

# FINANCIAL JOURNEYS

FINANCIAL & RETIREMENT PLANNING FOR LIFE



## Four financially awkward questions

**Though you can ask your advisor anything, some topics are harder to bring up.**

In an age when you can Google anything, we often feel pressure to know all the answers. Which means asking certain things can make you feel a bit embarrassed. That's why we've gathered four common financially awkward questions (or FAQs, if you will) people are afraid to utter out loud. If you see your child's or grandchild's concerns reflected in some of these topics, feel free to share this article with them – but also know that your advisor can lend an ear as a neutral third party. You could even try a family meeting with your advisor as facilitator.

**What's the difference between a traditional IRA and a Roth IRA?**

You may know that an individual retirement account (IRA) is a savings account that comes with tax breaks, i.e., where you save for retirement and keep your stocks, bonds, etc. But you may want to better understand the difference between a traditional IRA and a Roth IRA. To tell the two apart, think of the classic candy Now and Later. With a Roth IRA, you pay taxes on the money you put in now; with a traditional IRA, you pay taxes on the money later, when you withdraw it. In both traditional and Roth IRAs, your money grows

tax-free while it's in the account. To help pick between the two, the question is this: Do you think your tax rates will be higher or lower in the future?

Each type of account has distinct advantages, though there's bad news for high earners – some aren't eligible for a Roth IRA because there are income limits (just under \$139,000 for tax year 2020 for singles and \$206,000 for those married filing jointly). You can always ask your advisor whether adding a Roth IRA to your retirement mix makes sense.

*(continued on next page)*

## Four financially awkward questions (cont.)

### How can I make sure I'm not a burden to my family as I age?

It's difficult to face our own mortality, let alone have a conversation about it. But making a plan for the care you will need later in life, as well as an up-to-date estate plan that clearly expresses your wishes, is an incredible gift to your loved ones – and to yourself. It's hard to put a price on knowing you have a plan to maintain your quality of life.

A good place to start is researching the local cost of long-term care (assistance with the activities of daily living, like bathing and eating), at [genworth.com/costofcare](http://genworth.com/costofcare). This can give you an idea of how much money you need to have set aside for these costs, or the size of a long-term care insurance policy you might need. If you're concerned you might be over- or under-insured in this area, talk to your advisor.

### My company might offer me early retirement – should I take it?

This question can be awkward to ask your advisor, with the feeling that you're throwing a wrench into the planning they've done. But it's a timely question, as many companies are looking to trim costs. Don't be embarrassed if you don't know how to tell if this option is in your best interest. There's a lot to consider before you make this momentous decision, best summed up in two questions: 1. Are you financially prepared to replace your paycheck? 2. Are you emotionally ready to move on to the next chapter?

Take your time thinking about these two aspects. If you have your financial ducks in a row for retirement, but don't think you can deal with the loss of your work identity, then maybe a buyout isn't the right thing for you. Maybe instead of retiring, you take the severance and work a few more years until you're ready. It's a personal decision. However, you should keep in mind that if you're offered a buyout and don't take it, there's a chance you'll be managed out in a less advantageous way down the road.

### I have some U.S. savings bonds that have reached maturity. What do I do with them now?

U.S. savings bonds are a little different than bonds you hold through a brokerage, which are usually cashed in automatically when they mature. In the case of a U.S. savings bond, you're giving the Treasury Department a no-interest loan by not cashing in the mature bond. If you have a physical bond (not an electronic one), take it to your bank, ideally one where you have a long-established account. If that's not possible, you'll have to provide a government-issued form of photo ID and you'll be limited to cashing \$1,000 worth of savings bonds.

There are a few exceptions, but in general, the person whose name is on the bond is the only person who can cash it in, and that person will owe taxes on the interest earned. If you plan to give the mature bond proceeds as a gift to someone, note that you'll have the tax liability upon cashing it in. Your other option is to transfer ownership to someone else. You can find the form for transferring a physical savings bond at [treasury.gov](http://treasury.gov). ■

Sources: [Treasury.gov](http://Treasury.gov); [Forbes](http://Forbes.com); [Genworth.com](http://Genworth.com); Kiplinger magazine

#### NEXT STEPS



- If you need specific advice on these topics, don't hesitate to call your advisor for help.
- Go to [genworth.com/costofcare](http://genworth.com/costofcare) to get a ballpark idea of long-term care costs.
- If you're offered a buyout, ask your advisor to run the numbers for you so you can make the decision confidently.

Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted. Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise. These policies have exclusions and/or limitations. The cost and availability of Long Term Care insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of Long Term Care insurance. Guarantees are based on the claims paying ability of the insurance company.



