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Financial Planning Strategies

A Financial Planning Update

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A Look at 55+ Communities for Independent Living

A house once filled with the constant coming and going of a growing family has become quiet. Family visits are now few and far between. The indoor/outdoor maintenance of a home is getting to be more of a hassle than you had anticipated. If this sounds familiar, it may be time to look at your living situation as you prepare for your "golden years."

At different stages in life, housing concerns can arise regarding location, landscaping, access to community resources, social interaction, and lifestyle consistency. If you have lived in the same home for many years, it may have provided continuity in your community, and may also be paid for by the time you reach retirement. However, its size and upkeep may have been more appropriate at a time in your life when your children were still at home. You can begin to feel isolated in your family home if the location limits your access to social support systems (particularly if lifelong friends or family members have moved away).

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Credit Card Errors: "Writing" a Wrong

If you were to discover a billing error on your credit card statement, the first thing you would probably do is call to notify the creditor. But, to avoid having to pay the maximum $50 liability (in the case of a stolen or lost card), you must *write* to the issuer restating what you said over the phone to the creditor.

Even if this concerns only a straightforward billing error, be sure to follow the same procedure. To be covered under the Fair Credit Billing Act, you must report the error in writing within 60 days of the postmark on your statement.

Steps to Take

- Phone the creditor immediately.
- Write to the creditor and send the letter by certified mail to the address listed on your statement for billing inquiries (which may differ from where you send your payment) with a return receipt requested.
- In the letter, include your name, account number, the amount and date

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Types of Life Insurance Beneficiaries

In the language of life insurance, a **beneficiary** is the recipient of the proceeds of a policy when the named insured dies. Life insurance beneficiaries are generally categorized as **primary** or **contingent**. A primary beneficiary is entitled to the proceeds of the policy upon the death of the insured, but such rights expire if he or she should die before the insured. A contingent (or secondary) beneficiary is entitled to the policy proceeds if the primary beneficiary has predeceased the insured.

The owner of a life insurance policy has a great deal of flexibility in naming beneficiaries and can basically name anyone he or she chooses. A beneficiary can be either **specific**, such

as a person identified by name and relationship, or a **class designation**, as in the "children of the insured" or another group of individuals. While the naming of specific beneficiaries is usually straightforward, unintended complications could arise when designating *classes* of beneficiaries.

Be sure to consult a qualified insurance professional to avoid any possible legal difficulties with beneficiary designations and to ensure that the wishes of the policyowner are fulfilled. $

Credit Card Errors: "Writing" a Wrong

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of the error, and the reason why you believe it is an error.

- Include copies of sales slips and any other documents that support your position.
- Request evidence of the credit card charge (usually a photocopy of the charge slip).
- Keep copies of all documentation for yourself.

The law requires the creditor to investigate your error claim and inform you in writing that they are doing so, within 30 days. The creditor must resolve the matter within two billing cycles or a maximum of 90 days of receiving your notification of the error. While the investigation is in progress, you do not have to pay the amount in question or any interest on it. The disputed amount cannot be reported to a credit agency as delinquent. However, be sure to continue paying any remaining charges.

In Case of a Dispute

If the merchant who has billed the amount in question argues that it is a valid charge, you can continue to dispute the charge by requesting documents to support the merchant's claim of validity and making your case to the issuer again. If the creditor rules that the merchant's assertion is valid, they must provide a reason. The charge will then be put back on the statement, at which time you will have 10 days (or your normal grace period) to either pay or protest the charge in a written statement.

At this point, if you have not paid the disputed amount, the charge can be reported to credit agencies as delinquent. However, you can request that a notation be added to your credit reports that there is an ongoing dispute. You have the right to request information about who has received notification of the delinquency. When the dispute is finally resolved, all who have been previously notified of the delinquency must be notified of the resolution.

The Federal Trade Commission (FTC) works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to learn more about consumer issues, visit www.ftc.gov or call toll-free at 1-877-FTC-HELP. $

A Look at 55+ Communities for Independent Living

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Although housing needs change as we grow older, shelter, in any form, is always more than mere physical comfort. It is a financial, psychological, and social base, which anchors our sense of stability. For this reason, some people who move to warmer climates early on in retirement later return to the familiarity of their original communities and the proximity of family and friends.

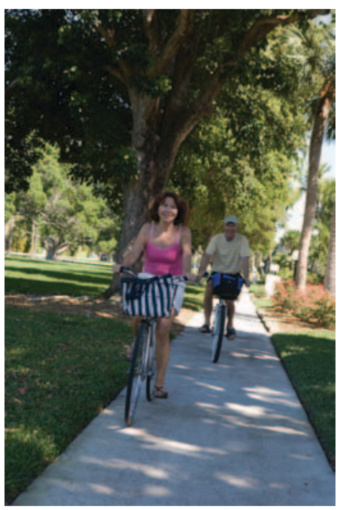
Retirement communities, also known as **55+ communities**, have become a viable option to consider for people in similar situations who are thinking about downsizing their homes. These neighborhoods or complexes, which vary from condominium-style settings to single-family homes, usually require that at least one member of the household be age 55 or older.

