

# Retirement Planning Guide



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# Introduction

Many see retirement as the ultimate reward for a lifetime of hard work — the long-awaited freedom from the responsibilities, annoyances and frantic pace of the eight-hour shift. However, achieving an enjoyable and productive retirement takes some planning on your part.

With this Retirement Guide, you have a resource that you can turn to time and again to help you stay focused and informed as you make your retirement decisions. It provides an overview of important information as well as techniques to ensure a healthy and active lifestyle for your golden years.

This guide is yours to keep. In it you'll find practical tips, useful lists and valuable worksheets that will help you build your personal finances and maintain your health. You'll also discover the many housing options and life-enriching opportunities available to you, as well as the legal actions you can take to be better prepared for the unexpected.

Use this guide as a reference whenever you face a retirement planning question.



# Chapter 1

## Start Planning Now

We all dream about retirement and the freedom that it brings. But how many of us have actually started to prepare for those days? It's never too early to start planning, and you'll need all the time you can get.

### Age Doesn't Matter

The "full-retirement age" of 65 faced by previous generations is becoming a thing of the past. If you were born between 1943-1959, full retirement is 66, and, if you were born in 1970 and after, full retirement is 70. Visit [www.ssa.gov](http://www.ssa.gov) for more information. More and more people decide to retire earlier or later, depending on their job satisfaction, family responsibilities and personal finances. Deciding when to retire is now a key decision, and being able to make such a choice makes the transition to retired life much easier.



Retirement can last a long time, about twenty years or more. People are not only retiring earlier, they're living longer — thanks to medical improvements and healthier lifestyles. So it's now more important than ever to make sure you have enough financial resources to last throughout your retirement years. And starting early gives you time to make changes if plans don't work out.

Fortunately, there are steps you can take to start planning for your retirement, even at a later age. Read on for tips and strategies for doing just that.

## Coping with the Change of Retirement

While some people can jump right into the joys of retirement, others may find the change in lifestyle stressful. It's normal for stress and anxiety to accompany change, whether it's a change we make ourselves (voluntary retirement), or a change beyond our control (forced retirement). Here are some suggestions on how you can deal with the stress of this change.

### Plan ahead.

Being prepared for retirement can make you feel better about the situation. In addition to preparing financially, you should think about where you want to live and how you want to occupy your time.

### Be positive.

Retirement is not an end to your work, but the beginning of a whole new chapter in your life. Take advantage of opportunities for fun and continued growth.

### Ease into it.

Take time to adjust to this big change in your life. Taking a sabbatical or shifting to a part-time work schedule before retiring gives you the chance to get used to having more free time, and allows you to explore ways to spend it.

### Take care of yourself.

Get enough rest, food and sleep. Also take time to do things you enjoy.

### Ask for help if you need it.

Talk to someone (family and friends) who will listen and allow you to experience your feelings. If things seem to keep spiraling out of control, it may be good to talk with a doctor or behavioral health professional. Remember that seeking help is not a sign of failure or weakness, especially in situations too difficult to handle alone.



# Chapter 2

## Financial Considerations

Are you financially ready for retirement? Studies have shown that many Americans are either not saving for retirement or saving without any clear idea of how much they will actually need. As stated in the previous chapter, the sooner you start preparing and planning for your future, the more you'll be able to enjoy it.

### Are You Prepared for Retirement?

The average American spends 18 years in retirement and less than half of Americans have put aside money specifically for retirement.\*

*\*Source: [www.pueblo.gsa.gov](http://www.pueblo.gsa.gov)*



### How Much to Save

Income from social security and a company pension plan (if you have one) will not cover all of your financial needs during retirement. It's estimated that when you stop working, you'll need about 70-90 percent of your pre-retirement income to maintain your current standard of living.

In the early stages of retirement planning, it's important to get a sense of your pre- and post-retirement financial expenses. This part of the planning process helps you determine how much money is needed to maintain your current lifestyle and could influence pre- and post-retirement investment choices. Some retirees may need to budget less money for work clothes, lunches out and transportation, but more for recreation. This worksheet from MetLife can help you determine your retirement expenses.

	Before Retirement	During Retirement
Housing Costs: (mortgage, rent, insurance, utilities, maintenance, taxes)		
Necessities: (groceries, clothing)		
Transportation: (car payments, gas, insurance, maintenance)		
Health Care:		
Other Insurance:		
Income Taxes:		
Credit and Loan Payments: (credit card debt, personal loans, etc.)		
Leisure Activities: (travel, entertainment, hobbies)		
Other Expenses: (charities, gifts)		
Annual Expenses: (today's dollar rate)		

Other variables to consider when estimating retirement financial expenses include inflation, return on investments and life expectancy. Retirement financial calculators on web sites such as [www.fidelity.com](http://www.fidelity.com), [www.metlife.com](http://www.metlife.com) and [www.kiplinger.com](http://www.kiplinger.com) can help you factor in those variables.

## The Impact of Inflation

Keep in mind that necessary goods and services cost more every year. Inflation generally accounts for 2-3 percent of your money, or even more, depending on the economy. You will need to get at least 3 percent return on your investments to break even.

