



Real Estate Matters

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Three Strategies For A Secure Retirement

The recent stock market gyrations have sent a collective chill down the spines of investors, particularly boomers closing in on their retirement years. Yet financial planners urge calm and pragmatism and suggest resisting the urge to stash cash in the mattress. “Don’t stop investing and saving,” warns David Bergmann, managing principal of the David R. Bergmann Group, a Marina Del Rey, Calif., financial planning advisor.

Given the heightened attention on financial topics, now may be the ideal time to examine your portfolio to be sure your investment vehicles are working in concert to deliver the most secure retirement possible. Given that each person has unique needs, it’s important to address specific strategies with a qualified professional. Here are three topics to discuss

Long-term care insurance (LTC)—There’s almost nothing that erodes financial security faster than an unexpected medical disaster. “Failing to address healthcare costs is one of the biggest shortcomings I see in people’s retirement planning,” comments Bergmann. It’s why he and others recommend LTC policies. The insurance not only covers nursing home care, but a comprehensive policy also provides care in various settings, including skilled nursing facilities, assisted-living facilities, and adult daycare centers and in clients’ homes. To accommodate home-based care, some LTC policies cover more than just medical services. For instance, such insurance can provide for assistance with dressing, bathing and feeding, and policies can also cover things like transportation and modifying a house to make it safer or more accessible.

Though the propensity is to postpone buying a policy until you have a health scare, it’s not the best tactic. Sometimes medical conditions

preclude you from getting a policy, or pre-existing conditions raise premiums. Thus, buying a policy while you’re relatively young and still healthy—even before you turn 50 years old—isn’t a bad idea, Bergmann believes.

Health Savings Accounts (HSAs)—David Schucavage, president of Carolina Estate Planners, Wilmington, N.C., is a proponent of HSAs because they allow you to set aside money today for health costs that crop up later. To fund an HSA you need to be working and be covered by a high-deductible health plan. HSAs let you stash away pre-tax dollars and pull them out tax free for qualified medical expenses. “Most people will have a fair number of medical expenses between now and death,” Schucavage comments. “In the worst case, you never use the money and it becomes like an IRA and you pay taxes when you take the money out. My guess is that everyone will use it up.”

Taxes—Work with an accountant and financial planner to project your retirement tax picture. “You need to know what that will look like to enhance your retirement cash flow,” says Bergmann. The goal of early tax planning is to minimize your tax burden during retirement years and ensure that your nest egg isn’t eroded by Uncle Sam.

“You can get Social Security benefits free of income tax, if you manage your income correctly,” comments Bergmann. “But if you don’t manage correctly, you can lose as much as 30 cents on every dollar of Social Security benefit you get.” He suggests employing a strategy of withdrawing money from taxable accounts to reduce the accumulated values in them. Then, when you turn 70 ½ and you’re required to withdraw minimum dollar amounts from such accounts, those minimum dollars coming out are *less* than an amount that would trigger your Social Security money to be taxed.

Like most financial strategies, there aren’t blanket statements that can be made about

working distributions and taxes to your advantage. It depends on the quirks of each investor's portfolio and situation.

But one blanket statement does apply to most investors. If you do get a check as a result of the proposed government economic stimulus package, skip the plasma TV. Invest the money or pay off credit cards.

Additional resources:

- The U.S. Department of the Treasury <http://www.treas.gov/offices/public-affairs/hsa/> offers HSA details.
- The National Clearinghouse for Long-Term Care provides in-depth LTC insurance

information.

http://www.longtermcare.gov/LTC/Main_Site/index.aspx

-Locate a fee-only certified personal financial planner through the National Association of Personal Financial Advisors,

<http://www.napfa.org>.

-www.CNBC.com—The site includes investment videos, articles and calculators.

-*The Last Chance Millionaire: It's Not Too Late to Become Wealthy*, by Douglas R. Andrew.

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