

## Does Your Family Have a Long-term Care Strategy?

Nursing homes and long-term illness aren't happy subjects, and that's why people typically avoid thinking about them until a sudden emergency occurs or someone mentions long-term care insurance.

Very seldom do families actually sit down and discuss how prepared they are financially for a long-term illness or permanent disability, or more important, how each individual wants their care handled by various family members. If you have never had a family meeting on this subject, you might want to consider it for a variety of scenarios:

- Your elderly parents have never told you about their finances and their wishes on this subject;
- You have older or younger relatives with a chronic condition that may lead to permanent disability later on;
- You are a single person living alone or with others and you don't have a plan for your own care later in life;
- You or other loved ones might need to consider long-term care insurance or other options if you are financially unprepared for long-term care.

A family meeting at the kitchen table is a good start, but it might also be a good idea to bring in a trusted financial adviser to put the family and the financial pieces of the puzzle together.

Some topics for discussion:

**Start with questions:** Families and friends need to know the basics -- where important papers are, how household expenses are paid, who doctors and specialists are, what medicines are being taken and whether there's a will, an advanced directive and a funeral plan (and money or insurance proceeds to pay for it). There may be dozens more questions beyond these based on your family's personal circumstances. But in creating this list, ask yourself: "What do I need to know if this person suddenly becomes sick or dies?"

**Funding:** The average private room in a nursing home today costs \$88,000 in New York City and \$44,000 in New Orleans and at different price points all over the country. Surprisingly, home-based care is just about as expensive as nursing home care and requires considerable coordination based on the individual's condition. With managed care today, the majority of most care is "at home" and considered "custodial." These are all out-of-pocket costs unless an individual is covered by adequate long-term care insurance. How prepared are you or your affected relatives to shoulder these costs? Does it make sense to allocate assets toward these potential expenses or buy long-term care insurance? And if the discussion leans toward insurance, what type of policy should be bought?

**Caregiving preferences:** There are very few people who would opt for nursing home care over home-based care if they had a choice. Long-term care insurance can certainly cover home-based care, but it's very important to get the broadest quality of coverage you can afford so bases are covered if more expensive and intensive care services are needed. Also, which family and friends will participate in decision-making and delivery of care? Who will help and when, and will there be an option for respite care for primary caregivers who get exhausted? Finally, all family members need to know and understand everyone's "what if?" scenarios.

**Legal, estate issues:** Every adult should not only have a will, but they should designate a health power of attorney — a particular individual or individuals to make their healthcare decisions for them if they are incapacitated. Depending on the person's assets and estate, such documents can be written in accordance with other estate directives to designate how assets may be used in the payment of care as well as the ongoing operation of a household or support of children. A financial planner can be especially helpful in guiding such decisions based on an individual's specific situation.

**Putting the plan in writing:** When a friend or family member becomes seriously ill, people can sometimes panic, forget things or take action reflexively outside their role. It would be worthless to spend all this time conferring on a plan without writing it down with specific assignments and sources of money to pay for various needs. A financial planner can help you and your designated caregivers draft such a document and keep it on file for distribution in case of emergency. That way, everyone will know what they're doing when it's time.

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## As the New Models Roll In, Keep Your Money from Rolling Out

There are many tips and tricks to buying a car and probably too many to be listed here. But with the 2008 models gliding into the showrooms, it makes sense to review some basic car buying tips so you make the smartest purchase possible.

**Read first:** *Consumer Reports* ([www.consumerreports.org](http://www.consumerreports.org)) publishes its *New Car Buying Guide* every year among other new and used car publications. Your public library might carry these books so you don't have to buy them, but however you get them, check for the best performance, fuel efficiency and service ratings on the models you're interested in. There are other Web sites useful for crosschecking information on models – Edmunds.com is a good one, and you'll see up-to-the-minute incentives being offered on those models as well. Always try and get the best idea of what the average market value of the car is.

**Consider last year's model:** New model years begin at the auto dealership in the fall, so it makes sense to see if your chosen model from last year's inventory is available at a discount. Try to shop on weekdays toward the end of the month when salespeople need to shore up their quotas.

**Check your trade-in value:** Many experts will tell you not to mention your trade-in until you agree on a price, and that's fine. But check in advance to see what your old car is worth before you even start talking to a dealer, and better still, see if you can sell the car on the street so you'll just have a little more cash in your pocket. A dealer will give you less than an independent buyer because they take out the price of safety inspections, reconditioning and other costs from what they'll offer you. Both Edmunds and Kelley Blue Book ([www.kbb.com](http://www.kbb.com)) can give you rough ideas of what you can get for your car based on its model, age and condition.

**Check your financing:** Very few people can do an all-cash deal for a car, so take the time to make sure your credit report is in good shape and that you find the best financing deal available for your car – just remember it may not be at the dealership no matter what the ads say. Always check your local bank or credit union as well as trusted online options to see the best deal you'll get. If you get an outside loan, that can make you a "cash buyer" at the dealership and will simplify the transaction considerably. Before you do anything, decide what your maximum down-payment and monthly auto loan payment should be, then decide what the lowest figure is that you can either get on your car from a dealer trade in or a street sale. Never let a lender or a dealer talk you into a higher payment than you can comfortably afford.