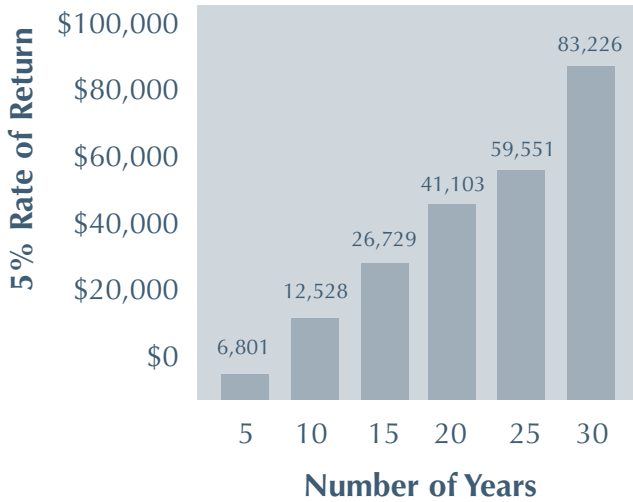
# Start Investing Today

Many people are surprised to discover how much income they will need when they retire. In general, expect 15 percent of your post-retirement income to be from a company pension plan, 20 percent from social security and 65 percent from other sources, investments, etc. Today, fewer companies offer pension plans, known as traditional defined benefits. However, you will likely have the option to participate in a 401(k).

If you haven't started saving yet, don't panic. Any time is the right time to start building up that nest egg. Remember, it's okay to start out small. Compounding returns on investments can make a small amount grow into a lot. For example, the chart below demonstrates how a \$100 investment each month into a tax deferred retirement account can yield a great deal over a period of time.

Before investing, take into consideration your current financial situation, how well you can tolerate the market ups and downs, and how soon you'll need a return on your investment. These factors will influence the types of investments you'll make. For example, someone who can keep his or her money invested for a longer period of time (7 to 10+ years) may want to invest in an "aggressive growth portfolio" that consists of 100 percent stocks, or a "growth portfolio" which is heavily weighted in stocks (70 percent) and a mix of safer bonds and money markets. These two options will achieve more capital growth over a longer period of time, but require you to have a higher tolerance for risk.

**Saving \$100 Per Month**



If you're planning to retire in less than four years and need to have quick access to your principal returns, you may want to consider investing in a "conservative portfolio" or a "short-term portfolio." A conservative portfolio is comprised of bonds (50 percent), money markets (30 percent) and stocks (20 percent). A short-term portfolio is comprised entirely of money markets. These two types of portfolios are low risk and deliver consistent returns. The trade-off is that you get a lower return than you would with a more aggressive growth portfolio.



## Knowledge is Power

Expand your know-how about finance and investing through community or college courses or by reading financial magazines such as *Money* or *Fortune*. The better your knowledge is, the better your decisions will be.



## IRA and 401(k)

Investing in Individual Retirement Accounts (IRAs) and 401(k) accounts not only helps you prepare for your future, but can also increase your current take-home pay by lowering your taxable income. Here are ways your retirement financial plan can benefit from IRA and 401(k) investments.

### A 401(k) offers:

- Increased take-home pay by decreasing current taxable income
- Matched contributions by some participating companies/employers
- Easy manageability and savings from automatic payroll deduction
- Account management by investment professionals
- Accessibility to funds without a 10 percent penalty
- Ability to roll over contributions

For more detailed information regarding the 401(k) program, refer to the Internal Revenue Code Section 72(t) at [www.irs.gov](http://www.irs.gov).



### With an IRA, you can:

- Open and fund the account without employer participation.
- Delay paying taxes until retirement\* (when you will usually be in a lower tax bracket).
- Take a tax deduction on IRA contributions. Whether you get a deduction, and the amount of the deduction, depends on whether you or your spouse were covered for any part of the year by an employer retirement plan. It is also affected by how much income you had, your filing status, and by any social security benefits received. For more information, go to [www.irs.gov](http://www.irs.gov) to review Publication 590.
- Avoid paying the 10 percent penalty for early withdrawal if:
  1. You are buying or rebuilding a first home
  2. You are paying for qualified higher education costs
  3. You become disabled (as defined by the IRS)
  4. You die, leave or lose your job, and you're at least age 55
  5. You set up a schedule to take out "substantially equal payments" each year for life, based on your life expectancy
  6. Your unreimbursed medical expense payments are more than 7.5% of your adjusted gross income
  7. You are using it for medical insurance when you are unemployed
- Open with no minimum contribution (maximum contribution is \$3,000 per year or \$3,500 if you are 50 or older).

\* A Roth IRA offers tax-free growth, meaning you owe no tax when you take withdrawals in retirement. But, you are not able to deduct contributions. Also, if your modified Adjusted Gross Income is above a certain amount, your contribution limit may be reduced. For specific information, refer to IRS Publication 590.



## Max It Out

If your employer has a 401(k) investment plan and you are eligible to participate, contribute the maximum amount as soon as you can. These plans are the best way for most people to accumulate retirement savings, especially if your employer matches some or all of your contribution.

## Seeking Help

With proper planning and sound investing practices, you and your family will be well-prepared for the future. While some people thrive in planning their post-retirement portfolio, others are not as comfortable with the complexity of investing. If you need help, the Financial Planners Association ([www.fpanet.org](http://www.fpanet.org)) can help you find a financial planner in your area that can work with you before and during retirement.

## Selecting a Financial Planner

A professional financial planner can be useful as you identify and understand your options, and can help you develop, implement and monitor your retirement savings plan. As with any professional, you should use care in selecting a financial planner. Here are some guidelines.

Search for a certified planner.

Certification is not a guarantee of quality, but it implies that the planner has made a serious study of the financial planning field. In addition, the groups that certify planners keep lists of their local memberships and can give you names of and recommendations for planners in your area. Such groups include the National Association of Personal Financial Planners ([www.napfa.org](http://www.napfa.org)) and the International Association for Registered Financial Planning ([www.iarfc.org](http://www.iarfc.org)).

Seek out referrals.

Ask your friends and family for names of financial planners they recommend. Be sure to ask those who have financial needs similar to yours.

Know what you need.

It's important to have a firm grasp of your finances, wants and needs so you can decide which planner would be right for you.

