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Meeting the Challenges of Solo Aging

Sara Zeff Geber, PhD

Editor's note: This article is an adaptation of the live webinar delivered by Sara Zeff Geber, PhD, in 2022. Her comments have been edited for clarity and length.

You can read the summary article here as part of the July 2022 Retirement InSight and Trends Newsletter, worth 1.0 CE when read in its entirety (after passing the online quiz.)

You may also choose to take the full length course Meeting the Challenges of Solo Aging
for 1.0 hour continuing education (CE) credit.

By Sara Zeff Geber, PhD

I live in California, the land of good wine, and it was in the Silicon Valley area that I met with a friend at one of those cute little wine bars in Palo Alto.

She started to talk about everything she had been doing over the last year plus for her mother, who was then about 87. She had been flying back and forth, probably six times in one year, to the East Coast where her mother was because she had to get her mother situated in a retirement community.

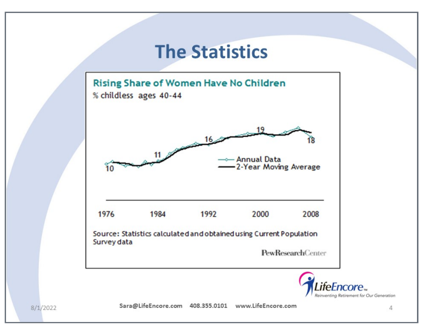
Her mother, at that point, was kind of beyond the point of doing that search herself. Sandy and her brother set to work on finding the right community for her. They sold her car, changed her address, and introduced her to the new people in the community that they found for her. Finally, they had to sell her home.

These things added to over a year's worth of work. I looked at Sandy when she finished telling me about it, and I said, "Sandy, you and I do not have children. Who is going to do all this for us?" Of course, there was no answer; there is no good answer. This question became a guiding force in my life for the next ten years.

Background of Solo Agers

As you can imagine, after I asked the "who was going to do that for us" question, I had some work to do; I needed to research what was happening. Were Sandy and I the only two people in the world with this problem, or were many other people in the same situation?

Here is what I found. The statistics of women having children have not changed for several millennia. The rate of childlessness in the U.S. population hovered around 10 percent until the Baby Boomers came along. You will notice this research was done in 2010 when the youngest Baby Boomer women were wrapping up their child-bearing years, so it was a fair analysis of what had been going on for the prior 20 years.



Low and behold, the number of Baby Boomer women who are childless was almost twice what the childlessness had been in previous generations or 19.4 percent. It still boggles my mind when I think that one out of every five boomer women I see did not give birth. Many of these women, of course, went on to adopt or marry into a kind of ready-made families.

Fast forward about 12 years, and the U.S. Census Bureau did a study in 2021, right after the 2020 census, on how many childless older adults are there. The lighter, smaller rectangle on the right on the bar chart is not Baby Boomers, and this is the generation ahead of the Baby Boomers showing how many women still living in that age group did not have children.

The middle bar is the oldest Baby Boomers, which has double the rate of childlessness from the previous generation. Interestingly, the rate is even higher for later Boomers. So many, many millions of Baby Boomer women did not have children.

Why do you think that is? I love to throw this question out to audiences as it makes us all think back to the late ’60s and into the ’70s. What was going on in this country? It is three-fold.

1. The first big thing for Baby Boomer women was a little, round, cylindrical, white thing called the Pill. We had that Pill by 1964, just in time for the oldest, leading edge of the Baby Boomers to take advantage of it.

2. There was also a huge push to pass the Equal Rights Amendment. That led to many marches, agitating, and activating aimed at Washington to get them to try and add this amendment to the Constitution.

   Even though the Equal Rights Amendment never passed, the agitation that came out of that effort hugely benefited women. It caused legislation that prohibited discrimination toward women in all the things that mattered to them at that time, such as they could not be discriminated against to get into college. As did industry, dozens of male-dominated and male-only colleges had to open their doors to women. This opened the door for women who had previously believed that they either had to be secretaries, teachers, or any other limited professions so that they could also be a wife and a mother.

   For the first time, women could see their way to a path where they did not need a husband to support them. They might want a husband as a partner, but no longer was it necessary to have a man as their financial support system. So many women decided, “Hmm, you know, I think I will have a career. I do not have that biological clock ticking; I think I will go off and do my own thing.” Enough women did that; fast forward 40 years, and it produced this chart.

3. Childless men and women are not the only Solo Agers. Some have no children, live alone, are estranged from family, or have dysfunctional families.

   A friend of mine and her husband have one son who married a Danish woman and has two kids and another on the way. Where do you think they live? In Denmark, near her parents. So, Judy and her husband Rocky cannot hang out with their grandkids as they want. They are also truly Solo Agers because it would be challenging for their son and daughter-in-law to come rushing in from 9,000 miles away if, at some point, they have a problem and need to find someplace else to live.

   We have other friends and neighbors whose relationships with their families exist on a screen. Once again, these people have children, and those children live far away. Depending on the lives of the people involved, these people often tell me they feel like Solo Agers.

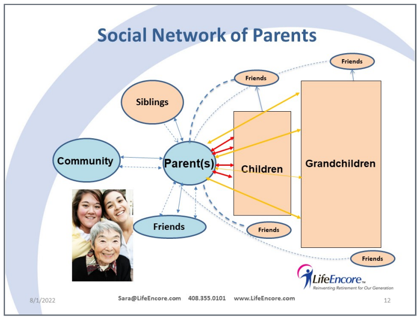
   Of course, some happily live alone. I know dozens and dozens of primarily women, but some men, who have been contentedly lived on their own for many years. In fact, some studies about middle age show that women who live alone are some of the happiest people. They can control their lives, do what they want, come and go as they please, and that is midlife. But the problem is that living happily alone into your 70s, your 80s, your 90s, that “happily” part can drop off quickly.

Ways a Solo Ager’s Social Network is Different from Someone Who is a Parent

Most Solo Agers are happy to create a life of their own that does not necessarily involve their biological family. Many form a family by choice, which strongly influences their happiness model.

