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Thanks to you, **our practice is growing** with the recent addition of Nancy McDonald. We hope you all have the chance to meet her soon.

The big news in our family is that Justin is getting married! Next June, he and Becky will tie the knot in Houston. Everyone else is doing fine.

As we approach Thanksgiving, we're reminded of how blessed we are to have you in our client family. Partnering with you to provide personal, thoughtful wealth management services is a true privilege.

Happy Thanksgiving! John & Dan.

November 2011

Long Term Care Insights.......and Cake!

Long Term Care Thoughts

We've all heard the horror stories of families watching a lifetime of savings become depleted in order to provide nursing care for Mom or Dad.

We spend a great deal of time working on this issue with our clients and suffice to say, there is no easy answer or "one size fits all" solution.

Long Term Care insurance, though theoretically sound, is **not the perfect solution** for many people. Indeed, despite a rapidly widespread recognition of the problem, only 7 million policies are in force.

While providing coverage for a potential long term care expense, the owners of these policies often experience unforeseen premium increases. Several insurers faced with the grim economics of the business, have even stopped offering the product.

The good news is that faced with 10,000 baby boomers turning 65 on daily basis, the insurance industry is beginning to create **new innovative products** .

For example, it's now possible to purchase life insurance with a rider that provides some long term care benefits. Similarly, there are a new crop of annuities being introduced that provide some long term care benefits.

We continue to look at these and other products and evaluate them based on efficiency and cost. To date, our conclusion is that there is **no perfect, affordable product.** While there has been some progress, most of these products are still expensive and overly complex.

As you know, we also maintain a healthy skepticism of insurance products, including annuities, that often prove to be a better deal for the advisor than the client.

We are committed to providing you with honest, unbiased advice and we don't care much for what other advisor's might think. **You deserve nothing less** .

Carol's Jewish Apple Cake

Now for something a little "tastier". Some of our clients have experienced Carol's made from scratch Jewish Apple Cake and have asked "how does she make it". Well, we got her to reveal the secret Stromberg family recipe:

Cake Batter - 3 cups flour, 2 cups sugar, 1 cup oil, 3 tsp baking powder, 1 tsp salt, 4 eggs, 1/2 cup orange juice.

1. Combine cake batter ingredients until well mixed.

2. Peel and slice 6 granny smith apples.

2. Combine 3 tsp of cinnamon and 1/2 cup of sugar in a small bowl.

3. Pour half of the cake batter into a greased and floured cake pan (with a tube in the center). Layer half of the apples on top. Sprinkle half of the cinnamon/sugar mix on top of the apples.

4. Top with remaining cake batter. Layer the rest of the apples on top and sprinkle with remaining cinnamon/sugar mix.

5. Bake in a 350 degree preheated oven for 1 hour and 20 minutes. Top will be golden brown when finished. **Enjoy!**

Long-Term Care Planning Is Important for Women

Women are more likely than men to face the need for long-term care without the help of their spouse. According to the United States Administration on Aging, 42% of older women were widows in 2010 and half of the women over age 75 lived alone (www.aoa.gov). And the Centers for Disease Control reports that over 70% of nursing home residents are women (www.cdc.gov).

The prospect of needing long-term care is an important, yet sometimes overlooked, part of financial and retirement planning. Yet it may be especially vital for women to consider as they often face the need for long-term care as both a caregiver and recipient.

Women as caregivers

While you may think most long-term care is received in a nursing home setting, the National Clearinghouse for Long-Term Care Information (National Clearinghouse) estimates that about 80% of care is provided at home by informal (unpaid) family caregivers. Of those caregivers, about 60% are women (www.longtermcare.gov).

In many instances, the care provided for chronically disabled older adults is quite intensive and time-consuming. Women who act as family caregivers of older people with high levels of personal-care needs may face considerable financial, emotional, and physical strain. For instance, caregivers may face financial challenges due to lost wages from reduced work hours, time out of the workforce, extended family leave, or early retirement. Reduced work hours or extended time out of work may also affect the ability to contribute toward retirement savings, potentially resulting in a loss of retirement income.