Be cautious.

Beware of planners who promise unusually high returns or try to pressure you into making an investment. Check with the Better Business Bureau, Office of Consumer Affairs and the Securities and Exchange Commission to see if any complaints have been filed against any planners you are considering.

Ask for references.

Ask potential candidates for a list of clients who have worked with them for at least three years. Ask these clients about their experience and ways the planner can improve.

# Chapter 3

## Making the Most of Your Free Time

What will retirement look like for you? Fly fishing in a brisk mountain stream, endless games of golf on a sunny island resort or catching up on all the books you've been meaning to read? No time cards, no punch clocks, no deadlines.

While retirement brings freedom and opportunity, some retired people face boredom and depression. But it doesn't have to be that way. Remember, retirement is your time — and how you decide to spend it will significantly affect the quality of your retired life.

### Structuring Your Time

Surprisingly, the difference between the time in your working life and the time in your retirement life is not just the increased amount of free time, but also the decreased amount of structured time. A working life is very well defined, with each day dictated by the requirements, goals and tasks of the job. This is no longer the case upon retirement, when each day is defined and planned by you. Successful retirees take full advantage of this opportunity and restructure their daily schedule with a balance of recreation, commitments and relaxation.

### Free Time: Not for Filling, but Fulfilling

It's been said that staying active is good for a healthy mind, body and attitude. But this doesn't mean retirees should simply try to "keep busy." The key is to find activities that are just as satisfying and productive as the former job or career. So instead of "filling up" free time with things to do, you can achieve a successful retirement by structuring your days with meaningful and rewarding activities that make your time more fulfilling.

Many retirees find that such activities involve pursuing new endeavors that they had no time to do before. This is no surprise, as personal development is continuous even when the working life is not. No matter what age they are, people continue to grow intellectually and emotionally — and there is no better way to fuel this growth than to learn new skills and develop new interests.



## Staying Active

What you do with your retirement is up to you. Each person structures his or her time based on individual needs and ambitions. However, here are some things to consider:

**Work it out.** Retirement doesn't have to be an exit from work; it can be a revolving door. It's becoming more common for people to officially retire but continue working. Many of these retirees become part- or full-time consultants for their old employers, or for other businesses that fit their areas of expertise. Other retirees actually start new careers, and try their hand at the jobs they've always (or recently) dreamed of doing.

**Pitch in.** Many retirees devote a portion of their free time to volunteering in their communities. Churches, hospitals, schools, youth organizations, libraries, museums and other organizations need skilled volunteers for a variety of tasks — from answering phones to caring for shut-ins. Discover all the different possibilities through your local volunteer agencies, place of worship or newspaper.

## Overcoming Barriers to Employment

Whether the challenges are real or perceived, everyone has to overcome them to attain the right job. And the first step to resolving these barriers is simply to identify them. Once you understand what you're dealing with, you can usually reframe or rethink the barrier in a positive way.

**Competing with younger workers.**

Older people bring many assets that younger people may not have acquired: experience, skill, patience and a great work ethic, among others. What's more, studies show that older workers are more productive, have less absenteeism and tend to stay on the job longer (and don't job hop like their younger counterparts). Be sure to communicate to a potential employer your excellent work record, express your desire to learn new things and indicate your commitment to continued work.

**Overqualification.**

Some older workers bring such a rich employment history, they fear an employer will consider them overqualified. Keep in mind that the overqualification barrier results from an employer's estimation that you will not be satisfied with a less demanding job. Counter this by convincing a potential employer that you take the desired position very seriously.

**Advanced technology.**

Older workers are being hired in high technology organizations every day — especially after receiving the proper training. In today's rapidly advancing work environment, retraining every few years is a reality for all workers, regardless of age.

**Physical limitations.**

If you have any physical limitations, apply only for jobs where those limitations can be accommodated. It also helps to suggest ways to adapt your work environment to better suit your needs (such as changing a chair, taking frequent breaks, etc.). Emphasize to a potential employer your abilities rather than your disability.

**Learn new ropes.** Retirees can use their newly gained time to try new things they've never had the chance to do, whether it be writing or hang-gliding. Some even go back to school to earn master's and doctoral degrees, or to learn more about a specific subject like painting or computer programming.

**Get cultured.** Museums, theatres, cultural centers, park systems and community centers all offer courses for enrichment, focusing on a variety of topics from exercise to art to literature. Best of all, most of these activities are low-cost or even free.

**See the world.** Retirement allows for plenty of free time for travel. And traveling doesn't have to be expensive, thanks to motor homes, senior discounts and group tours that offer competitive prices. The best travel experiences are ones with a purpose, from visiting distant friends and relatives to experiencing a different country and culture. New retirees can also spend travel time in search of new places to live in their later years.

## A Family Affair

Whatever you decide to do, be sure to discuss your plans with your spouse and other family members, since your retirement will also affect their lives. Involving them in the time-restructuring process can help ensure that your retirement plan fulfills their needs and desires as well as yours.

For more information on employment, volunteer, and educational opportunities for retirees, check with the American Association for Retired Persons (AARP) at [www.aarp.org](http://www.aarp.org), Experience Works at [www.experienceworks.org](http://www.experienceworks.org), or the National Senior Service Corps at [www.seniorcorps.org](http://www.seniorcorps.org).



### Elderhostel: Combining Travel with Education

Elderhostel is America's first and the world's largest educational travel organization for adults 55 and over. This not-for-profit organization believes that learning is a lifelong pursuit that opens minds and enriches lives. They believe sharing new ideas, challenges and experiences is rewarding in every stage of life.

