

# PLANNING *for Today's Concerns*

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## Myths and Misconceptions about Retirement Planning

Numerous studies have shown that Americans' greatest fear regarding retirement is running out of money. Even so, myths abound about planning for retirement, Social Security, the cost of medical care, and more. Let's explore the reality behind some of the most common retirement planning myths.

### **SOCIAL SECURITY IS GOING BROKE**

Approximately 50 percent of elderly Americans derive at least half of their income from Social Security. For decades, Social Security has collected more than it paid out, with excess income going into the Social Security Trust Fund. According to the Social Security Administration, this fund held \$2.91 trillion by the end of 2020. However, due to the retiree population growing faster than the working population, as well as the fact that people are living longer, Social Security is starting to pay out more than it takes in. Without changes to the way Social Security is financed, the trust fund is projected to run out in 2034.

Of course, Social Security still collects taxes and pays benefits. According to recent estimates, however, it will only be able to cover 78% of scheduled benefits after 2034. To avoid that scenario, Congress will have to take measures to strengthen Social Security's finances, as it did in 1983 when the program's reserves were nearly exhausted. Given the program's importance to retirees, and the fact that millions of older Americans have been paying into the system for decades, it is highly unlikely Congress would fail to take the necessary steps to protect it.

### **YOU CAN RECEIVE YOUR FULL SOCIAL SECURITY BENEFIT WHEN YOU TURN 62**

While it is true that you can begin taking Social Security benefits at age 62, this will lead to a lower monthly benefit than if you wait until full retirement age.

(Cont.)



## Myths and Misconceptions about Retirement Planning (Cont.)

What is your full retirement age? It depends on when you were born. If you were born:

- In 1960 or later, your full retirement age is 67
- Between 1955 and 1960, full retirement age ranges from 66 and two months to 66 and 10 months
- Between 1943 and 1954, full retirement age is 66
- Between 1938 and 1942, full retirement age ranges from 65 and two months to 65 and 10 months
- Before 1938, full retirement age is 65

Should you take your benefits at age 62? “Expert opinion” differs, but the consensus seems to be that if you are in good health, and you have enough money to live comfortably without Social Security benefits, you may want to delay taking them to maximize your monthly benefit later on.

### **ALL OF YOUR MEDICAL CARE WILL EVENTUALLY BE COVERED BY MEDICARE**

Medicare does not pay for all of a person’s medical care. Original Medicare (Parts A and B) covers hospital visits and outpatient care but not dental and vision care. Nor does it cover the cost of prescription drugs. Although Medicare Advantage plans can provide

greater coverage, they generally have high premiums. Most Americans fail to include enough money in their retirement budget to cover the expense of annual medical care, let alone the cost of long-term, in-facility care. It is estimated that for a couple aged 65, out-of-pocket medical costs will approach \$600,000 over the course retirement.

### **YOU DON’T HAVE TO PLAN FOR RETIREMENT BECAUSE YOU WANT TO KEEP WORKING**

This may seem like a reasonable assumption when you have a well-paying and satisfying job, you’re young, and you’re healthy. The reality is quite different. According to a Retirement Confidence Survey, 43 percent of current retirees left the workforce earlier than they expected. While mandatory retirement at a set age was abolished in 1986 by an amendment to the federal Age Discrimination in Employment Act, many of us lose our jobs for other reasons or cannot continue to work due to health problems. Simply put, you may not be able to work as long as you want. The best protection against running out of money in retirement is to have a realistic, detailed retirement plan.

## Why Do People “Put Off” Estate Planning?

**The statistics are rather alarming. In 2005, 50 percent of Americans had a will; today, only 32 percent of us have one. Meanwhile, only one in three Americans over the age of 55 has a durable power of attorney, and a mere 41 percent of this same demographic has advance health care directives.**

Why is this? According to statistics culled from a range of sources, Americans lack estate plans for the following reasons:

- 47 percent say “they haven’t gotten around to it”
- 29 percent think they “don’t have enough assets to leave to anyone”
- 49 percent don’t believe their assets are worth enough to worry about estate planning

Other common explanations include being too busy, thinking estate planning is only for “old” people, and not wanting to think about the inevitability of death.

In truth, proper estate planning isn’t just about what happens to one’s assets after death, it’s about taking control of one’s life. Everyone can benefit from having an estate plan.

*(Cont.)*



## Why Do People “Put Off” Estate Planning? (Cont.)



At the very least, your plan should include all of the following documents:

### **LAST WILL AND TESTAMENT**

A last will and testament allows you to accomplish a number of important goals. You can name your beneficiaries and specify the assets you want them to receive; name a guardian for your minor children; and choose the person you want to settle your estate (known as the Executor).

### **POWER OF ATTORNEY FOR HEALTH CARE**

Also known as a health care proxy, this important legal document allows you to name a person you trust to make health care decisions on your behalf if you are no longer able to make them on your own.