This type of community typically offers an independent lifestyle to healthy and active adults who do not require assistance with daily living, as provided at an **assisted living facility** (**ALF**). The Housing for Older Persons Act of 1995 eliminated the requirement that these communities have "significant facilities and services designed to meet the physical and social needs of older persons." This legislation has increased the popularity of such communities for people age 55 and over who do not require assistance with the routine activities of daily living.

Considerations

Relocation of any kind requires a careful assessment of the possible pros and cons. Before selling your home to move to the newest 55+ community in your area, here are some important considerations:

Security. Retirement communities may offer security that a typical neighborhood would not. Generally, they have security guards at the entrance of the neighborhood or building. With this added protection, you may feel more comfortable in your surroundings.



Recreation. With people living longer, retirement can be an active and fulfilling phase of life. Depending on the size, location, and affordability, some retirement communities offer world class amenities that can include a clubhouse with a sports and billiards room, fitness center, outdoor pool, as well as tennis and bocce courts. Many have a recreation center that organizes group activities for residents, such as movie nights, lectures, day trips, and dinner parties.

Maintenance. Although you may have once considered mowing the lawn and pulling weeds pleasurable pastimes, those same activities may not be as appealing now. Independent living communities typically take care of the landscaping and snow removal, helping residents to enjoy having a yard without maintaining it.

Costs. The services provided by retirement communities come at a cost that must be considered in addition to typical homeowners' expenses. Usually, there are entrance fees and monthly maintenance costs (similar to condo fees), which increase your purchase price and/or monthly bills.

Limited Socialization. While many people consider a 55+ active community's lifestyle an advantage, residents without readily available transportation may view the prospect of being surrounded by the same group of people as socially confining.

Determining where you want to live in retirement is a decision that requires some serious thought. Whether you choose to stay in your home, look into various 55+ independent living communities, or choose to explore other living arrangements, it is important that you plan ahead, and are comfortable with your choice. $

Living Trusts and Your Estate Plan

When planning your estate, you may consider setting up a **revocable living trust**. A properly managed revocable living trust can provide unique benefits; however, it does not completely replace a **will**. In determining whether this type of trust is appropriate for you, it helps to understand the overall benefits and tradeoffs of this estate planning tool.

A revocable living trust is created during your lifetime, and you can alter it in any way, and at any time. One key feature is that it allows you to retain control of the management and distribution of your assets.

The Probate Connection

Many people establish a revocable living trust to avoid **probate**, which is the legal process of settling your estate. Assets distributed from a trust upon your death *do* avoid probate. However, the probate process itself is not as burdensome for many estates as in the past. Many states have adopted the Uniform Probate Code, which greatly simplifies the process for many small- to medium-sized estates.

But, even with these improvements, the probated assets in your estate still become a matter of public record, which may raise privacy concerns. Avoiding probate may also be appropriate if you own properties outside your state of domicile, which may involve multiple probate proceedings.

Once you set up a revocable living trust, you must transfer your assets into the trust. Failing to do so will subject your assets to probate. Simply signing a trust document *without* retitling assets renders your living trust useless.

Do I Still Need a Will?

The short answer is yes. Generally, a revocable living trust cannot entirely replace the need for a will. There are some assets you may not wish to place in a trust. For example, it may be impractical to transfer tangible personal property such as automobiles, furniture, and jewelry to a trust. Consequently, some of your assets will remain outside your trust, making a will necessary to name your intended beneficiaries of those particular assets. If you have minor children, a will may also be used to designate a **guardian** for them.

Other assets may require special consideration. For example, retirement plan accounts (Individual Retirement Accounts (IRAs), 401(k)s, and profit-sharing plans) cannot be retitled to a living trust, although you could change the beneficiary designation to the trust. However, naming someone other than a spouse as beneficiary of a qualified retirement plan often requires spousal consent, because in many states, spouses now have rights to retirement plan benefits. In addition, naming your trust, rather than your spouse, as the beneficiary of your qualified retirement plan may have income tax consequences at the time of your death.

Your legal professional can help you examine all the variables affecting your property—the *type* of assets (e.g., real estate, life insurance, bank accounts, savings, business interests, and personal property), *where* they are located, and *how* they are titled to determine if a revocable living trust can help you meet your short- and long-term estate planning goals. $

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