Each year, nearly 250,000 people participate in over 10,000 Elderhostel learning adventures in more than 100 countries. Activities range from studying art and literature; wildlife and marine research; camping, hiking and kayaking; and community service programs.

Elderhostel is a great opportunity to learn new things, explore the world and experience new cultures firsthand — all at a good value. For more information, call 1-877-426-8056 or visit [www.elderhostel.org](http://www.elderhostel.org).

# Chapter 4

## Deciding Your Living Arrangements

Where do you see yourself living in your retirement years? Will you still be in the same home, or perhaps move to that picturesque town you've always dreamed of? Or maybe you'll be trekking across the country in your own mobile home. These and other options await you.

### Housing Options and Alternatives

**Stay where you are.** This is especially beneficial if you are a homeowner who has either paid off or is close to paying off your mortgage. There's also the comfort of staying in a place filled with longtime, heartwarming memories.

**Purchase/rent a smaller home.** An increasing number of retirees are selling their family homes and moving into or renting a smaller one, using the leftover money from the sale as extra income.

**Move to an adult retirement community.** Adult communities offer activities, facilities and services that will help you well into your retirement and old age. Such communities include:

- **Age-restricted apartments**  
Apartments often encourage a simpler lifestyle, allow you to live closer to city areas, remove the need for home and garden maintenance, and free up financial resources for additional income or investment purposes. Age-restricted housing has the additional benefit of subsidizing — often 10 to 15 percent less than general occupancy rents. There are HUD and tax-credit programs that incorporate affordability criteria based on average county income and average county rent. This means that if you choose an apartment in a high-rent area, subsidies may help your actual payments be roughly the same as if you lived in a lower-rent area.



#### A Taxing Issue

Depending on your income and tax bracket, there may be tax issues associated with selling a large home and purchasing a smaller one (or renting a new home). Also, if your present home has appreciated by more than \$500,000, you may have to pay capital gains taxes. Check with a financial planner or tax specialist to get recommendations before you proceed.

- **Modular home communities**

Also known as “mobile home parks,” these communities are a popular, affordable way to move to a new location. Residents generally own the homes, while the lots are rented from a landowner or the community. Modular home parks offer the same services as standard housing, including water, trash collection, gas, electric and sewer. And such communities that are age-restrictive tend to also offer amenities, which are covered by part of the lot rental fee or payment to the community association.

Modular home communities also offer affordable, comfortable housing in the short term — great for seasonal residents who migrate to avoid hot summers and cold winters, or for retirees who want to “test the waters” in their search for a new locale.

- **Accessory unit housing**

This housing option is generally a smaller separate unit that is on land shared with a larger home that is owned by a separate family. These residences can be upstairs apartments, pool houses, separate small homes or rooms above garages with separate entrances. The main advantage is that the rent is often lower or exchanged for assistance in keeping up the main home unit. Commonly, these spaces are rented to related family members. This is ideal for retirees who need help with chronic medical conditions or want to stay close to relatives.

- **Continuing care or life care communities**

Continuing care retirement communities, or CCRCs, are a halfway point between an adult retirement community and the traditional retirement home. Residents live in their own homes, but the community is based around a health care group that provides on-site health services, meals and other amenities.

Entering a CCRC often requires signing a contract which states that the community will offer a home, a set of amenities and health care for the resident. In return the resident pays a one-time “purchase price” or “annuity” plus monthly service fees, which generally cover meals, transportation, housekeeping, laundry, health monitoring services, some utilities, 24-hour security, and other services as needed.



## Check the Fine Print

CCRC contracts can vary. Some may allow residents to pay for health care as needed and have a lower monthly fee. Others may not provide additional health care beyond basic services. Carefully read any contracts and have them reviewed by a lawyer or financial consultant before signing them.

To learn more about adult retirement communities in your area, check the phone book under “Retirement” or “Assisted Living,” or contact your local chapter of AARP, which you can find at [www.aarp.org](http://www.aarp.org).

## Deciding Where to Live

If you are thinking about moving to a new location, it would be good to do some preliminary research. Here are some things to consider:

**Climate.** While you may have a weather preference, there are also budget considerations. Living in warmer areas, for example, may lead to higher electricity bills from air conditioning, while living in cooler climates may result in higher heating costs. For climate data for most U.S. cities and towns, check with the National Climatic Data Center at 1-828-271-4800 or [www.ncdc.noaa.gov](http://www.ncdc.noaa.gov).

**Cost of Living.** For the latest data on the costs of housing, food, utilities, transportation, health care and other services in your new location, check the American Chamber of Commerce Researchers Association’s (ACCRA) cost of living index at [www.coli.org](http://www.coli.org), or contact ACCRA at 1-703-522-4980.

**Low Crime Rate.** The FBI’s annual Uniform Crime Reports present crime statistics for hundreds of locations in the United States. Visit [www.fbi.gov/ucr/ucr.htm](http://www.fbi.gov/ucr/ucr.htm).



### Extra! Extra! Read All About It!

Check local newspapers from the areas where you are thinking of moving to get a better idea of housing prices and important regional issues.

### Check with the Locals

Once you have a list of preferred retirement locations, contact the local Chamber of Commerce of each one and request a relocation packet. These packets should have information on health care services, employers, recreation opportunities, taxes and housing prices.



**Quality Medical Centers.** Check your public or university library for the latest health care guides, especially the *AHA Guide to the Health Care Field*, published annually by the American Hospital Association. This book provides detailed information on hospitals, health care systems, networks, alliances, and other health care organizations and agencies — all listed by state. Another good reference is *The Consumer Guide to Hospitals*, published by The Center for the Study of Services, which compiles hospital rating data from the federal government’s Bureau of Health Standards and Quality. You can also get hospital ratings from The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) at [www.jcaho.org](http://www.jcaho.org) (select “Quality Check” in the General Public section).

