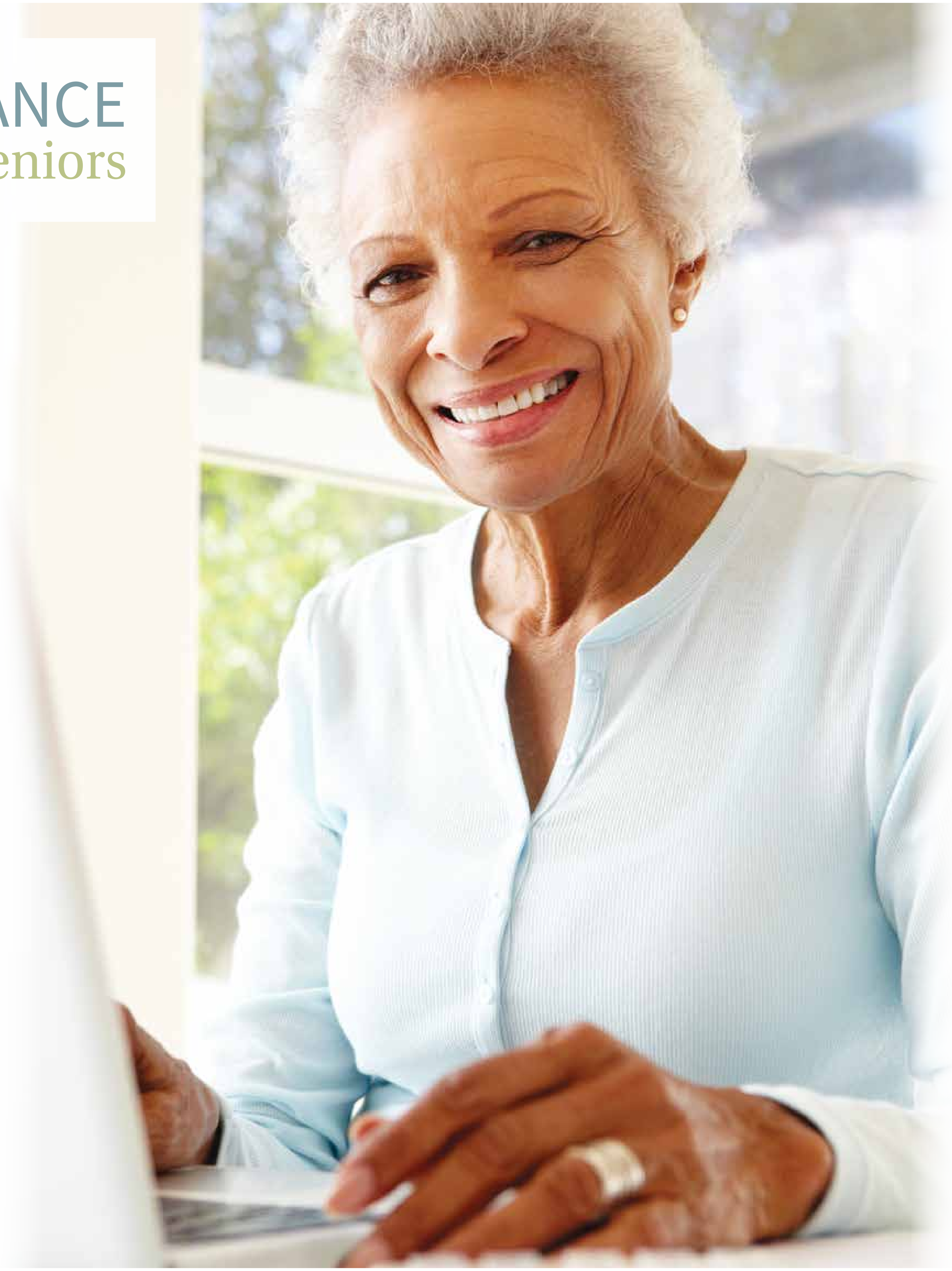
FINANCE for Seniors



Saving Enough to Retire

By the end of the day, you may find yourself dreaming about the day you aren't ruled by the alarm clock and the time clock.

