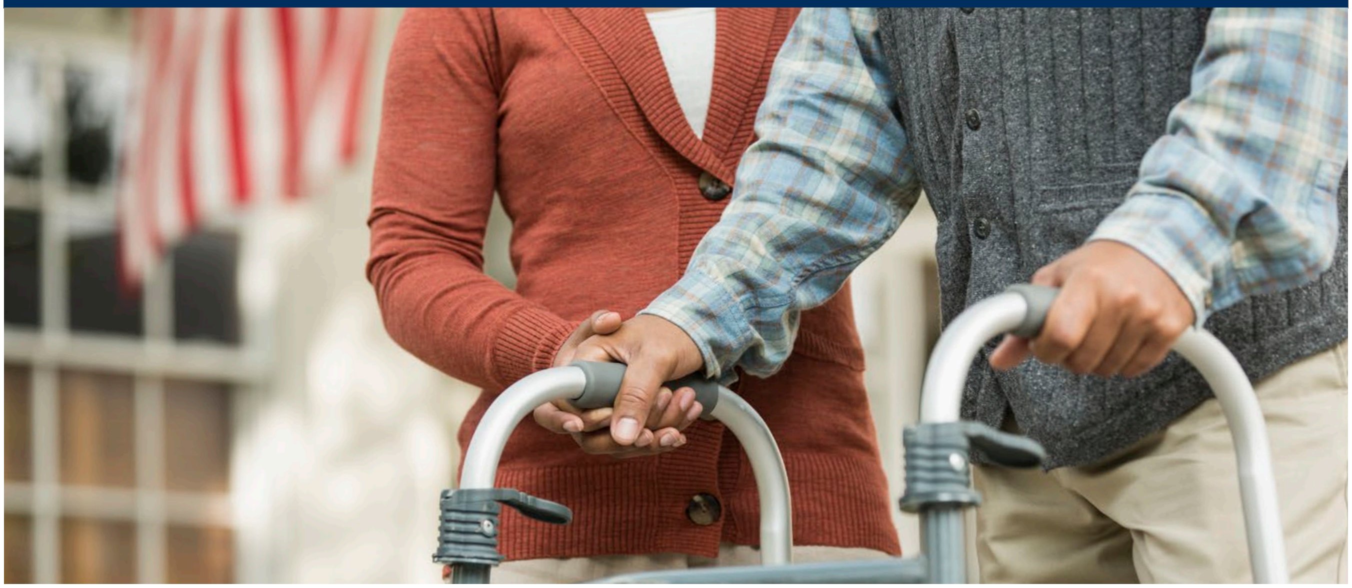
FINANCIAL JOURNEYS

FINANCIAL & RETIREMENT PLANNING FOR LIFE



Big questions about care

Ask yourself the hard questions to determine if long-term care insurance is the answer

The thought alone may be uncomfortable. The need for someone to step in and help you while you're at your most vulnerable. But statistics show the majority of us – some 70% – will need long-term support in our later years. We may need someone to make sure we take our medicine properly and help us get ready for the day – brush our hair and get us dressed. One-fifth of us will need this type of care for five years or more. And, yet, very few of us plan for this eventuality.

While there are multiple ways to pay for long-term care, some feel a sense of comfort having a long-term care insurance policy. Just like any policy, you're hoping for the best as you hand over your money. Another option, which might make sense for some, is to have a cash reserve or line of credit available should the need arise. You and your family will take on the risk and responsibility instead of an insurance company. The idea has potential, but you should talk to your advisor first, so you fully understand what to expect and prepare for.

Long-term care insurance is purchased privately, so it will require shopping around. Your advisor has specialized tools

> The majority of individuals express the desire to remain in the comfort of their own homes. **Having 24-hour care can cost as much as $200,000 per year.**

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Big questions about care (cont.)

that can help you narrow down the field based on what you think you want. Know that your health history will play a big part in what kind of coverage you can obtain and how much you'll pay for the benefit. The healthier you are, the better, of course. Your coverage will be less expensive, but you might also need care longer if you're likely to live longer.

