

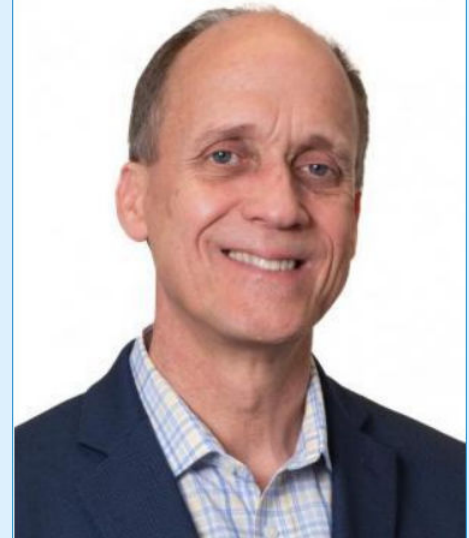
Indicators that things may not be all golden

By Len Hayduchok • July 18, 2022

In the golden years of retirement, southern Delaware residents should be out enjoying the parks, drinking in the beautiful weather and exploring the coastal communities. However, worry over money is far too common a concern.

There are many potential concerns about financial stability during retirement, including maintaining the same standard of living throughout life without running out of money, getting sufficient returns from investments without getting wiped out if the stock market crashes, and minimizing taxes on income and investments.

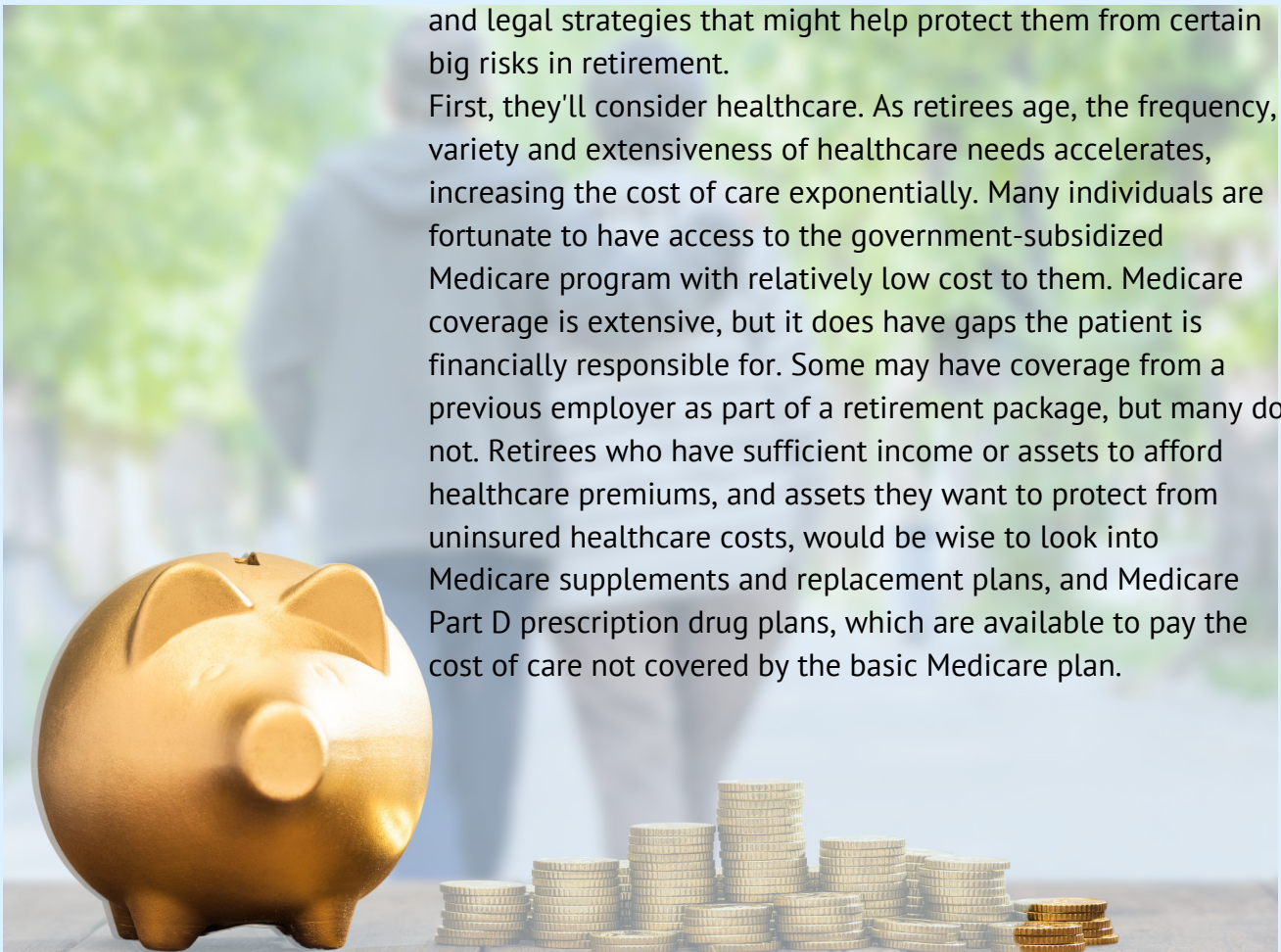
Running out of money in retirement is a recurring fear, but with a little know-how, retirees can minimize their risk. Since this is such a big deal, retirees can look at certain insurance products



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and legal strategies that might help protect them from certain big risks in retirement.