Caregivers also may face emotional strains and poor health related to their caregiving responsibilities. This may be especially true for older women caregivers and younger women who may be caring for an older family member in addition to managing their own household.

Women as long-term care recipients

According to the Centers for Disease Control and Prevention (CDC), women outlive men by an average of 6 years (www.cdc.gov). Because they tend to live longer, women are at a higher risk than men of needing long-term care (source: National Clearinghouse). And the National Clearinghouse reports that women, on average, need care over a longer time than men (3.7 years vs. 2.2 years). With a longer life expectancy and a greater likelihood of needing long-term care, women often must confront their long-term care needs without the help of their spouse or other family members.

Paying for long-term care

Long-term care can be expensive. An important part of planning is deciding how to pay for these services.

Buying long-term care (LTC) insurance is an option. Many LTC insurance policies pay for the cost of care provided in a nursing home, assisted-living facility, or at home, but the premium paid generally depends on the age of the insured and the policy benefits and options purchased. And premiums can increase if the insurer raises its overall rates. Even with LTC insurance, you still may have some out-of-pocket contributions in addition to premium payments. For example:

- Not all policies provide coverage for care in your home, even though that's where most care is provided. While the cost of in-home care may be less than the cost of care provided in a nursing home, it can still be quite expensive.
- Most policies allow for the selection of an elimination period of between 10 days and 1 year, during which time the insured is responsible for payment of care.
- The LTC insurance benefit is often paid based on a daily or monthly maximum amount, which may not be enough to cover all of the costs of care.
- While lifetime coverage may be selected, it can increase the premium cost significantly, and some policies may not offer that option. Most common LTC insurance benefit periods last from 1 year to 5 years, after which time the insurance coverage generally ends regardless of whether care is still being provided.

Government benefits provided primarily through a state's Medicaid program may be used to pay for long-term care. To qualify for Medicaid, however, assets and income must fall below certain limits, which vary from state to state. Often, this requires spending down assets, which may mean using savings to pay for care before qualifying for Medicaid.

Women may have to confront particular challenges when planning for long-term care. A financial professional can help with some of the complex issues you may face when preparing for the possibility of long-term care, both as a caregiver and a receiver of care.

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Factoring Health-Care Costs into Retirement Planning

Will living a healthy lifestyle reduce health-care costs in retirement? Not necessarily. While living a healthy lifestyle may aid in reducing annual health-care costs, that same lifestyle generally promotes longevity, which may translate to higher total health-care expenditures over a longer lifetime. The moral of the story is even if you're healthy, you still face illnesses and diseases, so don't wait until your health begins to fail to plan for these costs in retirement.

There are many factors to consider in determining how much you'll need to save in order to enjoy a comfortable and financially secure retirement. One often overlooked retirement expense is the cost of health care. You may presume that when you reach age 65, Medicare will cover most health-care costs. However, Medicare currently only pays for a portion of the cost for most health-care services, leaving a potentially large amount of uninsured medical expenses. Without proper planning, health-care costs can sap retirement income in a hurry, leaving you financially strapped.

How much will you need?

How much you'll spend generally may depend on when you retire, how long you live, your health status, and the cost of medical care in your area. But the costs can add up. You won't have to pay for Medicare Part A hospital insurance (unless you don't qualify and have to buy into the program), but you will likely pay either $96.40 or $110.50 each month in 2011 for Medicare Part B physician's coverage (although you may pay higher premiums based on income and other factors), and an average of $30 per month for Medicare Part D prescription coverage. In addition, there are co-pays and deductibles to consider (e.g., after paying the first $162 in Part B expenses per year, you pay 20% of the Medicare-approved amount for services thereafter).

The cost of health care is rising. The Centers for Medicare & Medicaid Services (CMS) reports that national health expenditures grew by 4% in 2009. And the CMS Office of the Actuary estimates that out-of-pocket spending is projected to grow at an average rate of 5% from 2015 through 2020.

