiliates

Earn 60% Commission On Every Sale! We sell 500+ eBooks.

As a [Buy-Ebook.com](http://Buy-Ebook.com) Associate, we will pay you a Massive 60% referral fee for every sale that you generate. You can [sign up for FREE](#) and start making money straight away.

If you want to directly link to some ebooks related to content of your site, [get affiliate link here](#). Choose any from 500+ titles.

## NOTE:

If you Would like to Offer this Ebook to Your Web Site Visitors as a FREE Download, then please do so. You can post this ebook to your web site, offer it in your newsletter, print it out as a book, give it to your friends, etc. No royalties are necessary. Give it away or offer it as a bonus with your products. You are not allowed to make any changes to it without permission.

The Author, his publishers, agents, resellers or distributors assume no liability or responsibility to any person or entity with respect to any loss or damage or alleged to be caused directly or indirectly by the use of and the advice given in this publication. It is recommended that the users of this publication seek legal, accounting and other independent professional business advice before starting a business or acting upon any advice given. This book is not intended for use as a source of legal, business, accounting or financial advice, but is distribute for information purposes only.

# STAYING INDEPENDENT

Planning for financial  
independence in later life

## TAKING STOCK

As retirement approaches, it is important for every household to assess its financial identity (assess its finances). Waiting too long might mean missing one or more opportunities to preserve maximum financial independence in the future. To help get you started, can you say "Yes" to the following statements?

YES NO

We talk regularly and frankly about finances and agree on our goals and the lifestyle we will prefer as we get older.

We know our sources of income after retirement how much to expect from each, and when.

We save according to plan and are shifting from growth-producing to safe income-producing investments.

We know where our health insurance will come from after retirement and what it will cover.

We have reviewed our life insurance and considered options such as converting to cash or investments.

We each have our own credit history.

We each have a current will or living trust.

We know where we plan to live in retirement.

We have anticipated the tax consequences of our retirement plans and of passing assets on to our heirs.

Our children or other responsible relations know where our important documents are and whom to contact if there are questions.

We have executed legal documents, such as a living will or power of attorney, specifying our instructions in case of death or incapacitating illness.

## THE KEY IS PLANNING

"If only I'd known then what I know now ...."

Looking to the future is key to financial planning at any age, but especially in the decade or so before retirement. For many households, retirement is a time to fulfill dreams and delayed ambitions. It also can be a time of anxiety if you postpone thinking realistically about the ways your financial identity will change--income, savings, investments, credit, insurance, job benefits, and perhaps living arrangements. Meeting the challenge of financial management will help remove uncertainty and increase your available options. Both partners need to be involved in retirement planning and may wish to discuss their plans with adult children.

Many people neglect planning. Some prefer to leave financial decisions to the other partner, while others simply find it too difficult to talk about money. Whatever the reason, if you have not yet begun planning, you may want to seek pre-retirement planning advice from a professional or a community service organization.

## LOOKING AHEAD

The decade before retirement is a good time to take inventory of assets and obligations and make financial choices aimed at maximizing future resources. These years are typically a peak earning period and they offer the chance to reduce major debts, such as a home mortgage, and increase savings and income-producing investments. Households facing the combined expenses of educating children and caring for aging parents may find saving difficult during pre-retirement years. In these cases, making a realistic financial appraisal is more useful. These are questions you might ask yourselves:

\* What are our sources of retirement income and how much will each provide-monthly or in a lump sum?

\* Social Security

\* Pensions, IRAs, Keoghs

\* Savings and investments

\* Sale of assets

\* Home equity

Find out all the options for receiving your pension benefits and whether they are insured. Find out if pension benefits will be reduced if you receive Social Security. Read carefully and consider the consequences of signing any documents relating to a reduction in spousal pension benefits. One of you may need this income if the other dies.

When estimating how much income can be expected from these and other sources, remember to take inflation, taxes, and market fluctuations into account. Depending on your anticipated income potential, you may decide to postpone retirement a few years, or plan to work part-time.

\* Is our health insurance adequate for retirement?

The cost of serious or long-term illness is a major burden for many older Americans because Medicare does not cover all health care costs. If you consider buying "medigap" insurance to supplement Medicare, shop carefully for a policy that supplements rather than duplicates Medicare coverage. Long-term health insurance for nursing home or home health care is new. Examine all the terms of any such policy before you buy.

## MANAGING WHAT YOU OWN AND WHAT YOU OWE

Professionals say that retirement income should be 60-80 percent of current income to maintain the same Standard of Living. If your financial picture does not correspond to this guideline, you might prepare a budget and a cash flow statement based on income and expenses during the preceding 6 to 12 months in order to identify gaps in income and find ways to cut spending.

On the expense side:

- \* List current expenses such as housing, food, health care, transportation costs, and other financial obligations.
- \* Include a contribution to savings. Experts recommend a reserve fund to cover 6 months of basic expenses.
- \* Itemize personal expenses for such things as clothing, travel, entertainment, and hobbies.
- \* Develop habits such as price shopping, menu planning, coupon dipping, and monitoring your use of credit to guard against overspending.

On the income side:

- \* Think through contingency plans in case expenses begin to outpace income or one partner becomes seriously ill.
- \* Remember that credit histories in your individual names can be invaluable in retirement, or in the event of widowhood or divorce. Credit can be essential to meet unexpected or emergency expenses.

Federal regulations prohibit age and gender discrimination in the granting of credit. Lenders must treat all income alike, whether from employment, retirement benefits, or other reliable sources. Still, it may be easier to get a national credit or charge card in your own name while you are employed. If you have never been employed, you can still build a credit history by becoming an "authorized user" on your spouse's account.

