Talk of the Town

A Few Common Mistakes Most Retirees Make - Part 2

James D. Stillman

Last month we discussed the top two mistakes retirees make with their finances, in my opinion. They were: ***investing as though you're still working and not guaranteeing your basic income needs*** – so basically risk and income were the biggest problems we see on a regular basis.

Here are a few more of the biggest mistakes retirees make (we'll start off with #3 to keep things in order from last month):

3) ***Not paying attention to portfolio costs & fees:*** It's said that the average investor could accumulate an extra $150,000 by reducing portfolio fees by approximately 1% over their lifetime. The problem is that most folks don't even know how much they are actually paying in fees at any given time. We offer a free Cost & Risk Analysis, just in case you're interested in learning what your current portfolio is costing you in fees and expenses. There are "disclosed fees" and "undisclosed fees". Undisclosed fees are not typically put into all those fancy prospectuses you're supposed to read BEFORE you purchase any mutual fund or variable annuity. To be fair, a lot of these expenses/charges/fees are not necessarily set or predictable, so they can't really put them in writing. I don't have the ad space to go over all of the undisclosed fees, other than to say that when we do our Cost & Risk Analysis for folks, it isn't out of the ordinary to see total fees in the 3% - 4% range. And quite often those investors had no idea that their fees were that high. This is especially common with variable annuities. I've seen them as high as 7% - 8%. Ouch! That can be hard to stomach, not to mention how hard it can be to actually make enough on a consistent basis to not have those fees eat away at the investment.

Also, you've got to take into account that your advisor could be charging you another 1% - 2% on top of the mutual fund and VA fees. That's a tough pill to swallow. Let's just say that if you work with a broker/dealer, it's not always the most transparent arrangement, and that's not a good thing - in my opinion. It all depends on the value you're getting for the fees you're paying, but you've got to actually know what those fees are in order to make an assessment of that value. That's why at JDS Wealth Management, we operate as a Registered Investment Advisory firm with a fiduciary obligation to clients, as well as 100% transparency at all times.

4) ***Not having a comprehensive healthcare plan:*** Folks, I can't express enough how important it is to make sure you have plans in place to cover all the potential medical costs you may incur, especially long term care costs in retirement. It's become extremely costly to go to the hospital or go into a nursing home. Basic medical costs are easy to plan for; simply go on Medicare at age 65, get a Medicare supplement to cover some or all of the stuff Medicare doesn't cover, and you're good. But what about long term care or nursing home costs beyond the 100 days that Medicare covers? Statistically, 70% of people 65 and older will need long term care. Only around 10% of folks in this age group have some sort of plan in place to cover these expenses should they occur. Those are some pretty unsettling statistics. The average cost for a nursing home here in North Carolina is about $75,000 per year, and the average stay is 2 ½ - 3 years. If you do the math, then you'll see that it's not cheap.

So, what are your options? You can purchase traditional long term care insurance. The alternative – and often what we recommend - is to purchase long term care products that are built upon a life insurance policy or an annuity. These types of products have become known as "hybrid" or "asset-based" long term care strategies and have become extremely popular for a number of reasons. Sorry, but you'll have to contact me to get the skinny on these products. They're awesome when used properly, and they're the wave of the future!

Feel free to check out our website for a ton of information, lists of our free reports, our uploaded radio shows, to request a copy of my book "Finding Safe Harbor in Retirement" or a free consultation, or to sign up for any of our upcoming seminars.

And, as always, remember: The purpose of the money dictates where you put it!

Until next month,

James D. Stillman

"Common Mistakes Retirees Make"

Thursday March 3rd & Tuesday March 8th

(Check-In at 5:30pm, Doors Close at 6:00pm)

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