What can you do?

It's clear that health care is an important factor in retirement planning. And while you may be able to buy a cheaper car, live in a smaller home, or take fewer vacations in order to stay within your retirement income budget, you can't do without necessary medical care. So what can you do? You can better prepare for these expenses by taking the following steps:

- Acknowledge that paying for health care in retirement is an issue to consider. Don't presume Medicare and Medigap insurance will cover all your expenses--they probably won't. Include potential health-care costs in your retirement plan.
- Evaluate your present health and project your future medical needs. That might be easier said than done, but taking stock of your overall health now and factoring in your family's health history may help you determine the type of care you might need in retirement. Are you currently being treated for high blood pressure or diabetes? Do you live a healthy lifestyle? Does heart disease run in your family?
- Understand what Medicare covers and what it costs. For instance, Medicare (Part A, Part B, and Part D) generally provides benefits for inpatient hospital care, medically necessary doctor's visits, and prescriptions. But Medicare doesn't cover everything. Examples of services generally not covered by Medicare include most chiropractic care, dental or vision care, and long-term care. You'll also have to account for deductibles, co-insurance costs for some services, and a monthly premium for Medicare Parts B and D.
- Consider the cost of supplemental insurance. Medigap plans are standardized policies sold by private insurance companies that pay for some or all of the costs not covered by Medicare. In addition to Medigap policies, other types of supplemental insurance include long-term care insurance, dental insurance, and vision insurance. The type and amount of coverage that's best for you depends on a number of factors, including how much premium you can afford, what benefits you need, your financial resources, your health, and your anticipated medical needs.
- Don't forget to factor in the cost of long-term care. The National Clearinghouse for Long-Term Care Information estimates that at least 70% of people over age 65 will require some long-term care services. Medicare does not pay for custodial (nonskilled) long-term care services, and Medicaid pays only if you and your spouse meet income and asset criteria.
- Save, save, save. You may have already begun saving for your retirement, but if you fail to include the cost of health care in your plan, you're likely leaving out a big expense. Your financial professional can help you figure out how much you may need to save and adjust your retirement planning strategies to account for potential health-care costs in retirement.

Trusted Financial Advisors Quaker Wealth Management, LLC

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Ask the Experts

I'm retiring to a state with no income tax. Can my former state tax my retirement benefits?

The short answer is "no."

In the past, several states enacted "source tax" laws that attempted to tax retirement benefits if they were earned in that state, regardless of where a taxpayer resided when the benefits were ultimately paid. For example, if you earned a $50,000 annual pension while working in California, and then retired to Florida, California would attempt to tax those benefits, even though you were no longer a California resident.

But, in 1996, a federal law was enacted (P.L. 104-95) that prohibited states from taxing certain retirement benefits paid to nonresidents. As a result, if your retirement benefits are covered by the law (most are, see below), only the state in which you reside (or are domiciled) can tax those benefits.

Whether you're a resident of, or domiciled in, a state is determined by the laws of that particular state. In general, your residence is the place you actually live. Your domicile is your permanent legal residence; even if you don't currently live there, you have an intent to return and remain there.

The law applies to all qualified plans (this includes 401(k)s, profit-sharing plans, and defined benefit plans), IRAs, SEP-IRAs, Internal Revenue Section 403(a) annuities, Section 403(b) plans, Section 457(b) plans, and governmental plans.

The law provides only limited protection for nonqualified deferred compensation plan benefits. Benefits paid from nonqualified plans that are designed *solely* to pay benefits in excess of certain Internal Revenue Code limits (for example, Section 415 excess benefit plans) are covered by the law. Also covered are nonqualified plan (for example, top-hat plan) benefits that are paid over the employee's lifetime, or over a period of at least 10 years.

Examples of benefits that are not covered by the law include stock options, stock appreciation rights (SARs), and restricted stock.