
## Keystone Financial Partners

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# Welcome 2017

We hope everyone had a wonderful holiday season and are back in the regular swing of things with "life as usual" in the new year.

**6th Annual "Shred" Event**
The Thursday after tax-day, April 20, plan to come by our office for a fun spring event. Bring your confidential documents to our office to take advantage of our professional shredding services. Stay and enjoy some shredded bar-b-que from Danny's Barbeque and tour our office space. See the enclosed flyer for more details on this fun event!

When: Thursday, April 20, 11:30 am - 2 pm
Where: Our Office at 1255 Crescent Green, Suite 440, Cary
RSVP: 919-463-0018, tami@keystonefinancialpartners.com

**17 Financial Resolutions for 2017**
1. Create an emergency savings.
2. Make a monthly budget and stick to it.
3. Save more for the future.
4. Make retirement contributions regularly.
5. Maximize your retirement-plan contributions.
6. Pay down high-interest debt.
7. Set goals for the future and work with a financial professional to achieve them.
8. Create a powerful legacy for the world.
9. Review your estate plan & legal documents.
10. Review the beneficiaries on your financial accounts and insurance policies.
11. Stay on top of your health.
12. Protect your credit and identity.
13. Review your tax strategies for potential savings.
14. Involve your children & grandchildren in your finances.
15. Schedule time to discuss finances with your spouse.
16. Identify your goals for 2017.
17. Keep Your Financial Resolutions.

**Looking for Your Tax Documents?**
If you have an account held at National Financial Services, you can expect your tax documents to be available online between Jan 28-Feb 18, and to be mailed by Feb 15. NFS filed for a 30-day extension from the IRS that will permit the generation of some 1099 tax forms after February 15. Not all issuers send final information to NFS in time to meet the February standard IRS 1099 mailing deadline. NFS uses this extension to ensure that the information on the tax documents you receive is accurate, which, in turn, reduces the need to send a corrected form after February 15 . Please call our office if you have any questions regarding your tax documents.

**New Educational Videos on our Web Site**
We recently added a series of short videos to our web site covering important investing topics. Investors' often make emotional, short-sighted decisions. Learn how to take control of those emotions and our reactions to them. Could news headlines be derailing your sound investment strategy? Learn how the brain works during different market cycles and how that can impact our decisions and reasoning. A new video will be added each month covering a different topic.

To view these videos, go to our web site at www.keystonefinancialpartners.com and click on KFP News, Video Library.

**Offering our Free Second Opinion Service**
Recent studies of the affluent indicate that 9 out of 10 investors would welcome a "second opinion" on their investments and 8 out of 10 investors would switch advisors if they knew of a better alternative. For this reason, we are now offering a free second opinion service to our valued clients. If you know of someone that you think we should meet, please mention our free second opinion service to them. We thank you for your introductions and referrals.

# What It Means to Be a Financial Caregiver for Your Parents

*A large majority of caregivers provide care for a relative (85%), with 49% caring for a parent or parent-in-law.*

*Source: Caregiving in the U.S. 2015, National Alliance for Caregiving*

If you are the adult child of aging parents, you may find yourself in the position of someday having to assist them with handling their finances. Whether that time is in the near future or sometime further down the road, there are some steps you can take now to make the process a bit easier.

## Mom and Dad, can we talk?

Your first step should be to get a handle on your parents' finances so you fully understand their current financial situation. The best time to do so is when your parents are relatively healthy and active. Otherwise, you may find yourself making critical decisions on their behalf in the midst of a crisis.

You can start by asking them some basic questions:

- What financial institutions hold their assets (e.g., bank, brokerage, and retirement accounts)?
- Do they work with any financial, legal, or tax advisors? If so, how often do they meet with them?
- Do they need help paying monthly bills or assistance reviewing items like credit-card statements, medical receipts, or property tax bills?

## Make sure your parents have the necessary legal documents

In order to help your parents manage their finances in the future, you'll need the legal authority to do so. This requires a durable power of attorney, which is a legal document that allows a named individual (such as an adult child) to manage all aspects of a person's financial life if he or she becomes disabled or incompetent. A durable power of attorney will allow you to handle day-to-day finances for your parents, such as signing checks, paying bills, and making financial decisions for them.

In addition to a durable power of attorney, you'll want to make sure that your parents have an advance health-care directive, also known as a health-care power of attorney or health-care proxy. An advance health-care directive will allow you to make medical decisions according to their wishes (e.g., life-support measures and who will communicate with health-care professionals on their behalf).