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Retirement may seem very far away indeed, especially when you consider your retirement number — the amount you'll need to have socked away before you can retire.

SAVE, SAVE, SAVE SOME MORE

The most common rule, the Motley Fool says, is that you'll need about 80% of your pre-retirement income to sustain the same lifestyle after you retire. But it's about more than just the raw number. It's not about how much money you have; it's about how much money you'll need to make enough income to keep you comfortable in your retirement.

ADJUST YOUR EXPENSES AND YOUR EXPECTATIONS

Once you retire, the experts at the Motley Fool point out, you won't have some work expenses, including, well, saving for retirement. You might also save on commuting and other expenses. That will help you live comfortably on 80% of your income.

However, you also need to look at your expectations. While you may not drive back and forth from work every day, a dream of traveling the country could well cost more than your daily commute. Another thing to consider is where you'll live. Will your home be paid off or will you invest in another place in a dream location? Figure that into your expenses as well.

SOURCES OF INCOME

You're saving for retirement, but that savings account may not be your only source of income. You may also have Social Security to fall back on. Motley Fool says the federal program replaces about 40% of the average American's pre-retirement income on its own. Check your Social Security statement or create an online account to see how much you can expect after you retire.

You may also have pensions and other retirement accounts from other jobs. Make sure to add that into your calculations, too. Your monthly income required equals your estimated monthly retirement expenses minus your retirement income.

There's no perfect way of calculating your retirement number. The best way would be to work with a financial planner who is familiar with your particular situation. You find a financial planner just like you'd find any other professional service. Start by asking for referrals from friends and family. Then, look for professionals with a professional certification. Some popular ones are CFA, CFP or CIMA. Also ask about fee structures and how your assets will be managed.

Working After 65

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While many of us hope that we're laid back in a hammock on a sunny beach by the time we're 65, the reality for many people is that they're going to keep working far beyond full retirement age.

Here's a look at the financial and practical considerations involved.

RECEIVING SOCIAL SECURITY

Social Security, the federal government's retirement safety net, usually kicks in at 65. However, you can work and still receive benefits. If you're full retirement age — 65 — your earnings do not reduce your Social Security benefit. The Social Security Administration offers a calculator so that you can see how any earnings may affect your potential benefit.

WORKING AND MEDICARE

Generally, Medicare says, if you have job-based health insurance for you or your spouse and you're over 65, you don't have to sign up for Medicare unless you lose that coverage, either through retirement of by some other means. If your employer has fewer than 20 employees, you may have to sign up for Medicare when you turn 65 regardless so you won't have gaps in your coverage. Check with your employer to see.

Medicare will work with your existing insurance if you are over 65. Which plan pays first — Medicare or your job-based insurance — depends on how many employees the company has. And remember, Medicare has different plans, or parts, depending on your needs. Medicare Part A is hospital insurance and covers inpatient hospital stays, care in a skilled nursing facility, hospice and some home health care. Part B covers medical services like doctors, outpatient care and some preventive services. Medicare Part C, or Medicare Advantage is a plan that provides coverage through a private-sector health insurer. Part D is prescription drug coverage. You may not need to sign up for all the parts of Medicare.

AGE DISCRIMINATION

As you age, you may be more concerned about being discriminated against because of your age. The federal Age Discrimination in Employment Act forbids age discrimination against people who are 40 or older. It prohibits discrimination in any aspect of employment, including hiring, firing, pay, job assignments, promotions, layoffs, training, benefits and any other term or condition of employment. It also covers harassing a person because of their age, such as making offensive or derogatory remarks about a person's age. Teasing isn't covered, but frequent comments that create a hostile or offensive work environment is.

Budgeting for Seniors


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Budgeting for seniors isn't too different from budgeting at any other stage of life.

The difference is that many seniors are on a fixed income with no hope of raises or other prospects to boost their income. Many seniors rely solely on Social Security and other benefits, and may struggle financially after they give up working or can no longer work.

HEALTH CARE

Seniors may also have concerns about health care after they retire. The costs of health care are rising and LongTermCare.gov estimates that someone turning 65 will have a nearly 70% chance of needing some kind of long-term care service during their lifetime. When considering budgeting, retirement income and insurance coverages, seniors and families should keep that startling statistic in mind.