In a study about 15 years ago, several thousand people aged 60+ were asked to rank order these items. Eighty percent said their relationship with their family was the key driver of their happiness. That is the thing that brought them the most joy, totally to be expected. Friends and friendships were also rated very high. Friends can become our chosen family; we must carefully choose them in a way that makes sense for all of us in the future. Contributing to the lives of others is also extremely important. This tells me that everyone needs meaning and purpose in their life. We all need a reason to get up in the morning. There is so much potential for being happy later in life that has nothing to do with our biology, nothing to do with the fact that we may or may not have given birth to children, or we may or may not be in touch with those children.

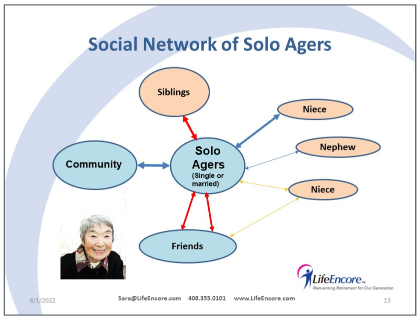
The following are illustrations of the social network. Notice on the social network of parents how most of the heavy arrows are pointing toward the children and the grandchildren. I have seen this so distinctly in my own life. The friends that I have that have kids, especially those that now have grandkids, most of their social life is directed in that way. Sometimes those relationships with kids and grandkids include the children’s friends, the grandchildren’s friends, the in-laws, the people that marry your children, or later in life, that marry your grandchildren.



There is also some relationship with community and friends. Parents can have friends and participate in the community, but not nearly to the extent they do with their family. Again, modified by geography. Some families are just highly spread out and have a difficult time doing this, or if they do it, it is more on a little screen using

Skype, or Zoom, or something to at least have a face to look at.

Here is the typical network of a Solo Ager. I consider people who do not have children to be a Solo Ager, whether or not they are married. My husband and I do not have children, but we do not have a crystal ball either, and we do not know which one of us will pass on before the other. When that happens, the remaining one will be a true, solid Solo Ager, so we are both preparing for it in many ways that I will describe later.



This makes this presentation important: when you add in all those other people who believe themselves to be Solo Agers for one reason or another, we are talking about 30-something percent of the population. Millions, and millions, and millions of people are not supported later in life.

Notice that the strong arrows here are with friends, community, and siblings if they are around. I encourage Solo Agers to develop as much interaction and relationships as possible with whatever biological family is available. If you live in the area with your nieces and nephews and you like them, I encourage you to form a relationship with them if their values resonate with yours. They will be your first line of defense when you start looking for people to name on your advanced directives or any of your estate planning.

The Importance of Building a Strong Community for Solo Agers

Most Solo Agers, after we have left our primary career and gone off to do some freelance work, tend to spend much time doing the kinds of things that are fulfilling to them. Whether gardening, running, biking, or playing pickleball, we do that often with friends and other people in the community. “Community” can mean many things. For example, scratch the surface of any non-profit organization that hires volunteers, and you will find a lot of Solo Agers.

One thing that we risk later in life is isolation and loneliness. We need to plan not to become isolated, which can lead to loneliness and many unpleasant, unhealthy disorders.

Knowledge of these unfortunate things, like depression, comes from solid research on isolated people. This research has stepped up in the last couple of years because we are starting to have a new picture of isolation and what it does to people. One recent impressive medical study showed that loneliness and isolation contribute more strongly to your early mortality than smoking 15 cigarettes a day. Pretty amazing, is it not? We all think of 15 cigarettes daily as a quick route to a funeral.

The cure for isolation and loneliness is right at hand. Building and maintaining our social support networks is critical as we age, no matter where we are in life or where we come from. We must find reasons to get involved in life and stay involved.

If you find yourself sitting around more than you would like to, begin to think about the things that make you happy. What do you like to do? Whether lifting weights at a gym, having a backyard party, joining a hiking group, or joining a quilting circle, it just does not matter what; many things are available to people.

One of my favorite websites that physically gets people together is called “Meetup,” or Meetup.com. Meetup is the resource to find people who like to do the things you like to do, especially as you live in a more urban or larger city. Even in smaller areas, Meetup has made inroads and helps people find groups of people just like them with whom they can hang out. It is also important to dine, have happy hours, celebrate with people, and celebrate life as much as possible. I think we have never understood how important that is more acutely than we do today.

Where suburbs get into trouble is often with transportation issues. The movement toward age-friendly cities, which is going on in many places, is trying to remedy some of this as best they can. Still, it is just a good idea to understand your transportation options, especially as you get into your late 70s and starting to get into your 80s, especially if you have a condition that limits your mobility. This kind of thing hangs people up later in life; they have lived in the suburbs very happily for 40 years, and suddenly, they have to quit driving.

Another critical area to pay attention to is to keep up our social interaction and build our social networks, which also helps us ensure that neither our hearing nor vision is impaired. Cataract surgery is something that happens to older people. Medicare covers this simple operation, which will help them see better so they can keep their driver's license as long as possible.

Hearing loss is an insidious trap. If we let our hearing diminish, do you know what happens? We begin to shrink from life. You tend to be quiet when you can't hear a conversation. Nobody wants to be the "what" person, to say, "What? What did you say? What was that? Say that again?" So what do we do instead? We clam up.

Another caution, especially as Solo Agers get older, is to ensure you get your hearing tested. One of the reasons people do not get tested is because hearing aids are expensive, typically $3,000 or $5,000 a set. New hearing devices are being introduced, some over the counter, and I am told they work. So, if you know that your hearing is starting to fail, if you are turning up the volume more on your TV if you need that closed caption on the TV, especially if you watch with a partner, and that person says, "It is too loud," it is probably time to get your hearing test.

Staying in touch with neighbors is also critically important, especially if you live in an area that is a little shy of transportation. However, I can hardly think of a situation when getting to know your neighbors would not be a good idea. This was brought home to all of us so dramatically during COVID.

Finally, get a dog. Besides a dog being a great companion, one of the best ways to get to know people in your neighborhood is to walk your dog. Eventually, you know more of the dogs' names in the neighborhood than the people. Getting a dog is a great conversation starter.

Once again, it is crucial to understand your social support system and remember that question, "Who will do that for us?" This is the potential support system of people who will do that for you, who will be your support system as you get older.