You'll also want to find out if your parents have a will. If so, find out where it's located and who is named as personal representative or executor. If the will was drafted a long time ago, your parents may want to review it to make sure their current wishes are represented. You should also ask if they made any dispositions or gifts of specific personal property (e.g., a family heirloom to be given to a specific individual).

## Prepare a personal data record

Once you've opened the lines of communication, your next step is to prepare a personal data record that lists information you might need in the event that your parents become incapacitated or die. Here's some information that should be included:

- *Financial information:* Bank, brokerage, and retirement accounts (including account numbers and online user names and passwords, if applicable); real estate holdings
- *Legal information:* Wills, durable powers of attorney, advance health-care directives
- *Medical information:* Health-care providers, medication, medical history
- *Insurance information:* Policy numbers, company names
- *Advisor information:* Names and phone numbers of any professional service providers
- *Location of other important records:* Social Security cards, home and vehicle records, outstanding loan documents, past tax returns
- *Funeral and burial plans:* Prepayment information, final wishes

If your parents keep some or all of these items in a safe-deposit box or home safe, make sure you can gain access. It's also a good idea to make copies of all the documents you've gathered and keep them in a safe place. This is especially important if you live far away, because you'll want the information readily available in the event of an emergency.

## Don't be afraid to get support and ask for advice

If you're feeling overwhelmed with the task of handling your parents' finances, don't be afraid to seek out support and advice. A variety of local and national organizations are designed to assist caregivers. If your parents' needs are significant enough, you may want to consider hiring a geriatric care manager who can help you oversee your parents' care and direct you to the right community resources. Finally, consider discussing the specifics of your situation with a professional, such as an estate planning attorney, accountant, and/or financial advisor.

COMMONWEALTH *financial network*

# Don't Forget to Include Memory Loss When Planning for Retirement

*[1] U.S. Preventive Services Task Force, Cognitive Impairment in Older Adults: Screening, March 2014*

*[2] The Healthy Brain Initiative: The Public Health Road Map for State and National Partnerships, 2013-2018: Chicago, IL: Alzheimer's Association; 2013*

*[3] Alzheimer's Association, alz.org*

*[4] U.S. Department of Health and Human Services (most recent government data available), longtermcare.gov*

*[5] U.S. Department of Health and Human Services (most recent government data available), longtermcare.gov*

***A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the long-term care policy. It should be noted that carriers have the discretion to raise their rates and remove their products from the marketplace.***

When planning for retirement, an important factor that is often overlooked is the potential for declining cognitive skills associated with aging. Cognitive impairment (CI), often attributable to dementia or Alzheimer's disease, can have profound implications for your overall health and well-being, particularly during retirement. The cost of care can absorb income and significantly deplete retirement savings. It can also deprive you of the ability to effectively manage your financial affairs.

## Cognitive impairment — a growing concern

The possibility of suffering from some form of cognitive impairment later in life is real. Dementia affects approximately 2.4 to 5.5 million Americans. Its prevalence increases with age: 5% in persons ages 71 to 79, 24% in those ages 80 to 89, and 37% in those 90 and older.[1] One in eight adults age 60 and older (12.7%) experiences confusion or memory loss that is happening more often or getting worse. Unfortunately, among these individuals, only 19.3% discuss these changes with a health-care provider. Additionally, 34.5% of those affected by CI live alone.[2]

## Financial impact of the cost of care

Dementia, including Alzheimer's, is the most costly disease in the United States and is set to increase like no other. In 2016, Alzheimer's and other forms of dementia will cost the United States an estimated $236 billion. By 2050, this number is expected to grow to more than $1.2 trillion. Among all nursing home residents, more than 64% have been diagnosed with Alzheimer's or another dementia. Alzheimer's is the sixth highest cause of death in the United States.[3]

Unfortunately, those suffering from advanced stages of cognitive impairment often require long-term care. The cost of care can quickly deplete your retirement savings and affect the quality of life for you and your family, leaving little or no income or savings. Average costs of long-term care include the following:[4]

- $6,235 per month, or $74,820 per year, for a semi-private room in a nursing home
- $6,965 per month, or $83,580 per year, for a private room in a nursing home
- $3,293 per month for a one-bedroom unit in an assisted living facility
- $21 per hour for a home health aide
- $19 per hour for homemaker services
- $67 per day, or roughly $2,010 per month, for services in an adult day health-care center

The cost of long-term care depends on the type and duration of care you need, the health-care provider you use, and where you live. While one-third of 65-year-olds may never need long-term care, 20% will need it for more than five years.[5]

## Loss of ability to manage finances

Your financial plan should consider not only the potential cost of care if you or your spouse suffer from cognitive impairment, but also determine who will make financial decisions about your care.