First, they'll consider healthcare. As retirees age, the frequency, variety and extensiveness of healthcare needs accelerates, increasing the cost of care exponentially. Many individuals are fortunate to have access to the government-subsidized Medicare program with relatively low cost to them. Medicare coverage is extensive, but it does have gaps the patient is financially responsible for. Some may have coverage from a previous employer as part of a retirement package, but many do not. Retirees who have sufficient income or assets to afford healthcare premiums, and assets they want to protect from uninsured healthcare costs, would be wise to look into Medicare supplements and replacement plans, and Medicare Part D prescription drug plans, which are available to pay the cost of care not covered by the basic Medicare plan.



Retirees also may consider their potential need for long-term care. This includes non-medical, custodial care they may need to help with daily activities of daily living that are not medical in nature, including ambulating (getting around), feeding, dressing and bathing, toileting or being incontinent. The need for long-term care can be physiological or brought about by cognitive impairment, but it may not be covered by traditional healthcare insurance and Medicare if it is not the result of a medically treatable condition. The need for long-term care increases with age, as does the cost of long-term care insurance and the likelihood that individuals are not insurable. At the same time, a retiree might not have sufficient income or assets in place to self-insure against this risk. Retirees can check their family history for Alzheimer's or other forms of dementia, and consider whether they have cared for a loved relative with long-term care needs, and whether their families have histories of longevity. Retirees must also consider whether they can afford the premium for long-term care insurance using pension income that will not continue to a spouse upon one's passing.



Retirees must consider the impact of death on their loved ones. In general, as retirees age toward and then throughout retirement, the financial impact of death on loved ones diminishes as income becomes less important, and investments become a more important financial component. Still, for retirees who have a spouse, a partner or children who rely on their income from pensions or Social Security, it's important to consider if there are sufficient assets in place to meet the needs of these dependents. When there aren't sufficient assets, life insurance may be an appropriate solution, even though the cost of insurance increases with age while insurability decreases. The most cost-

effective term life insurance solution is to insure the individual whose income is being relied on, only for the period of time until the survivor's life expectancy is short enough for assets that are in place to cover the survivor's needs for the rest of their life, or until dependent children can be expected to be financially independent. As a barometer, it may be beneficial to consider life insurance if financial security would be jeopardized by the passing of an individual or if a retiree's passing would create a financial hardship for a loved one, if there are insufficient assets to cover burial expenses (personal expenses or a dependent's), and if there is an outstanding mortgage on a residence that a retiree would like to have paid off upon the passing of whoever is paying the mortgage.

Retirees must review the risk of casualty, which is an event that has a detrimental outcome, often with an associated negative financial impact. The casualty can be caused by negligent actions that harm others, or events outside one's control that harm an individual or their property. Driving an automobile is potentially the largest source of liability and the single most valuable asset owned besides a home, that is subject to a loss beyond a retiree's control. It is essential for retirees to consider whether they are properly protected by home and automobile coverage for these valuable assets and protected from potential liability resulting from their negligence. Reviewing coverage is especially important when a retiree has a fairly valuable home or significant net worth, if their history of accidents and driving violations is unfavorable, and if they live in an area where natural disasters are not uncommon. Retirees would be well advised to look into their coverage carefully if they meet any of these criteria.

Lastly, retirees should consider liability. In this litigious society, lawsuits are commonly filed by individuals who believe they were financially harmed by the actions of others who acted negligently. It is important for retirees with significant net worth to pay special attention to this part, as well as for those who have an elevated exposure to negligence and being sued based on their lifestyle or activities, and for those at risk for long-term care needs. They should examine their comfort level with putting someone else in charge of their assets, which will no longer be owned or controlled by them.

Liability insurance can be purchased to protect one from claims against their assets. In addition to home and automobile insurance, a personal catastrophe policy, also known as an umbrella policy for the comprehensiveness of its protection, can be secured to cover above the limits of typical home and automobile insurance, and for actions that are unrelated to the home or car. Another strategy to protect assets from creditors is to place them in an irrevocable trust that the retiree doesn't control (because the retiree is not the trustee and someone else is managing the assets and affairs of the trust) and cannot receive gain from it (because the retiree is not the beneficiary). Assets that retirees properly place in an irrevocable trust are shielded from creditors because they are not able to make or receive distributions from the trust. They could also consider using irrevocable trusts for protection from costs related to long-term care by transferring their assets into a legal entity of which they are neither the trustee nor beneficiary. After the requisite period of time the assets are in the trust, retirees may be able to qualify for Medicaid and have the costs of long-term care paid by the government, most commonly in a nursing home.

This column is not intended to replace professional advice from a qualified and properly licensed insurance professional or counselor of law. To keep the big picture in mind, retirees should remember that comprehensive financial planning encompasses building future wealth and protecting existing wealth. While insurance and legal strategies are unlikely to be mastered by a financial advisor, it is advisable for retirees to consider an advisor with a fiduciary obligation to look after their best interests who is sufficiently knowledgeable about strategies to identify clients' needs and direct them to professionals who can implement those strategies.

Len Hayduchok is the director and owner of Dedicated Financial Services. As a fiduciary and Certified Financial Planner, he offers his wealth of experience to guide others through the mire of financial and retirement planning. As a Certified Life Coach, he pairs his financial expertise with a heart to help others who want to make the most of their retirement plan. Investment Advisory services are offered through SGL Financial LLC.