A person's support system tends to disappear or shrink over age 50. Some of them go away sooner than you think they might. They do not all go away, but they do start to diminish, and then if you let them go, you end up the only people in your life when you are in your 80s or 90s to be the doctors and other caregivers you pay to take care of you.

I would rather my support system look more like this, so that the dominant element in it is my friends and the community around me, maybe my neighbors. If there is anything left of my extended family, or I even have a nuclear family, they are certainly in the picture, too. Of course, the doctors and the caregivers will always be in the picture. The problem is, we don't have a crystal ball; we do not know which of these are going to leave our lives and which are going to be there still.

It is also good to think about how "sticky" some people are. Do you anticipate them staying around, or are they planning a move? With some of those friends who do have children, what happens? They tend to move away to be near their kids and grandkids.

Places for Solo Agers to Live?

For Solo Agers, I am not a big fan of what is commonly known as aging in place, especially if your definition of aging in place is, "I am going to stay in this two- or three-story suburban home for the rest of my life, you will have to drag me out of here feet first."

There are so many other options that are quite viable for Solo Agers. I will start with the more traditional options for senior living that have been around quite a while.

1. The most independent one, the "active adult," is what it is called now and used to be called 55+ communities, are simply communities where people who are 55 and older can buy into or rent. There are thousands of acres of them in Florida, California, and all over the rest of the country. A senior citizen community is what some people call it.

   Mostly, you pay some monthly dues, which gets a lot of your maintenance taken care of, and it is certainly a simpler life than owning your own three-story home, taking care of the lawn, the gutters, the shrubbery, and everything on your own.

   This is a step down in responsibility for most people. Most people are still, of course, very mobile and very active when they move into these communities. They are the most popular form of senior living right now. An example is Margaritaville, an active adult community where you can own or rent a home, all built around the Jimmy Buffett theme of Margaritaville. There is much partying as they are all near or on a beach, which appeals to a particular population segment.
2. Going a step up from there, you have your life plan community or CCRC. These are the fancy ones that people generally must buy into. Sometimes you can find them on a rental basis, where you pay market value for any additional care you might get. Most people go in as independent living residents, and as they need more care, it is offered to them sometimes for an increased fee, sometimes not for an increased fee. Very complicated, and it depends on the kind of contract you have with the community.
3. These communities have not only independent living and assisted living, but most have memory care and skilled nursing. So, it is the whole gamut of care for older adults. Therefore, many Solo Agers, especially those that can afford it, gravitate toward these communities because you are assured of getting the care you need when you need it if you can afford it.
4. A step up from that, in terms of care, is pure assisted living. People who think they will live without going to any senior community sometimes end up in assisted living because they cannot manage at home without some assistance. They may need help dressing, bathing, mobility, or transferring from the bed to a chair. These are called activities of daily living (ADLs), and once you start needing help with two or three, you are a candidate for assisted living or for someone to live in and care for you on a 24-hour basis.

   It turns out that assisted living can be less expensive than hiring someone to come to your home. Once again, this is a choice that people must make, but that is what assisted living is. It is not a nursing home; it is simply a place where you would have help when you need it with the things that you need.

5. From there, a skilled nursing facility is probably something that all of us want to try and avoid, and we can avoid it for most of our life if we take care of ourselves and understand the other options.

   In my mind, the worst thing is ending up in a skilled nursing facility somewhere I never planned to go and never did any research, so I do not know what skilled nursing facilities are available. Still, somebody might shunt me off to one because all of a sudden, I cannot take care of myself for a month, or two months, or maybe the rest of my life after a fall or serious illness.

So, I encourage people to research, think about the other kinds of senior living that are out there, and decide where they might want to go if they need something. I find it very challenging to talk people into visiting assisted living and continuing care communities because they do not want to be around a bunch of "old people." Well, we are all marching in that direction.

For those willing to take the chance, find out what is in your community and pay them a visit. They are always happy to have visitors, probably now with masks and careful sign-ins, from the community who know they are there and are possibly thinking about them for future residence.

These are the traditional kinds of senior living, and now I want to discuss some less traditional ones. These are new social living models developing.

1. One of my favorites is co-housing. This came from Denmark about 40 years ago, and there are now probably 200+ co-housing communities in the United States. I have visited a couple of them, and they are lovely concepts.

   They are usually multi-generational; some raise their kids there, but now there is also elder co-housing. Everybody has their own home with their own kitchen, dining room, and whatnot, but co-housing is a situation where people commit to spending much of their lives as a community. They have two or three meals together every week, take turns cooking those meals, and have meetings to determine how things will be run. No professional company is running things as there would be in traditional senior living, and they are doing it themselves; co-housing is a grassroots effort.
2. Another concept that is gaining traction is the village concept. They are geographic in nature, meaning that anybody in a geographic area is eligible to be a member, but just because you live there does not mean you are a member.

   In the case of a village, people join and then are privileged to have specific tasks accomplished for them when they need them. For instance, if I join a village and need to have my roof replaced and I do not know a good roofer, I can go to the village concierges and ask for a vetted roofer.
3. A NORC is a naturally occurring retirement community that can often happen in a condo or an apartment house.
4. Home-sharing is just what it sounds like, a la the Golden Girls.

How ready are you for Solo Aging? I am hopeful that you have been able to look at your social support network, communicate with your loved ones about what you want, and think about where you want to live. Even thinking about your end-of-life issues is important to make the best decision about where you will live now and in the future.

Meeting the Challenges of Solo Aging – Sara Zeff Geber

About Sara Zeff Geber, PhD

Sara has a Ph.D. in Counseling and Human Behavior, a M.A. in Guidance and Counseling, and a B.A in Psychology. As a former management consultant, she has worked successfully, both nationally and internationally, with multi-billion dollar corporations, small to medium-size organizations, and forward-thinking individuals.

Dr. Sara Zeff Geber is a recipient of the "*Influencers in Aging*" designation by PBS' Next Avenue. She is an author, retirement transition coach, and professional speaker on retirement and aging.

Dr. Geber is the author of the 2018 book, *Essential Retirement Planning for Solo Agers: A Retirement and Aging Roadmap for Single and Childless Adults*, which was selected that year as a "best book on aging well" by the Wall Street Journal.