Even if you suffer from mild cognitive impairment (MCI), you may find it more difficult to manage investments or a household budget. If you are the primary money manager and experience declining cognitive skills, your spouse could be left financially vulnerable.

## Make it part of your plan

A comprehensive financial and legal plan is important. It is helpful to prepare as early as possible. Some families use the services of an elder law attorney.

There may come a time when you can no longer make decisions for yourself, including financial and health-care decisions. This can create a hardship for a caregiver trying to conduct financial transactions and make medical decisions. Several types of legal documents can be written before they are needed to help you and family members through this difficult time. These documents include, but are not limited to, an advance medical directive, a medical power of attorney or health-care proxy, and a durable power of attorney, which allows a representative or agent to make financial decisions and transactions on your behalf, should you become unable to do so.

There are generally three ways to pay for long-term care expenses: use your own income and savings, share the cost of care through some form of private insurance, and/or seek the assistance of state or federal government programs, such as Medicare and Medicaid. The choices you make will likely depend on several factors, including your financial and family situation, your age, and your state of residence. In any case, it's wise to consider the ramifications of cognitive impairment when planning for retirement.

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## What are my health-care options if I retire early?

If you're eligible for an early-retirement package from your employer, determine whether post-retirement medical coverage is included. These packages sometimes provide medical coverage until you reach age 65 and become eligible for Medicare. Given the high cost of medical care, you might find it hard to turn down an early-retirement package that includes such coverage.

If your package doesn't include post-retirement medical coverage, or you're not eligible for an early-retirement package at all, you'll need to look into alternative sources of health insurance, such as COBRA continuation coverage or an individual health insurance policy, to carry you through to Medicare eligibility.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), most employer-provided health plans (typically employers with 20 or more employees) must offer temporary continuation coverage for employees (and their dependents) upon termination of employment. Coverage can last for up to 18 months, or 36 months in some cases. You'll generally have to pay the full cost of coverage--employers aren't required to continue their contribution toward coverage, and most do not. Employers can also charge an additional 2% administrative fee.

Individual health insurance is available directly from various insurance carriers or, as a result of the Affordable Care Act, through state-based or federal health insurance marketplaces. One advantage of purchasing coverage through a marketplace plan is that you may be entitled to a premium tax credit if your post-retirement income falls between 100% and 400% of the federal poverty level (additional income-based subsidies may also be available).

Some factors to consider when comparing various health options are (1) the total cost of coverage, taking into account premiums, deductibles, copayments, out-of-pocket maximums, and (for marketplace plans) tax credits and subsidies; (2) the ability to continue using your existing health-care providers (and whether those providers will be in-network or out-of-network); and (3) the benefits provided under each option and whether you're likely to need and use those benefits.

## What do you need to know about chip-card technology?

When you're checking out items at the store, should you insert your card into the payment terminal? These days, as the use of chip-card technology grows, the answer to that question is less clear. The computer chip now embedded in debit and credit cards uses EMV (Europay, MasterCard, and Visa) technology, which is meant to reduce fraud at physical retail stores (as opposed to online shops). But because businesses aren't required to upgrade their terminals, it's confusing to figure out what to do at the register. Here are answers to some questions you might have about chip cards.

**How does it work?** Magnetic strip cards contain information within the strip, so it's easy for a thief to "capture" that information and use it to accrue charges without the cardholder's knowledge. By contrast, the chip card generates a unique, specific code for each transaction that cannot be reused.

**Why does it take longer to check out?** The unique code generated by the chip for each transaction is sent to the bank by the payment terminal. The bank matches the code to an identical one-time code and sends it back as verification for the transaction. As a result, it takes a few seconds longer to check out using a chip card because it takes time for the information to be transmitted.

**Why aren't some terminals working yet?** You might notice that terminals in some stores are equipped with a chip-card reader, but you're told you can't use it. These terminals are awaiting chip-card certification, which can take several months to process. Until their terminals are certified, retailers are responsible for any fraudulent charges.

**How much longer will I have to carry a physical card?** The answer to this question isn't clear. However, it's important to note that terminals with upgraded chip-card technology are also equipped with technology that can accept wireless near-field communication. This allows data to be exchanged between two different devices (e.g., a cell phone and a terminal) that are a short distance away. This means that one day, instead of swiping or inserting a card at the checkout, you might just be tapping the terminal to make payments.