**Always note tax issues:** The American Jobs Creation Act of 2004 was extended through 2007 to give taxpayers the option to claim state and local sales taxes instead of state and local income taxes when they itemize deductions. Also, if you buy a new or used hybrid car, check to see if you get a tax credit for buying that particular model. Check the Internal Revenue Service Web site for more information: [www.irs.gov/newsroom/article/0,,id=157632,00.html](http://www.irs.gov/newsroom/article/0,,id=157632,00.html) Also, before considering a lease deal, discuss such a move with your tax expert.

**Check on workplace hybrid incentives:** Employers are jumping on the green bandwagon and offering incentives for their workers to buy hybrid cars. Perhaps the biggest this year was Bank of America, which offered its employees nationwide a \$3,000 reimbursement for employees who go hybrid. If you're not in an emergency situation to buy a car and you might make a hybrid choice, talk to your employer about whether they're considering such a move.

**Work the phones:** Wouldn't it be nice to spend as little time in the showroom as possible? Do your research in advance, decide on the exact car you want with the features and colors selected, check that model against your resources and come up with a fair price you're going to stick to. Call a sales manager at the dealership (not a floor salesperson), tell that person you're going to buy the car today – this means have your financing in order – tell them the exact car you want and the exact price you'll pay. See if they'll fax or e-mail the paperwork to you in advance so you can look over the terms, and if everything is in order, then go into the dealership to close the deal.

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## Don't Go in Blind to Open Enrollment – Review Your Options First

With every year, employers have a tougher time justifying the cost of certain benefits – healthcare, transportation, retirement offerings, you name it. That's why each year employees need to take a close look at what benefit selections are available to make the best selections during the annual open enrollment period.

Open enrollment happens during a specified time period – usually in the fall -- where companies let their employees sign up for various health and retirement savings benefits as well as smaller benefit options that may be unique to a company. You're going to be stuck with these choices for a whole year – why not take a little extra time to understand your potential choices?

Employee benefits are a very important component of an individual's financial plan, and in two-income households, they should be coordinated. That's why it makes sense to talk about your benefit choices with a financial planner to see how such choices at work fit into your overall financial strategy.

Some critical issues you should check before you choose your benefits for the coming year:

**Use open enrollment as a chance to check your 401(k) holdings:** Most companies allow more than one chance per year to adjust the holdings in your 401(k) retirement accounts, but generally, it's a bad idea to be constantly changing your investment allocations. However, fall is a good time to see if your holdings still fit your age, your risk tolerance and the kind of retirement you want. Get some advice, and obviously, if you're not a member of your employer's 401(k) or 403(b) plan, try to join, particularly if your employer matches your contribution.

**Review your health plan choices:** During open enrollment, make sure you think about all the health issues you've experienced throughout the year. It could be a diagnosis of a chronic disease, the birth of a child, or the need to place a new spouse or partner on your coverage. A new spouse or child can usually be added with proper notice throughout the year, but open enrollment is a good time to review all current and future situations. If you're healthy– and make sure you confirm that you are – you might want to opt for a lower-premium plan that requires higher co-pays or deductibles and try to put more into your retirement savings. Just try not to go below any plan that limits lifetime benefits to \$1 million – you'd be surprised how little time it takes to get there for an accident or serious illness.

**Review your prescription coverage:** You need to look at your prescription needs and find the best insurance choice to cover them. While you may have a co-pay of \$5 to \$10 for generic drugs, will your plan pay for a brand-name drug that you really need, or will you get stuck with a co-pay of \$50 or more? Make sure you understand the tier system within your pharmaceutical plan and pick the right one for you based on your expected needs.

**Understand the FSA/HSA maze:** A flexible spending account (FSA) is an account some employers offer so workers can deposit funds on a pre-tax basis to pay their out-of-pocket health and dependent care costs. However, workers need to make a good estimate on the funds they'll use by yearend because excess funds can't be carried over. Health Savings Accounts (HSAs) allow workers to save pre-tax dollars for health care costs without the "use it or lose it" restrictions in FSAs, though they require the enrollment in a qualified high-deductible health plan. These dollars often can be directed into different investment accounts and used on a tax-favored basis in retirement. In 2007, individuals can deposit up to \$2,850 in their HSA, even if the minimum single person deductible of \$1,100 is selected. Insured individuals with family coverage can deposit up to \$5,650, even if the minimum family deductible of \$2,200 is selected.

**Check on education benefits:** Tuition for college or professional seminars is extremely valuable because it can help you advance in your career. If your company offers to pay for coursework of any kind – even courses taken strictly for fun – don't ignore that benefit. It might help you in your next job or a promotion with your current employer.

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