AVOIDING SCAMS

Seniors make easy marks for some criminals who seek to siphon off what money they do have.

Seniors and their families should be wary of unscrupulous scammers that are trying to talk them out of their life savings. The National Council on Aging and the Bank of American Charitable Foundation created a Savvy Saving Seniors toolkit to help seniors and their families stay safe.

If you receive an email about a money transfer, the kit says, it's probably a scam. Also avoid family and friends who depend on your income to help them out of trouble and know how to protect your good credit if your wallet is stolen.

USE YOUR BENEFITS

There are a lot of benefits to being over 65, and we're not just talking about lower-cost coffees at your favorite fast-food place. You can access community safety nets such as SNAP to buy food and the SCSEP — Senior Community Service Employment Program — to earn more income when you need it. You may also qualify for free tax assistance, utility assistance programs, home maintenance programs, property tax programs, senior discounts (yes, including that coffee) and more. While many of these programs are designed to help out in an emergency, make sure you're enrolled and know about them before a crisis strikes. Visit benefitscheckup.org or call (800) 677-1116 to learn more.

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Managing Medical Costs

Once you hit 65, you run the real risk of managing your medical costs becoming, well, a full-time job.

Just the thing you wanted to avoid in your golden years. Juggling all the Medicare parts, along with any job-related insurance and the health problems older Americans tend to have can be daunting. Here are some tips for managing medical costs as you age, no matter where your insurance coverage comes from.

USE AN HSA

Health savings accounts help you put pretax money away to cover medical expenses later. You can invest the money or you can use them tax-free for eligible medical costs. HSAs cover expenses with a high-deductible plan, however, so talk with your financial adviser to consider if that kind of plan makes sense for you. If it does, you can save up to $3,600 as a single person or up to $7,200 if you have family coverage.

MAKE SENSE OF MEDICARE

Finding the right Medicare plan can help you dodge out-of-network and out-of-pocket costs.

You also need to weigh if you want access to all doctors who accept Medicare — as with an original Medicare plan — of if you're willing to have a limited network and enjoy more benefits as part of a Medicare Advantage plan. It may be worth the fee to find a professional agent or financial planner who can help you parse all the Medicare parts and their benefits.

MANAGE LONG-TERM CARE

Someone turning 65 today has about a 70% chance of needing long-term care, the federal government says, so it's something you need to plan for.

Look at buying a traditional long-term care plan or consider a hybrid insurance product that can combine life insurance with a long-term care rider. You can also set aside money the old-fashioned way, just make sure you don't touch it. And no matter what you do, let your family know what you've done. It's uncomfortable, but thorough planning can save you in the long run.

BE AN ACTIVE PATIENT

Follow your doctor's advice and ask plenty of questions to make sure you have a good understanding of what's being done.

If your provider orders tests, ask them what they hope to learn from it and how it may affect treatment, Carolyn McClanahan, a physician turned CFP in Florida.

"A lot of times, doctors order things rotely," she told the Associated Press. "It's part of their protocol and they don't stop and think, 'Is it really needed in this case?'"

Reverse Mortgage Basics

Reverse mortgages are all over television these days as providers push products on to cash-strapped seniors.

They could be a great way to pay off debt, supplement income or pay for medical expenses. But reverse mortgages are complicated tools and may not fit every situation. Keep reading to learn more about how they can work for you.

WHAT IS A REVERSE MORTGAGE?

When you have a regular mortgage, such as when you bought your home, you pay a lender every month to buy your home over time. In a reverse mortgage, the lender pays you. They take part of the equity in your home and convert it to payments to you, usually tax-free.

When you die, sell the home or move out, you or your estate would repay that loan, sometimes by selling the home.

There are three kinds of reverse mortgages — single-purpose reverse mortgages, private loans and federally insurance reverse mortgages, which may also be called home equity conversion mortgages.

THINGS TO CONSIDER

Just like any other real estate transaction, there are fees and other costs. There's usually an origination fee and closing costs, and there may also be servicing fees and mortgage insurance premiums to pay. Most reverse mortgages also have variable rates, which mean you may owe more depending on what the interest rate is on a given day. That interest isn't tax deductible like on a traditional mortgage, either, and because that interest adds up, it means the loan grows the longer you have the reverse mortgage. You will also still have to pay costs related to your home, including taxes and maintenance.