## Rethinking the nursing home

With the senior living industry under stress, families seek new avenues of care

These are difficult times to live in a nursing home or assisted living facility, with safety precautions leaving many feeling trapped in their rooms. But these measures are needed. An estimated 40% of COVID-19 deaths in the U.S. have occurred in these settings, according to the Foundation for Research on Equal Opportunity. All of this puts the future of the senior living industry in question.

“This pandemic fundamentally changes the business model,” Joseph Coughlin, director of the MIT AgeLab, told CNBC. “Amenities will remain at the top of the list for consumers, but will now share that spot with ‘Is it safe?’”

### AGING ALTERNATIVES

Home-based care seems a natural alternative. AARP surveys regularly find that nine out of 10 people say they would like to age in place, in their homes. The challenge is that for assistance with the activities of daily living such as eating and dressing, in-home services traditionally have been more expensive and harder to coordinate than care in a facility. With the rise of telehealth and technologies that allow seniors to stay connected, that may be changing.

There’s also the “Golden Girls” route of living as a roommate with a few other seniors in order to maintain social connection and share costs. You’ll have to set some health and safety rules for shared spaces with this scenario, but it is one way to ward off loneliness that can take a toll in later life.

Then there are micro communities like Beacon Hill Village in Boston, a cooperative formed in 2002 by 11 friends who wanted to continue to live with dignity in their homes as they aged. The community has proved resilient, with service

providers adapting to changing needs during the pandemic – drivers turning into grocery helpers, for example. “You can really get some shared savings on those sorts of economies, but it’s also for fun things,” Kathy Black, a professor of aging studies, told The Christian Science Monitor. This so-called “village” movement is catching on, with 250 spread across six countries and 47 U.S. states.

### GROUP CARE REBOOTED

The pandemic by no means spells the end of nursing homes and assisted living facilities. However, experts believe facilities will be rolling out new arrangements that emphasize stopping the spread of disease and using cleaner procedures. This could take the form of more private rooms and spaces – and technology. For example, motion or voice controls could allow residents to navigate without pressing a button or grabbing a handle.

Going forward, the senior living industry is poised for transformation, as individuals of means explore alternatives to traditional institutional care. The question remains whether policy and resources can bring more widespread change. ■

Sources: CNBC; The Christian Science Monitor; Forbes; AARP

### NEXT STEPS

- Research senior living alternatives at [caring.com](https://www.caring.com), including co-living and village communities.
- If you’re considering aging in place, review the AARP’s 2020 HomeFit Guide.
- Let your advisor know if your preferences for long-term care have changed.



## The scoop on COVID-19 Medicare scams

### Scammers are casting a wide net for victims. Here's how to sidestep it.

There's a good reason the U.S. has the Medicare Fraud Strike Force. Scams against the system are persistent – and they cause all taxpayers to endure the rising cost of healthcare premiums. With a pandemic providing a smoke screen for criminals, new scams have popped up.

Some of the latest fraud complaints are about telemarketing calls, text messages, social media messages and door-to-door salesmen offering COVID-19 tests or face masks in exchange for your Medicare number. Once they have this information, they can rip off the system. Scammers are also masquerading as COVID-19 contact tracers to get this data.

In this type of environment, it's prudent to be cautious about giving out your Medicare number. It's also not a bad idea to regularly check your Medicare summary notices for errors in billing, and be wary if a new provider is prescribing what seems like unnecessary testing or drugs.

#### MEDICARE CALLING? NOT LIKELY.

There have also been reports of inbound calls from someone pretending to be a Medicare representative, then asking for a Social Security number and personal financial information (and using scare tactics, saying you will lose eligibility for benefits). Knowing that Medicare will not make inbound calls to ask for your data is the armor you need to combat this. Hang up and report the scam call to 1.800.MEDICARE.

If you're ever concerned you may have disclosed information that could lead to identity theft or financial account takeover,

contact your advisor. You can also get a free credit report each week until April 2021 at [annualcreditreport.com](https://annualcreditreport.com). To place a freeze or alert on your credit report, contact the three nationwide credit bureaus directly: Experian, Equifax and TransUnion.

#### A \$1.2 BILLION SCHEME

To get an idea of the impact of this type of fraud, consider one of the largest Medicare schemes, amounting to \$1.2 billion in 2019. It involved an international call center that lured in unwitting victims, telehealth consults, and doctors being paid kickbacks for prescribing unnecessary back or knee braces. The scheme was complex and widespread.

If you're among the Medicare beneficiaries these fraudsters are targeting, you can fight back by being as stingy as possible with your data. When in doubt, don't give it out. And don't take it personally – these criminals are taking advantage of a tragic moment on a broad scale. ■

#### NEXT STEPS

- Report suspicious calls and billing errors to Medicare by calling 1.800.MEDICARE.
- ▶ • Consider checking your credit report now that you can access it for free each week at [annualcreditreport.com](https://annualcreditreport.com).
- Contact your advisor if you think your personal financial information has been compromised.