

# Should I Worry?

## Planning for Risk Factors in Retirement



There are many potential concerns about financial stability during retirement, including:

- maintaining the same standard of living throughout your life without running out of money,
- getting sufficient returns from your investments without getting wiped out if the stock market crashes, and
- minimizing taxes on income and investments.

This resource will examine only those sources of risk having consequences that can be neutralized by insurance products and legal strategies. **After each section you will be prompted to check off life circumstances that may apply to you and could indicate you may be well-advised to protect yourself from the risks described.**

### Healthcare

As you age, the frequency, variety and extensiveness of health care accelerates, increasing the cost of care exponentially. Individuals are fortunate to have access to the highly government-subsidized Medicare program with relatively low cost to them. Medicare coverage is extensive, but it does have gaps the patient is financially

responsible for. Medicare supplements and replacement plans and Medicare Part D prescription drug plans are available to pay the cost of care not covered by the basic Medicare plan.

- ☐ Check if you or a spouse do not have coverage from a previous employer as part of a retirement package.
- ☐ Check if you have sufficient income or assets to afford premiums health care premiums and assets you want to protect from uninsured health care costs.



### Long-Term Care

Long-Term Care refers to the non-medical, custodial care you may need to help you with daily activities of daily living that is not medical in nature—including ambulating (getting around), feeding, dressing and bathing yourself, toileting yourself or being incontinent.

The need for long-term care can be physiological or brought about by cognitive impairment but is not covered by traditional health care insurance and Medicare if it is not the result of a medically treatable condition.

The need for long-term care increases with age, as does the cost of long-term care insurance and the likelihood that individuals are not insurable. At the same time you might not have sufficient income or assets in place to self-insure against this risk.





# Should I Worry? *cont.*

## Long-Term Care, cont.

In addition to long-term care insurance, a potential solution for long-term care is to shield assets in an irrevocable trust, which will be reviewed in a later section titled “Liability Risk.”

- ☐ Check if you have a family history of Alzheimer’s or other forms of dementia.
- ☐ Check if you have experience caring for a loved one having long-term care needs.
- ☐ Check if you have a family history of longevity.
- ☐ Check if you can afford the premium for long-term care insurance using pension income which will not continue to the spouse upon the individual’s passing.

## Death

When you age toward and then throughout retirement, the financial impact of your death on your loved ones diminishes as income becomes a less important, and investments become a more important component in your financial situation. Still, if you have a spouse, partner or children who rely on your income from pensions or Social Security and there are not sufficient assets in place to meet their needs, life insurance may be an appropriate solution even though the cost of insurance increases with age while insurability decreases. The most cost-effective term life insurance solution is to insure the individual whose income is being relied on, and only for the period of time until the survivor’s life expectancy is short enough for assets that are in place to cover a spouse’s or partner’s needs for the rest of their life or until dependent children can be expected to be financially independent.



- ☐ Check if your financial security would be jeopardized by the passing of an individual or if your passing would create a financial hardship for a loved one.
- ☐ Check if there are insufficient assets to cover your burial expenses or someone’s you would be responsible to pay for.
- ☐ Check if there is an outstanding mortgage on a residence that you would like to have paid off upon the passing of whomever is paying the mortgage.



## Casualty

A casualty is an event that has a detrimental outcome, often with an associated negative financial impact. The casualty can be caused by your negligent actions that harm others, or events outside of your control that harm you or your property. Driving an automobile is potentially your largest source of liability and the single most valuable asset you own outside of your home, that is subject to a loss outside of your control.



# Should I Worry? *cont.*

## Casualty, cont.

It is essential you are properly protected by home and automobile coverage for these valuable assets and from the potential liability resulting from your negligence.

- ☐ Check if you have a fairly valuable home or significant net worth.
- ☐ Check if your history for accidents and driving violations is unfavorable.
- ☐ Check if you live in an area where natural disasters are not uncommon.



## Liability

In our litigious society lawsuits are commonly filed by individuals who believe they were financially harmed by the actions of others who acted negligently. Liability insurance can be purchased to protect you from claims against your assets. In addition to home and automobile insurance a Personal Catastrophe policy (also known as an “Umbrella Policy” for the comprehensiveness of its protection) can be secured to cover you above the limits of your home and automobile insurance and for actions that are unrelated to your home or car.



Another strategy to protect you from creditors is to place your assets in an Irrevocable Trust that you don't control (because you are not the trustee and someone else is managing the assets and affairs of the trust) and cannot receive gain from it (because you are not the beneficiary). Assets properly placed in an Irrevocable Trust are shielded from your creditors because you are not able to make or receive distributions from the trust. Irrevocable Trusts are also used for protection from

the costs related to long-term care by transferring your assets into a legal entity that you are neither the trustee or beneficiary of. After the requisite period of time that the assets are in the trust, you may be able to qualify for Medicaid and have the costs of your long-term care paid by the government, most commonly in a nursing home.



# Should I Worry? *cont.*

## Liability, *cont.*

- ☐ Check if you have a significant net worth.
- ☐ Check if you may have an elevated exposure to negligence and being sued based on your lifestyle or occupation.
- ☐ Check if you are at risk for long-term care needs and feel comfortable putting someone else in charge of your assets which will no longer be owned or controlled by you.



Comprehensive financial planning encompasses building future wealth and protecting existing wealth.

Insurance and legal strategies are unlikely to be mastered by a financial advisor, but an advisor with a fiduciary obligation to look after your best interests should be sufficiently knowledgeable about strategies to identify your need for them and direct you to professionals who can implement them.

*Regardless of if you've already retired or are looking ahead...if you have questions that cause you to worry, feel free to give us a call at 866-US-Senior (866-877-3646) to discuss the best steps to maximize your retirement and minimize your worry. Be sure to ask Dedicated Financial Services how we integrate Risk Neutralization—one of the 5 Components of Financial Planning—into a total financial package.*

## **PLEASE NOTE:**

This resource is not intended to replace professional advice from a qualified and properly licensed insurance professional or counselor of law on whose advice you should rely. Finding a fiduciary and/or Certified Financial Planner Practitioner is a key step towards a stronger Financial Plan.



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