**Taxes.** Sales and income taxes can vary dramatically from state to state. The Federation of Tax Administrators has a wide variety of state tax information and forms available at [www.taxadmin.org](http://www.taxadmin.org). And of course, the Internal Revenue Service Web site ([www.irs.gov](http://www.irs.gov)) contains federal tax forms, publications, and general tax information, plus a “Tax Trails” feature that answers specific tax questions.

Whatever you decide, be sure to let your family know your plans. Your children or extended family may worry if you’re thinking of spending your retirement at a great distance. Talk to them about any concerns they may have, but don’t deny your dreams.

## Share and Share Alike

Shared housing involves two or more unrelated adults living in the same house, apartment or condominium. All residents have their own bedroom, but share the common areas such as the kitchen, living room, garage and family room.

While such “roommate” living situations are often thought of being for younger people, shared housing can make your retirement fulfilling. Besides the benefit of splitting rent and housing costs, this arrangement can offer companionship and security to single retirees. For more elderly adults, the mutual support of another adult in the home can help with daily living, as well as medical support.

If you are interested in a shared housing arrangement, there are agencies that can match homeseekers to available homeowners or home providers. These agencies screen, refer and introduce suitable applicants to the homeowner, making the process easy.



## Chapter 5

### Staying Healthy

No matter how much time and money you have to spend during your retirement, they will be difficult to enjoy if your health is poor. This chapter contains some simple, medically sound strategies you can follow now to maintain a healthy lifestyle well into retirement age.

### Maintaining Good Physical Health

**Exercise.** Regular exercise can help you control your weight, improve your cardiovascular health and improve your strength. In fact, people who exercise into old age are far less likely to become frail or suffer from osteoporosis. Exercise can also make you feel better as well as look better. Exercise has been proven to help reduce stress and even ward off symptoms of mild depression.

Retiring from work may make you less active — so try to make exercise a regular part of your life. Choose an exercise activity you enjoy, whether it's brisk walking, bike riding, swimming or mountain climbing. Try to exercise for at least 20-30 minutes, three to four days a week. Find an exercise partner — exercising with a friend or family member makes it a more enjoyable experience and helps you stick to your routine. If you have a medical condition or have not been exercising on a regular basis, you should consult your physician before starting a new exercise program.

**Eat right.** As people age, their bodies need more vitamins and minerals, so eat lots of fruits and vegetables. Men and women in their fifties are also at the highest risk of becoming obese than at any other time of their lives — which can lead to greater chances of developing heart disease. You can control your weight by eating a diet high in whole grains and cutting back on fat, fried foods and red meat. You should also keep your salt intake low to help prevent high blood pressure, and cut calories to reduce your risk of diabetes. Consult your physician regarding your changing nutritional needs.

### Supplemental Information

Although studies have shown that most Americans don't get enough essential vitamins in their diet, it's good to talk with your doctor before taking supplemental vitamins.

**Develop healthy habits.** Research has shown that smoking can lead to potentially life-shortening and life-degrading health problems, including cancer, emphysema, heart disease and ulcers. If you smoke, try to quit. If you drink alcohol, do so in moderation.

**Get an annual physical.** Your doctor should also conduct cholesterol tests and colon examinations, mammograms and pap smears (to detect cervical cancer) for women, and prostate exams for men.

**Keep immunizations up-to-date.** Many seniors get a flu shot once a year. You should also get a tetanus shot every 10 years. And after age 65, it's good to get a one-time pneumococcal vaccination to prevent pneumonia. Discuss your need to have these vaccinations with your physician.

## Take Care of Your Mental Health

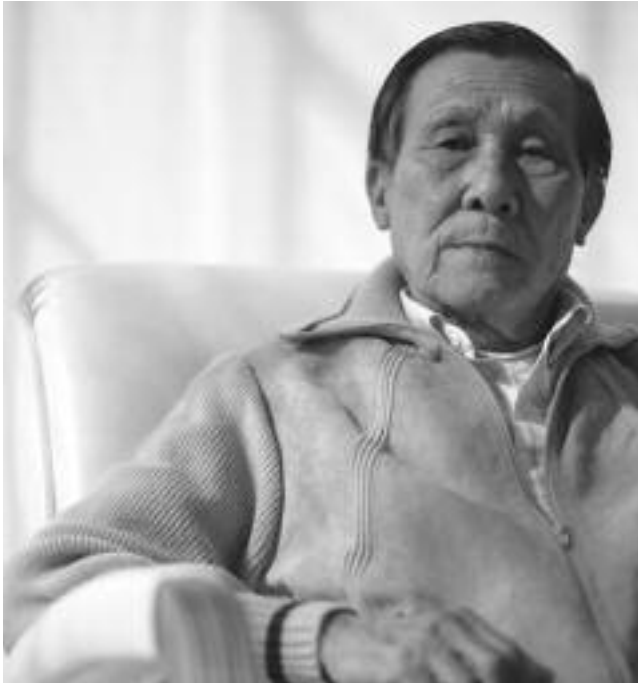
Leading a healthy life is more than exercising and eating right. It's also about maintaining your mental well-being. Studies show that emotional fitness is just as important as physical fitness in keeping healthy in later years. Here are some tips to staying mentally fit:

**Keep your mind active.** As mentioned in Chapter 3, many seniors have gone back to school to earn higher learning degrees or learn new skills. Others have pursued interests in art, music and theatre. These activities are not just good pastimes but great mental exercises.