Sara is a regular contributor to Forbes.com on the topics of aging and retirement. Over the past three years, Sara has written 50+ articles for Forbes.com and is one of the leading contributors in the area of retirement and aging.

Sara has also been quoted in The Huffington Post, the New York Times, the Wall Street Journal, and other major media. A sought-after speaker at conferences on Aging, Sara is active in the American Society on Aging, the Life Planning Network, the Transition Network, the Sonoma County Section on Aging, and the Gerontological Society of America.

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Critical Rules for Moving Retirement Accounts: Transfers, Rollovers, Roth IRA, and In-plan Conversions

Denise Appleby, MJ, CISP, CRC®, CRPS, CRSP, APA, Founder and Owner of Appleby Retirement Consulting, Inc.

Editor's note: This article is an adaptation of the live webinar delivered by Denise Appleby in 2022. Her comments have been edited for clarity and length.

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You may also choose to take the full length course Critical Rules for Moving Retirement Accounts: Transfers, Rollovers, Roth IRA, and In-plan Conversions for 1.0 hour continuing education (CE) credit.

By Denise Appleby, MJ, CISP, CRC®, CRPS, CRSP, APA, Founder and Owner of Appleby Retirement Consulting, Inc.

When we look at the statistics, we see that most Americans are behind the eight ball when saving for retirement. Most of those who have anything saved are held in tax-deferred retirement accounts, so we have to help them protect those assets at all costs.

I like to tell a real-life story of a case where a financial advisor contacted me because he was excited about getting a $5 million IRA to manage. Part of what that advisor should do is perform an IRA audit, looking back at the transactions in the account over the past few years. We found out this $5 million IRA was not an IRA after all. The IRA owner broke the one-per-year IRA-to-IRA rollover rule more than once, and when that happens, the amount is disqualified from being held in an IRA. Not only that, if it is not corrected by that filing due date plus extension, it is subject to a six percent excise tax for every year remained in the IRA, which was the case with that IRA.

How To Choose The Right Method When Moving Assets Between Retirement Accounts

When a client intends to move an account and maintain a tax-deferred status, sometimes they end up with a distribution when they thought they were doing a transfer.

We also want to help spouse beneficiaries choose the correct method when moving inherited assets because they have more options than non-spouse beneficiaries. But the type of movement they use could is determined whether they owe the 10 percent distribution penalty, for instance, on distributions they take from inherited accounts. What if you meet with a client and find out, "Hey, this client has already made a mistake." Can that mistake be fixed?

We have so many American millionaires, and guess what? They are millionaires because they are 401(k) millionaires and IRA millionaires, but what no one is paying attention to is how we preserve that growth, right? How do we ensure that we do not end up eroding years of market growth by one transaction?

Now, estate planning, particularly distributions to beneficiaries, must also be considered because, in some cases, beneficiaries can continue benefiting from the tax-deferred treatment available to these accounts with limited options.

One mistake can cause an entire account to be included in income in one year instead of stretching it out for over ten years or over the beneficiaries' life expectancy if that is an available option. When we have that conversation with clients, we have to talk to them about, "How do you move those assets," and part of the conversation has to be, "Are you the owner or are you the beneficiary that has inherited a retirement account?" because the rules are different.

There is so much money in retirement savings accounts: over $37 trillion as of the third quarter of 2021, and $13.2 trillion is in IRAs. The rest of it is in employer-sponsored retirement plans. But guess where those assets are going to end up? Eventually, in IRAs, right? The statistics show that most 401(k) participants eventually move their assets to IRAs. When I say "401(k)s," I am using it as an all-inclusive term to mean pensions, 403(b)s, governmental 457(b) plans, profit-sharing plans, and the like.

Now, when a client walks into your office and says, "I have a 401(k) account, and I want to roll it over to an IRA with you," there are certain factors that we must take into consideration. It includes something as simple as, should I do a direct or indirect rollover? Do I have after-tax assets in my 401(k), and should those be treated differently? Are there advantages using specific strategies instead of others?

Now, here is the deal when it comes to IRAs, especially. Ultimately, the IRA owner is responsible for ensuring things are done right, but we know that they engage us to help. Sometimes it is not about responsibility from a regulator's perspective, and it is a matter of customer relationship. If a client depends on you to point them in the right direction when things do not go right, they will be upset with you. "You did not tell me I had 60 days to return this money. Now I am finding out that my $2 million distribution is included in income because here I am, it is day 70, and no one told me." No one is required to tell them. The IRS has confirmed this, but as I said before, they are relying on us to help them, and part of the way that we are going to help them is by educating them on the proper ways to move their accounts and the limitations that apply.

It starts with the basics. Almost every week, I get a client call from an advisor who says, "Denise, my client has an IRA at firm A, and they want to roll it over to firm B with me," and I will say, "Hang on a second, before we go any further. I think you mean a transfer, right?" And they will say, "Yes, I know because that is what you teach me, but you and I know that that is what I mean." And my response usually is, "Well, that is true, you and I know, but you do not want to say rollover when you should be saying transfer because guess what? When you go to the financial institution and say, 'I want to do a rollover,' they will give you a distribution form because they think you want to take a distribution and then roll it over within 60 days."

If you want a transfer, you must say, "transfer." If it is a direct rollover, you have to say, "Direct rollover," instead of, "send me a distribution," which I would then rollover within 60 days, which would be an indirect rollover. We must distinguish between a rollover and a Roth conversion because one is included in income, and one might not be included in income, especially when the assets come from an employer-sponsored retirement plan.

Let us first look at the rules applied to retirement account owners. It is such an important distinction to make. If a client walks into your office and says, "Advisor, I want to rollover an account that I have with firm A to an account with you."

One of the only things you must find out is: are you the owner of the retirement account, or is this an inherited account? Why is that? Because the rules are different. Some can be rolled over, and some cannot be rolled over. For some, the only option is to move those assets is as a trustee-to-trustee transfer. If it is assets in an employer-sponsored retirement plan, then for the beneficiary, the only option is to move those assets as a direct rollover.

Here is a chart that provides guidance about the allowable movement of retirement accounts.

