

## FINANCIAL SECURITY PLANNING SERVICES, INC. SM



# Market Update & Important Family Conversations

October 2017

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### Market Thoughts for October 2017

Brad McMillan, Commonwealth's Chief Investment Officer, reports on a great month for the financial markets. In September, all three U.S. indices and developed markets around the world were up. These results are surprising given recent events. The U.S. was hit by some of the worst storms in history. Plus, the North Korea crisis persists, with credible talk of a nuclear war. Still, the markets continue to respond to the fundamentals, like strong consumer confidence and business investment. Will the bad news catch up with us? Tune-in to find out.



We hope you enjoy this month's video.

## Important Family Conversations: Addressing Your Physical, Financial & Legal Needs

Maybe you and your family have already attempted to have "the conversation." You know the one: the discussion about your and your spouse's assets and what

will be done with those assets during the rest of your lives and after you pass away. Perhaps, because of your children's sibling rivalries, the family conversation turned to one about gifts and inheritances and about who deserves more or less of the assets based on "good" or "bad" behavior. If things continued this way, you may have skipped over the most important aspect of this conversation: how the assets will be used to pay for your health care during retirement and how much that health care will cost.



### **Moving beyond the fear**

Most people are aware that life expectancies are on the rise, but we put off thinking about getting older, getting sick or infirm, and having to pay for health care for a prolonged period. Medicare and Medigap premiums, deductibles, and co-payments alone will consume a significant portion of your income. And long-term care expenses can quickly drain even a large nest egg. Recognizing the complications posed by financing health care in retirement can make you fearful and even more reluctant to make any decisions on the matter.

But your family conversations won't yield a viable plan or a shared understanding without honest and insightful preparation and soul-searching. Asking yourself (and your family) questions about physical, financial, and legal matters is a helpful starting point. You may find it less stressful to review each concept separately. Once you have some answers, you can piece them together to arrive at guidelines for your family's conversations. And those conversations can lead to building an action plan.

### **Looking back to get a clearer picture of the future**

Before you begin wrestling with your own ideas and concerns, think about your parents' and grandparents' experiences:

- How old were your grandparents when they died? What illnesses were common among other family members of their generation? You may remember that your grandmother was very forgetful, but you likely don't remember a diagnosis of dementia.
- Does longevity run in your family? How old were your parents (and your spouse's parents) when they died? Or are your and your spouse's parents still alive? Are they in good health or declining physically or mentally?
- What were some lessons learned from your grandparents' and parents' final years? For example, did an uncle or aunt-or brother or sister-take on the caregiving? How did the caregiver feel about that? It's common for one sibling to feel saddled with caring for aging parents and grow to resent his or her siblings for not helping with those responsibilities.

- What is the probability that you or your spouse will live much longer than the other? If one of you incurs large health care expenses during retirement, will the other spouse be able to continue living in his or her current lifestyle?

### **How and where do you want to live?**

Now, think about how you want to age and how you want to use your assets for your care:

- Have you thought about long-term care and what it would cost?
- If you have a long-term care policy, do your children know its benefits?
- What other resources do you have for funding long-term care?
- Have you thought about assisted living? If so, what type of assisted living or continuing care residence would offer you the lifestyle you want?
- If assisted living doesn't appeal to you, have you considered selling your house and downsizing to a smaller and easier-to-maintain living space, such as a condominium?
- Will you rely on your children to be your caregivers? One child may be willing to be your caregiver, but has he or she considered how those duties will impact his or her employment and finances?
- Would you consider relocating to another part of the U.S.? Perhaps your children live in different states, but one of them is more than willing to serve as your future caregiver. Would you be willing to leave established friendships and activities to move where this son or daughter lives?

### **Whom do you trust?**

Even if a dementia diagnosis is not in your future, most people do experience some cognitive decline. So whom do you trust to manage your assets and carry out your financial plan if you are no longer able to? Your most reliable child may live across the country, and the son or daughter whom you (and your other children) are reluctant to trust resides nearby. What do you do?

Beyond these threshold questions, you'll want to consider several related and equally important issues:

- Do you have basic estate planning documents, including a last will and testament, power of attorney (POA), and health care POA? If you do have these documents, how old are they? Do they need to be revised?
- When do you want your general durable POA to take effect-immediately or only years from today after you lose capacity?
- Do you have a revocable trust? If so, was it drafted and executed before the federal portability and increased exemption amounts became effective?
- Are the beneficiary designations on your assets correct and up to date? Remember: Those designations-not the terms of your will-determine the distribution of your assets.

### **Can your family let bygones be bygones?**

Finally, ask yourself and your children whether they will be able to put aside long-standing differences to follow through on whatever your wishes may be. This may be the most difficult question to answer objectively.

The answers that guide the conversations you have with your family will be as individual as its members. Your children may not react well to the subject of your lifetime health care needs. But by persisting in your efforts--and factoring aging into the conversations--you can create your own stable framework and perhaps a legacy for your family. And, remember, even if the conversation leads to family strife, you still have a lifeline.

Whatever the answers to the questions posed in your conversations and the consequences, you may find helpful guidance by contacting my office.

My staff and I deeply appreciate the continuing opportunity to work with you. Please let me know if you have any questions or requests. Thank you.

Sincerely,

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