**Control stress.** Long-term stress can potentially cause hypertension, as well as affect the immune system, cholesterol level, cardiovascular system and digestive system. So take steps to relieve the stress in your life. Talk with someone you trust about things that are bothering you. A hobby, a sport or spending time with family can take your thoughts off your worries for a while. Simplifying your schedule and limiting the number of daily commitments can also take some of the edge off a potentially stressful day. In fact, take time out every day to do nothing but relax.

**Stay social.** It's easy for retirees to get lonely without the social structures provided by their former jobs. So be sure to keep in touch with your old colleagues, as well as other friends and family. You can also expand your social circles by getting involved with your community or place of worship. And you can be social at home by getting a pet, a true source of pleasure and companionship.

**Be positive.** Take satisfaction and pride in your achievements and activities. Dwelling on shortcomings drains mental energy and creates more stress. Try to see the positive aspects of events and people.



## Dealing with Depression in Later Life

Everyone feels sad or blue now and then. But when feelings of sadness and grief persist over time, it may be a sign of clinical depression. Despite what people believe, depression is not a normal sign of aging. In fact, clinical depression can be treated at any age with the many effective medications and treatment strategies available today.

Depression among older people is often overlooked or misdiagnosed, so it's important to be aware of possible warning signs of depression. While no two people have the same experience with depression, the most common symptoms include:

- Prolonged feelings of sadness and hopelessness — even after talking about problems with family or friends
- Feelings of anger
- Mood swings
- Lack of interest in things you usually enjoy
- Changes in eating habits
- Sleeping problems

If you or someone you know is dealing with chronic depression, it's best to seek professional counseling. Asking for help is never a sign of weakness or failure — especially in situations that are just too difficult to handle alone.



## Health Plan Considerations

Health insurance and managed care plans are crucial to help control your health costs in later years. Here are some options to consider:

**Employer Benefits.** Check with your employer to see if it offers health plan coverage for retirees, and if so, see how the premiums, coverage and copayments differ from those of active employees.

**Individual Health Insurance.** You can also purchase an “individual” policy, which can cover your whole family. “Individual” simply means that the insurance is not connected to a business. It’s good to shop around and know exactly what you want your policy to cover. For example, if you want a comprehensive plan and don’t want a lot of out-of-pocket expenses, an HMO provides a very cost-effective way to cover you. You can save money with a policy that covers only catastrophic illnesses, but you’ll have to pay for every routine doctor’s visit and lab test in full. It may help to consult with an independent insurance agent to sort through your options and find the policy that’s right for you and your family. Consulting with an agent on insurance costs and out-of-pocket expenses is particularly important if you plan to retire before you are eligible for Medicare or Social Security.

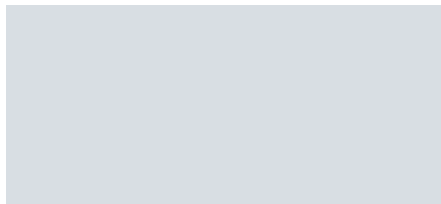
**Medicare.** At age 65 or older, you will be eligible for Medicare, a federal health insurance program that covers hospital and physician costs. However, Medicare pays for much of but not all of the costs of acute care, and usually doesn’t cover long-term care or medications.

**Medigap Insurance.** You can also purchase a Medigap policy, additional health insurance that will pay some of your Medicare out-of-pocket costs and may fill other gaps in coverage, such as outpatient prescriptions or preventive care. Medigap policies are offered by private insurance companies, but are regulated by both state and federal government. There are 10 standardized Medigap policies (Plans A through J); your benefits will depend on which policy you buy, and some policies are not available in all areas. While some plans may offer limited coverage for home health care, Medigap policies do not cover long-term care in a nursing home.

**Medicare+Choice Plans.** As an alternative to traditional Medicare supplemented by a Medigap policy, these managed care plans have a contract with the government to provide members with the full range of Medicare services plus additional benefits like prescription drug coverage. Members can also select an HMO, PPO and other managed care options.

*To find out more about Medicare options for health care, contact your local State Health Insurance Assistance Program (SHIP) at 1-800-677-1116.*

**Long-Term Care Insurance.** These insurance plans help cover the costs of in-home care, nursing home stays and other assisted living programs in case you need them. Premiums are less expensive when the policy is purchased at a younger age, and rise dramatically after age 75. Long-term care insurance plans can be very complex, and are not ideal for everyone.



# Chapter 6

## Legal Considerations: Advance Directives and Estate Planning

### Advance Health Care Directives

Advance directives are legal documents that express your personal wishes about health care and treatment in the event that you become unable to make your own health care decisions. The two most important advance directives recognized by health care providers are the living will and the durable power of attorney for health care.

#### Living Will

A living will is a document that states your wishes regarding life-sustaining measures or other medical treatment should you become unable to speak for yourself. It can also specify whether surgery should be done, pain medication administered and organs donated.

You do not need an attorney to prepare a living will, but legal advice may be helpful to assure compliance with state statutes. And you can change or revoke your living will at any time. Keep in mind that living wills are not considered legal documents in all states.

Once you complete your living will, provide copies to your doctor and other health care providers, as well as family members and trusted friends so they will know their roles in case of extreme circumstances.

#### Durable Power of Attorney for Health Care

A durable power of attorney for health care lets you appoint an individual (called a proxy) to make all of your health care decisions for you in case you become incapacitated. The person you choose as your health care proxy should understand and respect your personal wishes about medical treatment.

Since you must be mentally competent to execute the health care power of attorney, the document should be drawn up as early as possible to avoid later difficulties should your judgment become impaired. You are assumed to be mentally competent unless a court ruling states otherwise.

## State Your Partner

If you are not married to your life partner, health care providers may not recognize your relationship. To ensure your partner can visit you in a hospital or make medical decisions on your behalf, have the advance directives spell out whom you consider to be “family” or “next of kin.”