Just like the insurance company is determining their risk, you should weigh the cost of the long-term care policy premium with the benefits of having a policy. These might include getting a quality of long-term care that you couldn't otherwise afford or having peace of mind that you'll be cared for a certain way.

Before purchasing long-term care insurance, here are some questions to ask.

WHAT LIFESTYLE DO YOU WANT?

To determine the cost of care and help you weigh the benefits and considerations of an insurance policy, decide what your expectations are for long-term care. Would you prefer around-the-clock care at home because it gives you comfort knowing you won't have to uproot, or do you like the idea of a private room in an assisted living facility so you have your space but you're surrounded by companions and activities to keep you busy? Costs vary greatly for different types of care and even across facilities and locations. So, knowing what you want will go a long way in determining what resources you will need.

WHAT'S THE RIGHT AMOUNT?

If you have family members who are willing to be caretakers or you're able to pay for some long-term care services out of pocket, you'll want to consider this when looking at policies. Typically, you can decrease coverage once you've been accepted, but it is more difficult to increase coverage if additional health issues arise. Talk to a professional who has helped other clients with long-term care planning and will be able to run hypothetical scenarios to make sure you have the coverage you need – not more or less.

WHICH POLICY IS BEST?

Every policy has its nuances. What's best will surely be a matter of determining what's best for your specific needs. If you're comparing policies, be sure you understand the differences. Some may pay only for room and board in a facility, but you'll be expected to come out-of-pocket for medications, linens and other supplies, for example. Others cover more. According to AARP, traditional long-term care insurance policies have become less attractive than permanent life insurance and/or annuity policies that provide long-term care benefits that you can withdraw from for your care needs. Take a look at all of your options and think about the type of care you may need.

WHEN SHOULD YOU BUY?

The average age of those buying a policy is 60. Typically, it costs less to buy when you're younger, although factors like your health history also determine price and should help guide your decision about what timing is right.

TALK TO A PROFESSIONAL.

Before you decide to buy a long-term care insurance policy, sit down with your advisor and review your entire financial picture. It's important to determine how much care you may be able to afford out-of-pocket and how your lifestyle expectations will affect that. And if you decide to buy a policy, you'll want to make sure you can afford it over time, as your income and life expenses change.

WHAT GIVES YOU PEACE OF MIND?

The bottom line is that you should make a long-term care plan that puts you at ease – and this may or may not include a long-term care insurance policy. Whether you decide to purchase long-term care insurance or not, you should have a plan for your care and have communicated it to your family. This is key to achieving the quality of life you expect and deserve as you age. ■

NEXT STEPS

Before buying a long-term care insurance policy:

- Determine your expectations for long-term care
- Consider the value of reducing the stress on your family members/caretakers
- Compare several options to pay for long-term care, including long-term care insurance
- Review your long-term care expectations with your financial advisor

Sources: raymondjames.com; Raymond James research; longtermcare.acl.gov/; thebalance.com; aarp.org; morningstar.com

The Blue Zone guide to life

Nine secrets of successful centenarians

People are growing older – and bolder – in "Blue Zones" where residents of these areas disproportionately live beyond 100, at rates up to 10 times higher than other places. Blue Zone residents – across cultures – offer the rest of us insight into living longer, better lives. Here's what researcher Dan Buettner learned from them. Chances are we can learn something, too. And it's a good bet that we will live longer than the generation before us. The 85 and over population is projected to more than double from 6.4 million in 2016 to 14.6 million in 2040, according to a 2018 study by the Administration for Community Living and the Administration on Aging.

1 **Hold loved ones in esteem:** Family comes first, which means keeping aging parents and grandparents nearby or in their home, committing to a life partner and investing in children with time and love.

2 **Have a sense of purpose:** It's worth up to seven years of extra life expectancy, according to Buettner.

3 **Find your tribe:** The world's longest-lived people are born into, or choose, social circles that support healthy behaviors.