Appleby's 2022 Quick Reference Guide for:
IRA Transfer & Rollover Rules: For IRA Owners

Use this guide to determine whether amounts can be moved between two types of retirement accounts, and get an overview of the general rules that apply to rollovers and transfers.

Is Movement Permitted from Delivering to Receiving Plans/Accounts?

Delivering Plans	Receiving Plans: Traditional /SEP IRA	Roth IRA	SIMPLE IRA	Qualified Plan	Roth 401(k)/ Roth 403(b)/ Roth 457(b)	403(b)/ 457(b) [1]	ESA	529 Plan
Traditional /SEP IRA	Yes	Yes[2]	Yes[3]	Yes[4]	No	Yes [4]	No	No
Roth IRA[5]	No	Yes	No	No	No	No	No	No
SIMPLE IRA[6]	Yes	Yes[2]	Yes	Yes[4]	No	Yes [4]	No	No
Qualified[7] Plan	Yes	Yes[8]	Yes[3]	Yes	Yes[9]	Yes	No	No
Roth 401(k)/ Roth 403(b)/ Roth 457(b)	No	Yes	No	No	Yes	No	No	No
403(b)/ 457(b)	Yes	Yes[8]	Yes[3]	Yes[10]	Yes [9]	Yes	No	No
ESA	No	No	No	No	No	No	Yes	Yes
529 Plan	No	No	No	No	No	No	No	Yes

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Suppose someone comes into your office and asks, "I have a Simple IRA. Can I move it to a Traditional IRA?" The answer is yes, but there is a footnote. You can do that only if the Simple has been funded with a Simple contribution for at least two years. "Can I move my Roth 401(k) account to my Simple IRA?" No, you cannot do that. A Roth 401(k) account can only be moved to a Roth IRA or to another designated Roth account such as a Roth 403(b), Roth 457, or another Roth 401(k). Sometimes there are limitations or caveats that must be taken into consideration.

Transfer/Rollover Rules for IRA/401(k) Owners

When a client walks into your office and says, "You know, I like your firm. I want to bring my IRA to your firm, and my existing IRA is at the bank across the street. I just want to run over there, ask them for a distribution, and bring it over to you. Is that okay?" Well, it could be, but here is what we need to consider. If the client runs across the street and asks for a distribution, then the only way to put it back into the IRA with the new advisor is as a rollover. And that is perfectly fine if the IRA owner has not done an IRA-to-IRA rollover in the preceding 12 months or cannot do another in the succeeding 12 months. What am I talking about here?

Unless the client needs to use the funds temporarily, the transfer method is the one they should use. Why? It is not subject to the 60-day deadline I will be talking about; it is not subject to the one-per-year rollover rule; it is not reported on the individual's tax return, and there is no tax withholding. Transfers are better. Rollovers are non-taxable; that is true. It is reportable but non-taxable, but it is only non-taxable if the amount is, in fact, eligible to be rolled over. You do not have an issue with a transfer.

If a rollover misses the 60-day deadline and does not qualify for a waiver, it is not eligible to be rolled over; and if a rollover breaks the one per year rollover rule, it is not eligible to be rolled over. Also, rollovers could result in a loss of extension to the 10 percent early distribution penalty. That is usually an issue when you are changing plan types, and by that, I mean you are moving from an employer-sponsored retirement plan to an IRA or vice versa. So, that is one of the things you want to think about as you have that conversation about moving assets; and for non-spouse beneficiaries, they cannot do rollovers of inherited IRAs.

For employer-sponsored retirement plans, they can be rolled over, but only as a direct rollover. So, let us talk about the 60-day deadline. Now, once upon a time, the IRS used to get thousands of requests from people saying, "Please help me. I took a distribution and intended to roll it over within 60 days, but life happened. Can you give me a waiver?" To have the IRS even consider that, they must pay the IRS a fee of $10,000, and guess what? That fee applies whether or not the IRS issues a fair ruling. So, why not avoid that in the first place, if you can?

Let us assume, however, that the client is in the position where this is the only option. They take a distribution, and they use it on a short-term basis. Now they have 60 days to get it back in. What are some of the rules that we need to think about? Well, when does the 60-day period start? It starts when the account holder receives the distribution. Someone runs into your office, frantic, thinking, "Oh, I missed the 60-day deadline." Then, you will ask them, "Well, when did you get that check?" It is not when the check was issued; it is when they got it because that is when the 60-day period starts, right?

Here is a point of confusion I want to clear up. You can do an IRA-to-IRA rollover only once for a 12-month period, but that does not stop you from rolling over one distribution in installments. So, if someone takes a distribution of $100,000 today, they can rollover $10,000 tomorrow, and $20,000 next week, until they rollover the amount that they can afford to rollover up to the $100,000. If someone does a distribution this week and a distribution next week, or distributions from two different accounts, then each stands on its own to determine if the 60-day period applies.

What if someone misses the 60-day deadline and does not qualify for a waiver? That amount is included in income because it is not eligible to be rolled over. Now, the 60-day period does not apply to a direct rollover. What if the client comes into your office and says, "Hey, I missed the 60-day deadline. What am I going to do? I have this check in my hand."

Part of what you are going to do is check to see if the client qualifies for a waiver. First, you want to look for an automatic waiver, which would not apply if the client had the check in their hand because it applies to everything they should have done within the 60-day deadline, including giving you the check.

Let's say you were so excited about going on vacation in the Caribbean, you stuffed that check in your drawer, and you forgot about it until the client returned six months later and said, "What happened to my check?" Or maybe you made a mistake and put that check in a checking account instead of a client's IRA. In that case, the 60-day period is extended to a year. There is an automatic waiver in that case, so this is the first thing you want to look for.

The second thing you want to look for is self-certification. You want to check for a list of reasons in Revenue Procedure 2020-46, where the IRS pretty much said, "Listen, so many people are coming to us with so many requests that are similar about missing their 60-day deadline, why just not grant a blanket waiver for those instances?" This can apply when certain requirements are met, such as someone is sick, someone was in prison, or an issue with the Post Office.