## Talk with Your Family

End-of-life decisions are painful to think about and thus can be difficult to discuss with your family. But even if no one wants to talk about it, it’s important that you do so — especially if some family members won’t be happy with the decisions you make. By talking about these issues beforehand, your family will better understand your wishes, and should respect and carry out your choices.

## Estate Planning

Estate planning is an integral part of preparing for retirement. We don’t like to think about death, but it’s to your advantage and your family’s to be financially prepared because the issues surrounding one’s death can be expensive and complicated. Whatever you own (property, stocks, bank accounts, insurance policies, etc.) at the time of death is deemed your estate. An estate plan can help alleviate financial and emotional stress on a surviving spouse and loved ones. The following sections cover important documents to include and consider as part of your estate planning.

## Will

Many people feel that they don’t need a will because they are not rich, do not own a house, or have a lot of property. They’re wrong. Everyone needs a will. It’s the only way to make sure that whatever assets you do have will be given to the family members or other people you choose. This document also specifies who will settle your financial affairs and who would provide for any children under your care. Without a will, the state will make all of these decisions for you.

Writing a will doesn’t have to be complicated. And once it’s done, you can rest a little easier knowing that your wishes are legally documented and will be followed after your death. The following steps will start you on your way:

**Take inventory.** Put together a list of your assets — house, car, investments, valuables — so you can decide who gets what. All assets should be mentioned in your will, but you can use a “residuary clause” (a catchall statement like, “I give the remainder of my estate to . . .”) to address minor items without specifically having to list them.



## A Matter of Record

As you do your estate planning, it's good to get your financial and personal records in order. Gather these records in two files for easy access.

Your personal records file should include:

- Your full legal name
- Social Security number
- Address (residential and mailing, if different)
- Date and place of birth
- Names and addresses of spouse and children (or location of death certificate if any are deceased)
- Location of your will or trust
- Location of birth certificate as well as certificates of marriage, divorce and citizenship, if applicable
- List of employers and dates of employment
- Education and military records

Your financial records file should contain:

- Sources of income (pension funds, interest income, etc.)
- Your Social Security and Medicare information
- Investment information (stocks, bonds, property)
- Insurance information (life, health and property) with policy numbers
- Bank account information (checking, savings and credit union)
- Location of safe deposit boxes
- Copy of your most recent income tax return
- Debts you owe, to whom, and when payments are due
- Mortgage and property tax information, including how and when they are paid
- Credit card account names and numbers
- Location of jewelry and other personal valuables
- Names and addresses of close friends, relatives, doctors, lawyers and financial advisors
- Location of your living will as well as preferences or prearrangements for burial

Select a family member or trusted friend to know the location of your records and all important papers and documents. You don't have to reveal the contents of these documents to the person at this time.



List your liabilities. Outstanding debts are usually paid by your estate before anyone gets any money. Try to clear up any debts that may cause a problem, or at least make provisions for paying such debts in your will.

Name your beneficiaries. These are the people and/or charities you choose to receive your money and possessions. Be specific and state each beneficiary's full name as well as his or her relationship to you (spouse, child, uncle, friend) to prevent any confusion or challenges to your will.

## Note on Joint Ownership

Don't assume that property held by husband and wife is automatically jointly owned. Except in "community property" states, only property in which the surviving owner has the right of survivorship is considered to be held jointly.

Unmarried partners have fewer legal protections than married couples and should make sure that all property is in both partners' names.

Pick an executor. An executor makes sure your will is carried out as you've specified. This person is responsible for more than just distributing your belongings. He or she will also manage your estate to pay any remaining debts and taxes, deal with any legal issues or disputes, notify Social Security and other interested parties of your death, even cancel your credit cards and magazine subscriptions. Choose a reliable person that you trust to fulfill this duty — either a friend, relative, or an attorney or trust company (in which case, plan to pay a fee).

Choose a guardian (if applicable). Nominate someone to care and provide for your children (under 18) in case the other parent/legal guardian is unavailable. This decision will take a lot of thought, and you should discuss possibilities with your family so both you and the children are comfortable with the person(s) you choose. Talk to the candidate ahead of time and be sure he or she is willing and able to assume the responsibility.

After choosing a personal guardian for the children, you will need to select a property guardian to manage the children's inheritance until they become legal adults. It's best to choose the same person for both, but you can appoint someone else.

Draft your will. For basic wills in which you have few assets that you want to bequeath to your spouse, children or parents, you can easily create a will with a software program like Quicken Lawyer or WillMaker. There are also simple how-to books, such as *Nolo's Simple Will Book*, which contain preprinted forms, as well as Web sites such as [www.legalzoom.com](http://www.legalzoom.com) that allow you to draft a will online.

Even if you complete the will yourself, it's good to have a lawyer review it to be sure you've covered all the basics. You should also consult a lawyer if you have complex finances or expect to leave over \$1 million in assets. A lawyer who's an expert in estate planning can discuss tax-saving strategies and other options.



## The Power of Print

It's best for your will to be typewritten or computer-generated. There are handwritten wills, known as "holographic" wills. However, such wills tend to invite questions of legitimacy, which may be why they are not recognized in several states.

**Sign your will.** You must date and sign the will in front of two (or in some states, three) witnesses. The witnesses you select should not be beneficiaries named in your will. The witnesses need to sign the document as well. Although you don't have to, it's a good idea to have your will notarized. It can help prove the validity of the will if there is any dispute.

**Keep it safe.** Place your will in an envelope with your name and the word "Will" typed on it. Store the envelope in a fireproof metal box, file cabinet or home safe. You can also use a safe deposit box, but first check the bank's policy concerning accessing the box after your death. Wherever you keep your will, make sure your executor knows where to find it.