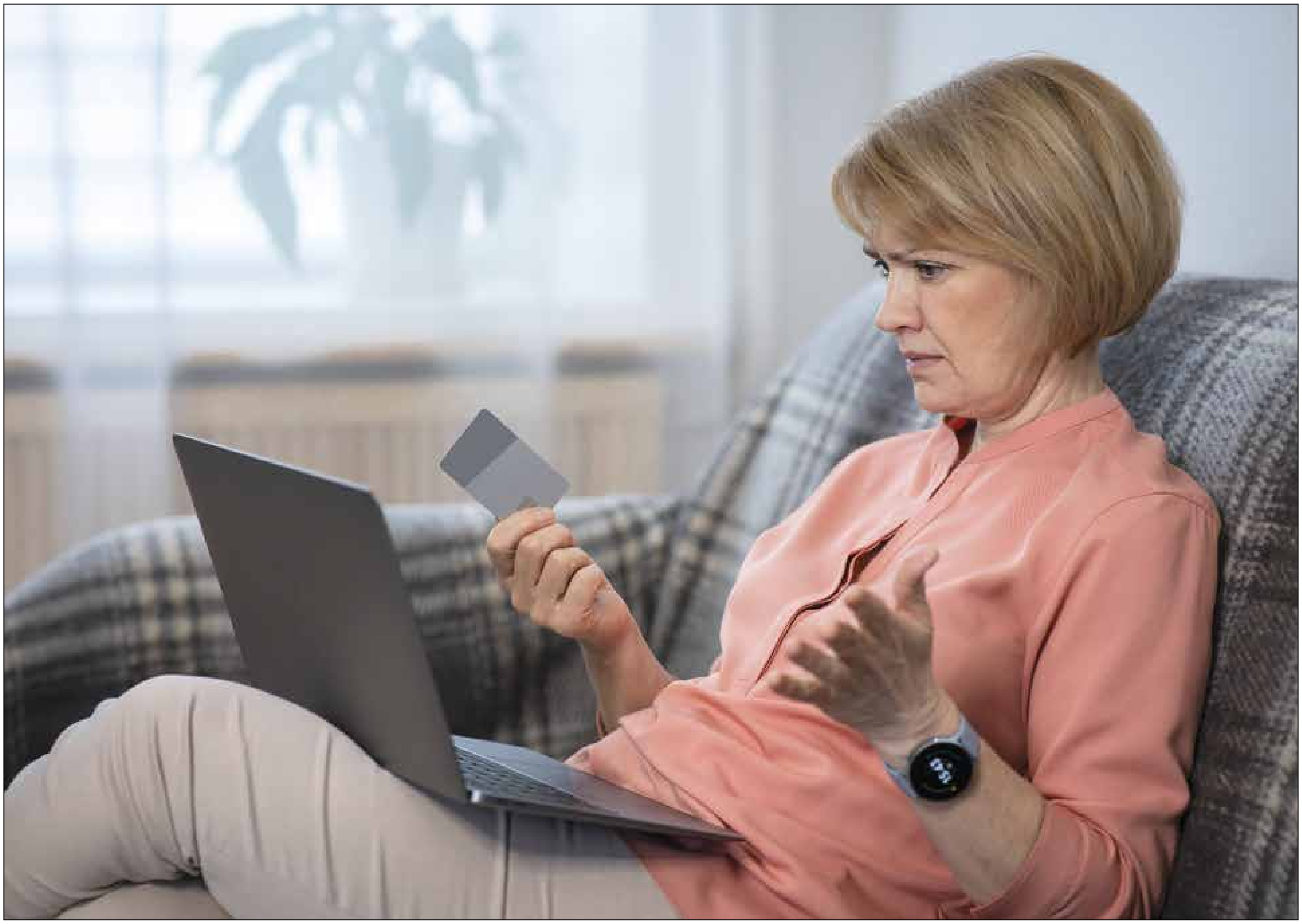
WHAT CAN YOU LEAVE YOUR ESTATE?

