

## **Three Key Strategies for Helping Baby Boomer Clients Navigate Aging Plans**

**(Content provided by The Advisors Forum; reviewed and edited by James W. Garrett, Esq.)**

Many of your clients are baby boomers (now ages 50-68) moving into retirement and dealing with all the issues related to aging: elderly parents, kids in college, saving enough to last a lifetime, and protecting what they have. This generation is often referred to as the “sandwich” generation for good reason. With a dizzying array of financial instruments to choose from, complex federal and state laws governing estates, and the crisis in health and long-term care, your baby boomer clients need your help more than ever to develop an effective plan for their senior years.

By 2050, the U.S. Census Bureau predicts there will be 86.7 million citizens age 65 and older living in the U.S., and they will constitute 21% of the total population. It predicts the number of people in the 65 and older age group will grow by 147% between 2000 and 2050, compared to 49% growth in the population as whole.

Waiting to plan for the “golden years” is no longer a viable option. Your baby boomer clients need to look far into the future and develop an estate plan that will help them maintain their desired lifestyle and protect assets from a variety of risks, including the rising costs of care. To this end, we have identified three key strategies that can help your clients navigate the minefield of aging, and focus on a successful retirement.

### **Establishing Future Cash Flow and Determining Adequate Resources**

The number one long-term concern of most clients is running out of cash as they age. No one wants to outlive one’s assets, but without pre-planning that could easily happen, especially if there is a medical crisis or chronic illness. Clients need to take care of themselves first, ensuring their income throughout retirement before worrying about the distribution of their estate. On an airliner, passengers are instructed that if the yellow oxygen masks drop, they must first put on their own masks and only then assist others. Only after your clients have established a plan to pay for their retirement years should they think about transitioning wealth to their children.

Having a list of questions to ask your clients at the beginning of a discussion about their estate plan will help establish the outline and direction of the plan. Some of the basic questions to ask are:

- What are your sources of income in retirement, and if married, will they continue for your spouse?
- Do you plan to stay in your current home?
- If so, do you have enough funds to do that?
- If not, where do you plan/want to live?
- Will you have any dependents living with you (parents, special needs children)?
- What would put your plan at risk?
- What about a medical crisis?
- Who will take care of you?
- How will you pay for it?

Answering these questions gives both you and your client a starting place to discuss creating the right estate plan. It is also an excellent place for financial advisors and estate planning attorneys to work together to ensure that income and assets are properly structured and protected.

## **Regular Planning for Tax Liabilities and Protecting Assets**

With the increased focus on income tax issues, CPAs are integral in capturing business opportunities to help clients protect their assets, smoothly transition estates and reduce tax liabilities. It used to be that tax laws didn't change very often, and established estate plans didn't need to change year after year. Since 2000, however, the federal estate and gift tax exemptions have changed almost yearly. Other federal and state laws governing income, estate taxes and gift taxes have changed as well, with increased income and capital gains tax rates imposed on January 1, 2013.

While it appears that we have entered a period of stability regarding federal estate and gift taxes, it seems likely that other tax laws are only going to get more complicated, burdensome and complex. As a diligent advisor, you ought to offer guidance and educate clients regularly about any changes to the laws that could impact their estate plans and tax liabilities. Because keeping up with all of the changes and advising clients on these issues is a not an easy task, we recommend a team approach.

What clients might need in an estate plan when they are in their 50s and 60s can be very different from what they need in their 80s and 90s. Although accountants and financial advisors meet regularly with clients, most attorneys do not. Just as laws governing Revocable and Irrevocable Trusts, taxes, Medicaid, VA benefits, and health care change over time, so do personal changes to your clients' health, wealth and other circumstances that could seriously jeopardize their estate plans. Accordingly, ongoing counseling is required. For estate planners, setting up an annual maintenance program with your clients, and working with an interdisciplinary team that includes a financial planner, CPA and attorney, keeps you up to date on best practices and ensures that your clients' estate plans are current. At Carrell Blanton Ferris, we offer an annual maintenance program we call "LifeCounsel." In addition, we send letters to clients about every three years encouraging them to consider having their estate plan reviewed.

## **Planning for Medical Crises and Long-Term Care**

No one plans to have a medical crisis, but without a solid estate plan in place before a crisis happens, a medical issue can destroy financial security in short order. The need for long-term care is a looming concern that gets ever harder to deal with as clients age, with uncovered long-term care exposure creating an insolvency risk for many seniors. With Medicare all but out of the long-term care (LTC) arena, and LTC costs escalating, for 95% of the retiring population the greatest risk to financial security is uncovered medical expenses. People are living longer, and often those added years are unhealthy. Consequently, a huge need for retirees is paying for medical care without exhausting assets.

A Long-Term Care insurance policy is still the best weapon against a financial disaster caused by a chronic illness or aging. Such policies are not accessible to everyone, however, due to cost, pre-existing conditions and other circumstances. LTC coverage is not guaranteed available by the Affordable Care Act or any other legislation. Moreover, although premiums are "level" they are not fixed, and careful planning is required to tailor coverage and premium to fit the client's plan. Those able to afford the premiums are well advised to purchase a policy for needed coverage. The cost of assisted living and nursing home care is skyrocketing, and without an LTC plan a client can be faced with losing all assets acquired through his or her lifetime. Often, for those uninsured, the burden of care falls on a loved one, and because of the complexities and pitfalls of Medicaid, such as the five-year look-back and penalty provisions, paying privately can result in complete impoverishment.

There are many LTC products and options to choose from, like traditional LTC insurance, LTC/life insurance

hybrids or life insurance with an LTC rider. You can help your clients find one that fits their needs and enhance your position as one of their trusted advisors – one who helps plan effectively without a focus on selling products, but rather on implementing a plan. With increased volatility in the LTCI markets, carrier issues and rising premiums, it is imperative that LTC policies be reviewed regularly and that the policy fine print is understood. When your client is most vulnerable or unable to manage his or her affairs is not the time to find out that an LTC policy has a problem!

What if your client can't afford the LTC premiums or has been denied coverage? Without an LTC insurance plan, it is even more important to consult with an attorney on other ways to protect assets from the poverty requirements of Medicaid and the Veterans Administration. An attorney can construct a plan to create a Medicaid Asset Protection Trust or Veterans Asset Protection Trust, as well as make plans to protect the estate, even if home care, assisted living or nursing home care becomes necessary. Several of the attorneys at our firm focus on these and other elder law concerns, so please encourage your clients to attend one of our seminars and make an appointment. Collaboration between LTC insurance agents and attorneys is crucial, and the opportunities for mutual referral and joint marketing are abundant.

### **Summary: Identifying the Need to Plan Now Rather than Later**

As our clients grow older, their medical, financial and legal needs change. For many, instead of worrying about growing their net worth, the new worry is the risk of running out of money before they die. Working in tandem with an interdisciplinary team of professionals — financial planner, accountant and attorney — provides the expertise needed to create strategic estate plans for your clients.

In spite of deep experience in their fields, no member of the advisor team, whether CPA or financial advisor or attorney, can know all the nuances of estate planning. Each brings specialized expertise to the table.

By working together on behalf of the client, the combined knowledge of this interdisciplinary team provides the best possible planning options to protect the client's estate into the future. And, team members have the added benefit of gaining referral opportunities to continue to build their own businesses. Our attorneys follow the collaborative model, and we look forward to working with you as a part of the client's team.

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