## Living Trust

A living trust is a legal arrangement where you, the trustee, hold legal title to money and property that will be transferred to another person, called a beneficiary. Like a will, a living trust lets you control who receives your assets after you die, but it also allows you to hand over the management of your assets to someone else if necessary.

What's more, unlike with a will, the property you leave through the trust doesn't have to go through probate, the legal process of validating a will and supervising the distribution of assets to beneficiaries. Instead, the person you select to handle the trust after your death (called the "successor trustee") simply transfers the ownership of the property to the beneficiaries you named in the trust. This is the biggest advantage of making a living trust, as the probate process usually takes time and money (in court and legal fees). Probate can last for months and may cost up to 5 to 10 percent of your estate's value. With a living trust, the process of distributing your assets usually takes just a few weeks, with no lawyer or court fees. Once all of the property has been passed to the beneficiaries, the living trust no longer exists.

Another advantage of a living trust is that it can provide you with more privacy than a will, which becomes public when it's registered with the courts in probate.

There are some disadvantages to setting up a living trust: it can be expensive, there is quite a bit of initial paperwork to fill out, you may need to revise title documents on some property you transfer into the trust, and refinancing property that is in the trust may be difficult. It would be good to check with a lawyer to see if a living trust is right for you.

## A Trust Alone May Not Be Enough

Even if you make a living trust, it's still good to have a will — especially if you need to designate a guardian for any children under your care (which a living trust cannot do). Living trusts are also very specific, and any property you acquire that isn't transferred into the trust will not be included — which means the state will decide to whom it will go. However, you can use your will as a back-up document by including a clause that names a specific person or persons to receive any property that you haven't left to anyone else.

## Power of Attorney

A power of attorney is a legal document that allows another person to make decisions or take actions for you, should you become unable to do this yourself. It's an easy way to arrange for someone you trust to pay bills, deposit checks, file your taxes or handle insurance and benefits paperwork on your behalf. Without a power of attorney, your family members may have to ask a court for the authority to handle your affairs (particularly financial ones) if you become incapacitated.

A power of attorney can be broad ranging (allowing another person to handle all of your financial affairs, for example) or specific (only allowing another person to sign a certain document). A power of attorney can also be “immediate” (which means it's effective as soon as it's signed and notarized) or “springing” (which means it goes into effect under a certain condition, such as being out of the country or becoming suddenly disabled). In any case, it's important to specify that your power of attorney be “durable.” If you don't, it will automatically become invalid if you become disabled or incompetent. A durable power of attorney (DPOA) enables you to designate someone to act on your behalf specifically in the event that you become disabled or incapacitated.

Writing up a power of attorney can be easy, as Web sites such as [www.nolo.com](http://www.nolo.com) and [www.legalzoom.com](http://www.legalzoom.com) have simple online forms you can fill out. However, some banks and brokerage companies have their own durable power of attorney forms. In either case, you will need to sign the form in front of a notary public, as well as some witnesses if state law requires it. Your state may have some other requirements for you in order to make your power of attorney legal and valid, so it's a good idea to get legal assistance in creating your power of attorney document.

## Other Things to Consider

**Payable-on-death account.** You can also avoid probate by signing a form that designates an heir to all monies in your bank account(s) at the time of your death. Your bank can provide this form to you. Also, in 29 states you can do the same thing for any securities you may have. Ask your broker if the state in which you live has adopted the “Uniform Transfer-on-Death Securities Act.”

**Term life insurance.** This type of insurance is fairly inexpensive and can help your family replace your income for a specified period of time if you die.

**Estate/gift taxes.** As of 2007, gifts of up to \$12,000 per year, per recipient are tax-free. Gifts larger than this amount are subject to a gift tax. Keeping under the limit is one way to distribute your assets to your heirs and decrease estate taxes after your death. Also, gifts that directly pay tuition, medical expenses or donations to a tax-exempt organization are exempt from paying estate taxes.

For further information on advance directives and estate planning, consult an elder law attorney.



## Hiring an Attorney

Whether it's for estate planning, elder law, Medicare cases, or a general legal issue, finding a good lawyer is not too difficult. You can simply ask your family and friends to recommend an attorney they have used and would use again.

However, choosing a good lawyer that's right for you can be a challenge. Even with a good referral, you need to check both the attorney's expertise and your comfort level. You can start by calling the referred lawyer on the phone, briefly describe your legal issue, and find out if he or she handles your type of situation. You'll also want to ask:

- How long have you handled cases similar to mine? What was the overall result?
- What do you usually charge to handle this kind of case?
- Do you charge for an initial consultation? (Most charge a nominal fee; others may provide a free session.)

If you are comfortable with the responses you get, then you should schedule an appointment for an initial consultation before making your final selection.

This appointment is an opportunity for you to get to know the lawyer and see how he or she works. After you describe your situation in detail, the attorney should be able to list your rights and legal responsibilities, as well as legal options (and alternatives) for resolving the issue. The lawyer should also explain exactly what he or she can do for you and how much it will cost. Feel free to ask the lawyer to explain the costs and the likely results of your case.

After the initial consultation, ask yourself:

- Did the lawyer listen to me?
- Was the lawyer concerned about me and my situation?
- Did the lawyer seem knowledgeable?
- Do I understand all my legal and alternative options and the possible results of each?
- Has the lawyer stated all fees and costs?

If you decide you want to hire the lawyer, request a written fee agreement before you proceed.



# Retirement Planning Conclusion

## More Information

While this Retirement Guide covers general issues regarding retirement, you'll also find additional information and tools at [www.liveandworkwell.com](http://www.liveandworkwell.com). Log on with the access code provided by your human resources department.