### **POWER OF ATTORNEY FOR FINANCES**

A power of attorney for finances is similar in concept to a power of attorney for health care. It allows you to designate another person to make decisions about your finances, such as income, assets, and investments, when you can no longer make them yourself.

### **LIVING WILL**

This allows you to express your wishes regarding what medical treatments you want, or do not want, in an end-of-life situation. A living will differs from a power of attorney for health care in that it details your specific wishes, whereas a power of attorney for health care allows someone else to make health care decisions for you.

### **HIPAA RELEASE**

A HIPAA release lets you choose who can receive information about your medical condition. Hospitals and medical providers can be prosecuted for violating the Health Insurance Portability and Accountability Act (HIPAA) if they reveal your medical information to people not named in your HIPAA Release.

Estate planning can help you accomplish many other goals as well. For example, trusts can protect your privacy and enable your estate to avoid the delays and frustration of probate. Trusts can also stipulate when and under what conditions your heirs will receive their assets, which is helpful if you think your children are not mature enough to manage an inheritance. An irrevocable trust can protect your assets against threats like long-term care costs, divorce, creditors, lawsuits, and more.

As you can see, proper planning allows you to seize complete control of your affairs while you are alive and after you pass away.



# When Should You Update Your Estate Plan?



By: Eric J. Einhart

There's no question about it, establishing or updating your estate plan is one of those things that people typically put off for one reason or another. It is generally viewed as task that you'll eventually get around to dealing with. Oftentimes, clients will not consider planning for their own incapacity or death until tragedy strikes them or another loved one.

But putting off establishing or updating your estate plan is a mistake that can ultimately cause an unnecessary expense and emotional toll on your family in the event you pass away or become incapacitated unexpectedly. If you have not established your estate plan, you should contact a qualified estate planning attorney who can review your circumstances (family, finances, and goals), and provide you with a number of options to meet your objections and best protect your family in the event you pass away or become incapacitated.

If you have already established your estate plan years ago, you should consider reviewing your estate plan with a qualified estate planning attorney and possibly updating your estate planning documents to meet your current needs.

As a general rule, you should update your estate plan at least every five years and after any major life event. Here are some major life events that should cause you to review/update your estate plan:

## MARRIAGE

You may want to name your spouse as beneficiary of your estate, and appoint him/her to roles of Executor, Trustee, Agent under Durable Power of Attorney, Agent under Health Care Proxy, and Authorized HIPAA Representative. This will help avoid any unwanted confusion or litigation about who should serve in those roles if you die or become incapacitated.

## NEW CHILD

The birth or adoption of a child is a huge life event that will not only leave you overjoyed (and exhausted), but will raise questions about what happens to your child if you die or become incapacitated. Establishing a Last Will and Testament that nominates a guardian(s) and executing a Standby Guardianship Designation will help ensure that someone you know and trust will make important decisions for your child.

If you have the joy of becoming a new grandparent, you may want to update establish trusts for the benefit of your grandchildren or updating your estate plan to include them.

## DIVORCE

If you are divorced or are in the process of getting a divorce then you may want to update your estate plan to remove your spouse as beneficiary of your estate and remove him/her from any positions of authority (executor, trustee, agents, HIPAA representative, etc.).

## A MAJOR CHANGE IN FINANCIAL STATUS

If you have experienced a significant increase or decrease in the value of your assets (business interests, real estate, brokerage assets, etc.), it is a good idea to reassess your financial situation and update your estate plan accordingly. This may mean that you now must consider estate tax planning, or reallocating distributions to different beneficiaries. Oftentimes this occurs when you have inherited property from a loved one or are faced with an unfortunate economic downturn. An estate planning review and update may also be wise if you have purchased or sold a major asset (finally cashed in on your business, or purchased a new one, etc.).

## RETIREMENT

Most people put forth a lot of effort to financially plan for retirement. Although this is advisable, it is also advisable to make sure that your estate plan reflects changes in your income and family circumstances.

## HEALTH DIAGNOSIS

Unfortunately, a poor health diagnosis usually means that it is time to get your affairs in order and that includes reviewing and updating your estate plan. An experienced estate planning attorney can review your entire estate plan and provide you with guidance on how to quickly and efficiently ensure that your wishes will be honored.

## DEATH

It is generally a good idea to revisit your estate plan after the death of a beneficiary, nominated executor, trustee, or any one with an important role in your estate planning documents. This can help avoid a potential vacancy in fiduciary status, mitigate tax liability, or prevent your assets from being inadvertently distributed in a manner you may not want.

If none of these major life events have occurred, it is still wise to sit down with a qualified estate planning attorney to review your estate plan since there has been significant changes in federal and New York State laws in the past five years, namely the Tax Cuts and Jobs Act, which has significantly changed the Estate and Gift Tax rules, and the SECURE Act that has drastically changed the rules related to inherited retirement accounts (IRAs, 401(k)s, 403(b)s, etc.).

*Life and the law change constantly. It can be overwhelming, but our law firm is here to help review and update your estate plan no matter what the reason.*