Reverse mortgages use up the equity in your home. Most of them have a non-recourse clause that means that you or your estate, in the event that you die, can't owe more than the value of your home when the loan becomes due and the home is sold.

So if you and your heirs want to keep the home rather than sell it, you wouldn't have to pay more than the appraised value of the home, according to the Federal Trade Commission. It would be possible for your children or other heirs to purchase the home for themselves provided the loan is paid.

Be Wary of Scams

Seniors lost almost $1 billion to scammers in 2020, the FBI says, with an average loss of $9,175 per targeted person. Almost 2,000 older Americans lost more than $100,000.



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"Each year, millions of elderly Americans fall victim to some type of financial fraud or internet scheme, such as romance scams, tech support fraud, and lottery or sweepstakes scams," Calvin Shivers, assistant director of the FBI's criminal division told ABC News. "Criminals gain their targets' trust or use tactics of intimidation and threats to take advantage of their victims. Once successful, scammers are likely to keep a scheme going because of the prospect of significant financial gain."

Here are some common types of scams and how to protect yourself from them.

IMPOSTER SCAMS

In these scams, criminals pose as officials from government agencies, banks, or even friends or family members to trick people into revealing bank account numbers, passwords and other personal information. In California alone, more than $10 million has been lost to scams where fraudsters pretend to be from the IRS. The Department of Treasury says to hang up immediately if someone calls you claiming to be from the IRS. If there really is a problem with your taxes, Treasury says you'll get a notice in the mail first. And their agents will never ask for personal financial information.

ROMANCE SCAMS

Reported losses from these scams, in which someone creates a fake profile on dating sites or social media and reach out to vulnerable people, topped $300 million in 2020, making them the leading cause of fraudulent financial loss across all age groups. Older people are the least vulnerable age group — most of them being wary of online dating or already partnered — but they did have the highest median loss from this type of fraud. Never send money to someone you haven't met in person. You can also do a reverse image search — or have a friend or family member do one for you — to see if a profile is using real pictures or not.

ONLINE SHOPPING SCAMS

People over the age of 60 lost at least $14 million from online scams in 2020 as the internet became many people's primary means of shopping during the pandemic. Online, scammers can set up websites that appear legitimate and lure consumers in with low prices, then swipe your information. Be wary of deals that are too good to be true and watch out if an online merchant asks you to pay in an unconventional way, such as with a money order.

Writing Your Will


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Nearly two-thirds of Americans don't have a will.

Even if you don't have many assets, the AARP says, a will can help your loved ones divvy up what there is and make sure your wishes are carried out. Wills aren't a pleasant topic of conversation, but if you die without one, your estate may be settled by a third-party administrator appointed by a probate court — a very public setting that's a lot less pleasant than just having the conversation.

FINDING FREE RESOURCES

There are many pro bono wills programs across the country. Some programs include Serving Our Seniors, a program that offers free wills, living wills and powers of attorney for seniors in 25 states. AARP also offers Legal Counsel for the Elderly, a program that works with volunteer lawyers to provide free wills and other legal and social services for low-income residents of Washington, D.C. Wills on Wheels is a group of paralegals and attorneys in the Denver area that help draft legal documents for the elderly for free.

QUESTIONS TO ASK

You'll have to put some things in order yourself before you settle down to write your will. This includes choosing an executor for your estate, choosing the beneficiaries and more. One thing to make sure of is that all your beneficiaries are on record with your various accounts.

"The beneficiary listed supersedes the will, but often there's just no consistency," Patrick M. Simasko, a Michigan elder law attorney, said to U.S. News & World Report.

You'll also need to be realistic about who gets what. Family strife after the death of a loved on is a top reason why families stop speaking to each other. Consider attaching an explanatory letter to your will as a personal way to say goodbye and to also make your wishes more clear.

SIGN YOUR WILL

It's more than just making your mark. Wills need to be witnessed, and they can't be witnessed by anyone who stands to inherit or who is under 18. Ideally, the witnesses will be people who are likely to be around when you aren't anymore and can stand up in court and testify on your behalf. Lastly, make sure someone you know and trust knows where to find your will and any other important paperwork. This can make it easier for your family after you're gone.