The complete list is in Revenue Procedure 2020-46. If you check that list and your client meets any of the requirements or any of the reasons on that list, then all you need to do is get a self-certification certification from the IRA owner. There is a sample certification letter in Revenue Procedure 2020-46.

As soon as the reason for missing the deadline no longer exists, the check or the amount should be deposited as a rollover within 30 days. If a client does not qualify for any of those, the next step is to see whether or not they meet a suitability test for an IRS waiver because you do not want your client going to the IRS for a private letter ruling (PLR) when you know the IRS is going to say, "No." Now, the IRS should provide a waiver request where the failure to waive such a requirement would be against equity or good conscience, including the death of a blood relative, natural disaster, etcetera. However, there is no guarantee that the IRS will say, "Yes."

Losing Tax-Deferred Status by Breaking the One-Per-12-Month Rollover Rule

The one-per-year rule only applies to IRA-to-IRA rollovers. How does this work?

Someone takes a distribution; they roll it over in 60 days from either a Traditional IRA to a Traditional IRA or Roth IRA to a Roth IRA. That can be done only once during a 12-month period.

How do we know this? Before 2014, pretty much all of us, including the IRS, as they explain in publication 590, thought that you could do this for as many IRAs as you own. A tax attorney, of all people, used that rule because he had multiple IRAs, and he performed more than one IRA-to-IRA rollover during a 12-month period. The person reviewing his tax returns said, "How come I have two 1099-Rs and two 5498s for this one person for the same year?" They disallowed the second rollover. The tax attorney took the IRS to court, and he lost because the tax court said, "Listen, I do not care about what publication 590 says; you can do this only once during a 12-month period."

If you have multiple Traditional IRAs, multiple SEPs, or multiple Roths – it does not matter how many you have – you can do this only once during a 12-month period. So he appealed to the IRS and said, "Listen, I should not be penalized because I relied on publication 590," and the IRS said, "I feel for you, but you rely on IRS publications at your peril." Can you believe that? They tell you you cannot use IRS publications as any substantial authority. Now, when a client wants to rollover assets from employer plans or IRAs, part of what I recommend is that you create a checklist of items or amounts that are not eligible for rollover.

Why is that? Because if they are supposed to take an RMD, for instance, that amount cannot be rolled over; it must be distributed first. Hardship distributions, excess distributions, then this distribution or rollover, will it break the one-per-year rollover rule? Did they miss the 60-day deadline, and do they not qualify for a waiver? So, what if someone does a rollover on an ineligible amount? What happens then? If the amount is rolled over to an IRA, it creates an excess contribution that must be distributed by the IRA owner's tax filing due date plus extension. And if it is not corrected, it is subject to a six percent excise tax.

Rollover to Change the Plan Type Can Be Surprisingly Costly

With rollovers from employer plans to IRAs, how does it affect estate planning? What are the distribution options for beneficiaries? What about creditor protection? Does the client have employer securities in those accounts because if it is rolled over to an IRA, then they will lose tax benefits? If they are in a situation where the client will lose a 10 percent early distribution penalty exception by rolling over that amount, and if the amount is in a pre-tax account, pre-tax 401(k), for instance, what happens if you roll it over to a Roth IRA versus a Traditional IRA?

Before rolling over those amounts, the client must be aware of the tax consequences. Trust me when I tell you, the Department of Labor does not joke about instances like that, where clients mean to rollover assets. A client needs to receive full disclosure of the differences between the accounts that they hold the assets in and the accounts that the assets are going to. So, check the account statement. Do they have employer securities? Because if they do, then there could be a tax-saving opportunity if those assets are not rolled over. You roll it to an IRA; you lose those benefits.

Do they have after-tax contributions in a 401(k) account? Because if they do, those amounts can be rolled over to a Roth IRA, as opposed to a Traditional IRA, so that the rollover is tax-free, and the tax-deferred amount remains in the Roth IRA, where it eventually grows tax-free. We can still do Roth conversions, which are not subject to the one-per-year limitation. Remember that when a client wants to do a Roth conversion, remind them, "Listen, you have got to make sure that you want to do this. Talk to your tax advisor." Why? Because, once upon a time, when you did the Roth conversion, you could reverse it as a recharacterization by your tax filing due date plus extension. You cannot do that anymore. So, once you do a Roth conversion, you are locked in. Have your client talk to their tax advisor to do a Roth conversion suitability analysis to see if it works for them before they decide because once you pull that switch, you cannot turn it off.

So, can mistakes be fixed? If you find out that a client makes a mistake, do not give up just yet. Try to see what type of mistake it is and who made the mistake. If it is the financial institution, they must fix that mistake as long as it is not impossible to do so, and I have never encountered a case where it is impossible.

Look for remedies. So, they have missed the 60-day deadline. Do they qualify for a waiver? Where applicable, ask the IRS for the probability of the ruling, but only if it makes sense. Now, the IRS has the authority to waive the 60-day deadline, but they do not have the authority to make an exception to the one-per-year rollover rule. But, if the one-per-year rollover rule is going to be broken because of a failed financial institution, then an exception applies. You remember, in 2020, when RMDs were waived, the IRS made an exception to allow those amounts to be returned.

The Transfer/Rollover Rules for Inherited Accounts

Moving onto beneficiary options, I am sure you have heard by now that the Secure Act took away the option for beneficiaries to take distributions over their life expectancy. In most cases, the 10-year rule applies unless the beneficiary is an eligible designated beneficiary. So, the question becomes, then, what is the big deal?

When it comes to inherited IRAs, have that conversation with the client, but do not send them on their merry way to take care of it themself. Help them as much as you can, and if you are on the receiving end of the inherited IRA, make sure that you submit for the transfer because, in that case, it is less likely that mistakes are going to happen. I can guarantee you that 90 percent of the time when the client goes to the financial institution that has the inherited account to handle it themselves, they make mistakes because they do not know the lingo.

Even though you say to the custodian, "I want to do a transfer," and they fill out the distribution form and give it to the custodian, that will result in a distribution. The custodian does not care because their position is, well, here are all the disclosures. You sign the paperwork, and when you do that, you attest that you have sought tax and legal advice and read all the stuff. You know that no one will read that. Just like when I get my insurance policies, I do not read that because it is all Greek to me. It is the same thing with clients, even though it seems very simple to us.