- \* Consider selling assets or converting life insurance into cash as another possible way to meet expenses.
- \* Investigate Home Equity Conversion (HEC) as an option if you own or nearly own your home and need money. There are several kinds of home equity conversion loan plans, including Deferred Payment Loans and Reverse Mortgages, where you borrow against home equity and receive monthly or periodic cash payments.

Unlike home equity loans or lines of credit, reverse mortgages involve no monthly repayments as long as you live in your home or until a predetermined date. These plans do involve costs for application fees, closing costs, and interest, and they may affect eligibility for public benefits programs such

as Medicaid. Generally, you can decide how to spend the money. Reverse mortgage plans are not all the same, so it is important to read the loan documents carefully. Check with a trained HEC counselor, other financial advisor, or an attorney before deciding whether home equity conversion is appropriate.

## LEGAL MATTERS

You can use several legal tools to maintain control over your affairs in later years. These will enable you to decide, while healthy and alert, what you want done in the event of death or disability. Be sure to discuss any arrangements with your survivors to save them from facing difficult decisions and to give them peace of mind, knowing they are complying with your wishes.

- \* Wills--If you do not have a current will, the state, not you, will decide how your assets are divided. Such legal documents as Living or Revocable Trusts offer ways to avoid probate.
- \* Trusts--This device lets you decide who would be responsible for your financial affairs if you became unable to manage them yourself.
- \* Powers of Attorney and Living Wills--Powers of attorney typically assign responsibility for financial matters to another person. Some apply to health care decisions as well. You can use a Power of Attorney or a Living Will to state in advance your wishes in case of an incapacitating or life-threatening illness. Doing so is essential if you want your family to know the circumstances in which you wish to decline life-support measures.

## RELOCATING OR STAYING PUT

Where to live after retirement is a major decision. Perhaps you plan to relocate to a more favorable climate or to be near family. Research the consequences of such a move in terms of the basic cost of living, access to health care, and state and federal tax obligations.

If you are considering the advantages and disadvantages of selling your home, whether or not you plan to relocate, these are some questions to ask:

- \* Can we afford monthly payments for mortgage, taxes, utilities, and maintenance?
- \* Will one or both of us be able and willing to take care of the house?
- \* Is the house a suitable place to live as we grow older and less agile?
- \* Will we need to draw on our home equity as a source of income or credit, or would we have more options if we sold the home and invested the proceeds?

In addition to owning a home or renting an apartment, a number of other housing options may be available in your community, many of which offer savings on housing expenses. These are some alternatives to consider:

- \* House-sharing for help with chores or added retirement income;
- \* Group living in a private home or one sponsored by a social services agency;
- \* Accessory apartments, or mobile or manufactured homes, including ECHO (Elder Cottage Housing Opportunity) housing which, if zoning laws permit, can be installed on the property of an adult child or other relative;
- \* Condominiums or cooperatives which have the advantages of home ownership without the burden of maintenance;
- \* Retirement communities which may offer companionship, recreation, and sometimes medical and housekeeping services.

## SPECIAL CONSIDERATIONS

An important part of financial planning is anticipating how to handle bad times. Prudent planning includes learning about public and private benefits programs. In most communities, governmental and private agencies offer services to help care for older persons, such as low-cost medical clinics, home health care, housing options, adult day care, and chore services.

The local Social Security Administration office has information about entitlement programs such as Medicaid, disability insurance, food stamps, and Supplemental Security Income. Ask about your state's Medicaid "divestment" rules which permit transfers of some assets to other people if done a specified length of time before applying for Medicaid (usually at least three years). Divestment is a precaution some take to avoid "spousal impoverishment" when all the family's assets are spent before a sick family member can be eligible for Medicaid assistance.

When arranging family matters, it will ease your survivors' emotional burden if you let them know your preference for funeral or memorial arrangements. You can handle these matters yourself by planning through a non-profit cooperative memorial society or by prepaying at the funeral home of your choice. If you decide to pre-pay, be sure you or your survivors can cancel the contract should you move or change your mind. Planning ahead and using comparative shopping skills can save thousands of dollars in funeral expenses.

## PLANNING TO STAY INDEPENDENT

It's never too early to start retirement planning, and never too late to make adjustments in your financial situation. Whether wealthy or not--and it is probably more important for those who are not--investigating your options and making practical choices now can allow you to stay in charge and meet future financial goals.

## FOR MORE INFORMATION

For additional information and brochures...

Consumer Information Catalog  
Pueblo, CO 81009

Cooperative Extension Office--local office is listed under State, Federal or County Government in the phone directory

American Association of Retired Persons  
Consumer Affairs, Program Department  
1909 K Street, N.W.  
Washington, DC 20049



(202) 728-4355

Federal Trade Commission, Public Reference  
6th and Pennsylvania Ave., N.W.  
Washington, DC 20580  
(202) 326-2222

National Foundation for Consumer Credit  
8701 Georgia Avenue, Suite 507  
Silver Spring, MD 20910  
(301) 589-5600

American Council of Life Insurance (ACLI)  
1001 Pennsylvania Avenue, N.W.  
Washington, DC 20004-2599  
(202) 624-2455

Health Insurance Association of America (HIAA)  
1025 Connecticut Ave., N.W.  
Washington, DC 20036-3998  
(202) 223-7780

Continental Association of Funeral and  
Memorial Societies, Inc.  
7910 Woodmont Avenue  
Bethesda, MD 20814  
(301) 913-0030

This is one of a series of brochures about building and maintaining a financial identity--both as an individual and as a partner in a two-income household. The series is about selecting and using financial services and service providers. It covers credit, investments, financial services, job benefits, and financial planning.

—  
.