4 **Move naturally:** Each Blue Zone culture has low-intensity physical activity built into their everyday lives. Okinawans socialize and dine while seated on the floor, getting up and down dozens of times a day. Sardinians walk up and down cobbled streets to visit neighbors.

5 **Shed stress:** It's vital to decompress the body and mind with downtime (even for just 15 minutes) to help ward off nearly every major age-related disease including Alzheimer's and cardiovascular disease.

6 **Eat just enough:** People in these zones eat their smallest meal in the late afternoon or early evening and don't eat any more for the rest of the day.

7 **Choose a diet with a "plant slant":** Centenarians embrace a plant-based diet with plenty of vegetables and beans, including fava, black, soy and lentils. Meat – mostly pork – is eaten on average five times each month, with servings about the size of a deck of cards.

8 **Sip some wine:** People in all Blue Zones (except Adventists) drink alcohol moderately and regularly, enjoying one to two glasses each day with friends and/or food.

9 **Belong, and stay connected:** Most of the centenarians interviewed by Buettner belonged to a faith-based community. Attending faith-based services four times a month can add four to 14 years of life expectancy. ■

NEXT STEPS

Many of us want to live as long as possible. Consider:

- How you want to live as you age
- Discussing – openly and honestly – what your wishes are with your family
- Realistically planning for your long-term care needs
- Thinking of novel ways to stay connected to the important people in your life

Sources: New York Times Magazine; bluezones.com; nytimes.com; shiftyourfamilybusiness.com; girlboss.com; MIT AgeLab; cdc.gov; cnn.com; Cardinal & Gray Society; Hartford Funds, "The Quality of Life"

Income and taxes

Not all income is equal under tax rules

The federal tax system is not exactly straightforward. There are myriad deductions and credits, various tax brackets, additional payroll and Medicare surtaxes, and a slew of different categories to help us define our income … for tax purposes.

You'd think there'd be only two: regular income and investment income. Regular income would be what you get in your paycheck, and investment income would be the money you earn from investments. But even something as seemingly simple as investment income has subcategories, each taxed differently from the next. Let's break it down.

INTEREST INCOME

There are certificates of deposit and high-yield savings accounts (rare these days), and bonds. Interest income becomes part of your regular income and is generally taxed at your marginal rate during the year in which you receive it, even if it's reinvested. This is what gets reported on your 1099-INT forms.

CAPITAL GAINS

When you sell a security, any positive difference between what you paid and what you earned is called a capital gain. If you bought 1,000 shares for example, at $14 each and sold them for $20,000, you'd have a $6,000 gain that would be subject to taxes. For most people, securities held over a year (long-term capital gains) will either incur a 0%, 15% or 20% tax. Short-term capital gains are taxed at your ordinary income tax rate.

DIVIDENDS

Dividend income is derived from equities that pay shareholders dividends on a regular basis. Qualified dividends are treated to the same preferred rates as long-term capital gains.

RETIREMENT INCOME

Withdrawals from traditional IRAs, 401(k)s or annuities and pension income are typically taxable, while withdrawals from Roth IRAs or employer-sponsored plans funded with after-tax contributions are not taxable. But some subcategories are trickier. If you make more than $25,000, or $32,000 if married filing jointly, up to 85% of your Social Security benefits will be taxed. Income from an immediate annuity is taxed if the annuity was purchased with money that has never been taxed, say in an IRA. Interest income from municipal bonds is generally exempt from federal taxes, but it could still be subject to state or local income taxes, alternative minimum tax, or partial taxation of the income in certain instances.

These examples are merely guidelines. It's important to remember that taxes aren't the only thing to consider. Your personal tax and financial advisors can help you select appropriate income-generating securities for your needs and determine your exact tax liability. ■

NEXT STEPS

As you plan for what taxes you'll pay on your investments, start by:

- Understanding the different types of income
- Considering your entire investment portfolio
- Asking your advisor about the tax liability for each of your investments

Raymond James does not provide tax services. Please discuss these matters with the appropriate professional.