Regarding IRAs, the only way to move those assets is a trustee-to-trustee non-reportable transfer. When you move from one inherited account to another, you can take the RMD from the receiving account if both are sent from the same decedent. For a spouse beneficiary, the transfer can be made from the spouse's inherited account to their own account.

For qualified plans, the only way to move those assets is as rollovers, and for non-spouse beneficiaries, the only option is as a direct rollover. They cannot roll it over to their own IRA; it must be to a beneficiary IRA.

Spouse beneficiaries have the flexibility of rolling those assets over to their own IRA or a beneficiary IRA. If the beneficiary is a surviving spouse of the account owner, then they can treat the inherited IRA as their own and then convert it to a Roth IRA.

Employer-sponsored retirement plans can be rolled over to Traditional or Roth IRAs, and, in that case, that is the only way an inherited account can be converted. If you have an inherited Traditional 401(k), you can roll it over to a beneficiary Roth IRA and, in that case, you have a conversion of inherited amounts.

Spouse Beneficiary Making Wrong Choice That Cost 10% Penalty Exception

When a spouse inherits an IRA, they can move it to their own IRA, or they can move it to a beneficiary IRA. Then the question becomes: when that spouse's beneficiary is sitting in front of you, and they do not know what to do, here is a tip. Have that spouse beneficiary keep the assets in a beneficiary IRA until they can decide if they want to put it in their own IRA. Why is that? Because if they put it in their own IRA, there is no going back. They must keep it in their own IRA, but if they put it in a beneficiary IRA, they can move it to their own IRA later on if they change their mind.

Now, what is the benefit of keeping it in a beneficiary IRA? Suppose the spouse beneficiary client is under age 59½ and they plan to take distributions before the age of 59½. In that case, the solution is to have them keep those assets in a beneficiary IRA and take distributions from that beneficiary IRA. Think about the 10 percent early distribution penalty. If you take a distribution of $100,000, for instance, and all of it is pre-tax, then that amount will be subject to a 10 percent additional tax of $10,000. Pretty stiff penalty, right? Unless an exception applies, and one of those exceptions is a death distribution or distribution due to death. A distribution can be treated as a distribution due to death only if it is taken from a beneficiary account.

If you work on the operations side, you will see this because the 1099-R issued for a distribution has a code in box seven. If it is a code four, it means a distribution is due to death. Code four says to the IRS, "This is a death distribution, and it is not subject to the 10 percent early distribution penalty."

There is another opportunity where a spouse beneficiary might want to minimize distributions. If the account owner dies before the required beginning date (when you are supposed to start taking RMDs), the spouse beneficiary can keep it in a beneficiary IRA. They would not need to start taking distributions until the latter of December 31st of the year following the year of death or the year in which the account owner would have reached age 72. Now, if the account owner is very young, keeping it in a beneficiary IRA is a good strategy because the spouse, at that point, can decide whether they want to take distributions.

Once they are required to put it in their own account, you would use the uniform life expectancy table to calculate RMDs, producing a lower RMD than if they keep it in the inherited account. So, when the spouse beneficiary meets with you, you need to ask: “Are you under age 59½? If yes, do you plan to take distributions before you reach age 59½? How old was the decedent, and how old are you?” Because you can use the responses to those questions to implement distribution strategies for your spouse beneficiary client that is cost saving, including avoiding the 10 percent early distribution penalty.

Now remember, too, that spouse beneficiaries are subject to the one-per-year rollover rule. I had a case where a spouse inherited five accounts from her husband and decided to move all of them using the 60-day rollover method. You cannot do that, even though the accounts were inherited, so because of doing that, only one of those distributions could have been rolled over.

Your client is already dealing with the death of a loved one, you do not want them doing anything that will add to that, and part of what we can do is to help protect them from mistakes like this. Remind them they need to come and see you before they sign any paperwork or speak with other financial institutions because not every financial institution is training their associates on these nuances. If you have clients who are already distraught because a loved one died and are signing paperwork through tears, not even understanding what any of it means, this is where we need to step in and help them.

Critical Rules for Moving Retirement Accounts: Transfers, Rollovers, Roth IRA, and In-plan Conversions – Denise Appleby

About Denise Appleby, APA, CISP, CRPS, CRC®, CRSP, Founder and Owner of Appleby Retirement Consulting, Inc.

Denise has over 15 years of experience in the retirement plans field, and has co-authored several books and written over 400 articles on IRA rules and regulations.

Denise held several senior retirement plans related positions with Pershing LLC, which includes Vice President of Retirement Plans Products and Services, Retirement Plans Manager, Trainer, Training Manager, Compliance Consultant, Technical Help Desk Manager and Writer. Denise has extensive experience with training the staff and financial advisors of many broker-dealers on retirement plans related topics. Denise has also provided training to hundreds of financial advisors, as well as tax and legal professionals on the rules and regulations that govern IRAs, SEP IRAs, SIMPLE IRAs and qualified plans.

Denise’s wealth of knowledge in retirement plans led to her making appearances on CNBC’s Business News, Fox Business Network and numerous radio shows, as wells as being quoted in the Wall Street Journal, Investor’s Business Daily, CBS Marketwatch’s Retirement Weekly and other financial publications, where she gave insights on retirement planning. Her expertise and knack of explaining complex retirement plans rules and regulation, so that they are easily understood, created a demand for her to speak at various conferences and seminars around the country.

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Age Wave: Meeting the Elder Planning Needs of Today's Retiree

Bob Mauterstock, CFP®, ChFC, CLTC, Eldercare Expert, Speaker, Author, Facilitator

Editor's note: This article is an adaptation of the live webinar delivered by Bob Mauterstock in 2022. His comments have been edited for clarity and length.

You can read the summary article here as part of the July 2022 Retirement InSight and Trends Newsletter, worth 1.0 CE when read in its entirety (after passing the online quiz.)

You may also choose to take the full length course Age Wave: Meeting the Elder Planning Needs of Today's Retiree for 1.0 hour continuing education (CE) credit.

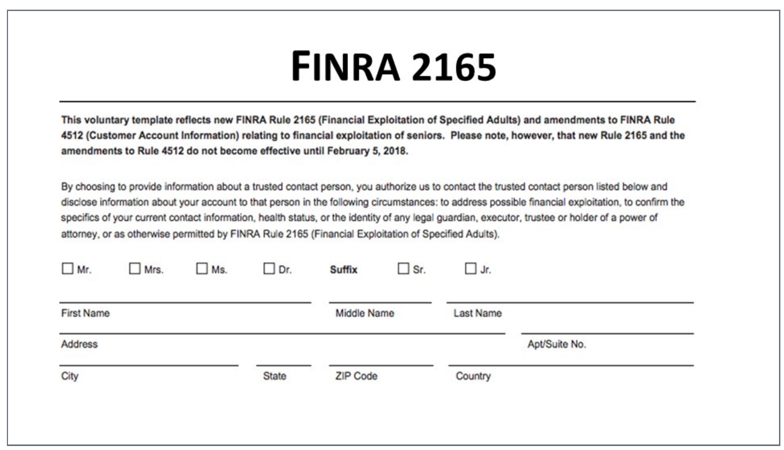
By Bob Mauterstock, CFP®, ChFC, and CLTC, Eldercare Expert, Speaker, Author, Facilitator

Most of us are not aware of the changing dynamics within our country. The fastest-growing age group in this country is the people over the age of 85. Many retirees could live 30 or more years in retirement, and they may live as many years in retirement as they actively worked. Children born after 2007 can expect to live more than 100 years. This is going to impact and change the whole world of financial planning.

According to the Alzheimer's Association, the bad news is that over 46 percent of those over age 85 will develop some form of dementia. The most feared condition of later life amongst retirees approaching retirement is dementia, and more than 32 percent are afraid of some form of dementia affecting them. It is more than cancer; it is more than Covid-19, stroke, or heart attack. So, this is something that we as advisors must deal with.

FINRA created this form for those associated with a broker-dealer. It was issued last year to advisors because of an increasing problem and a problem that I had myself.

If you have a client with diminished capacity, how do you relate that to friends and family without breaking their confidence? Do you have the right to pass on to other family members, friends, and so forth that the client is losing their mental capacity? No. So, FINRA created this form, and I suggest that you develop a variation of it for yourself that you can give to clients that will give them the authority to create what we call a "trusted contact person." It says, "To address possible financial exploitation, confirm specifics of your current contact information, health status, or identity of a legal guardian, executor, trustee, or holder of power." In other words, giving the advisor the authority to pass on to a trusted contact person their concern that you are having issues with mental capacity.



FINRA 2165

This voluntary template reflects new FINRA Rule 2165 (Financial Exploitation of Specified Adults) and amendments to FINRA Rule 4512 (Customer Account Information) relating to financial exploitation of seniors. Please note, however, that new Rule 2165 and the amendments to Rule 4512 do not become effective until February 5, 2018.

By choosing to provide information about a trusted contact person, you authorize us to contact the trusted contact person listed below and disclose information about your account to that person in the following circumstances: to address possible financial exploitation, to confirm the specifics of your current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney, or as otherwise permitted by FINRA Rule 2165 (Financial Exploitation of Specified Adults).

☐ Mr. ☐ Mrs. ☐ Ms. ☐ Dr. **Suffix** ☐ Sr. ☐ Jr.

First Name | Middle Name | Last Name

Address | Apt/Suite No.

City | State | ZIP Code | Country

I had a situation like this before I used this form. I had an aging doctor who was a very good client of mine for over 20 years, and he started calling me every week asking to speak to his accountant. And I told him every time, "Your accountant does not work here, doctor. Let me give you his phone number." I became increasingly aware that he had a significant mental dementia issue, but I could not tell anyone. I did not have the authority to share that with anyone because he had not given me that authority.

If I had this trusted contact form, I would have been able to share that information with someone else. If there is one thing that you take out of our discussion today, it is developing a version of this form to use yourself with your clients. Especially if you are bringing in new clients who are age 60 or older, you may want to consider having all your clients sign it and just tell them, "Well, this is just a matter of our normal practice in our firm is giving us the authority to contact a trusted contact." Keep that in mind because that will be an increasingly important issue to deal with if you have any clients that have diminished capacity.

Now let's address the seven steps to meet a new retiree's elder planning needs.

Step One: Create a single source recordkeeping document, or in my terms, their life folio.

How often have your clients looked all over the place to find a title for their auto coverage, healthcare proxy, long-term care policy, or life insurance policy? Just imagine what it would be like if, at a point of emergency, they had to find some of those documents; they would not be able to do it.

So, you need to create a three-hole punch binder in which you can put all these documents or note where they can be found.

1. **What are your investment accounts**? Where are they? Whom are they placed with? Who owns them? Husband, wife, child, or trust?

2. **Insurance.** Do they have life insurance? Do they have long-term care insurance? Do they have annuities, and where are those policies located? I remember talking with one of my clients and saying, “I need to look at your life insurance policies, John.” And he said to me, “Well, Bob. I don’t need to do that. I have had those policies for a long time. There is no problem there.” And so, I asked him to bring in the policies. After I reviewed them, I said, “Who is Mary?” And he said, “Well, Mary is my ex-wife. We have been divorced for more than ten years.” I said, “Well, John, she is the beneficiary of your $100,000 life insurance policy.” He was not even aware of that fact.

   So, your clients must determine where their insurance policies are and be able to determine if they’re still in force. If they have insurance policies that are no longer in force, have them throw them out. Do not keep them because if they are deceased and you, as the advisor, are trying to track down the benefits and the policy does not exist, you will waste a lot of your time.

3. **Legal documents**. And we will talk later about the specifics of the legal documents that you need to have. But in this life folio, you need to determine where the documents are and what the documents are. If you hold copies, or does your attorney hold the primary document? You need to find out where the documents are and list them in the life folio

4. **Advisors.** You need to make a list of all of your advisors, your accountant, your attorney, your financial advisor, and your religious advisors so that if anything happens to your client, you and their family can contact those people to let them know that there is a problem or they are deceased.

5. **Internet accounts.** How many internet accounts does your client have? What are their user names and passwords? I don’t keep this on paper in my life folio, but I use something called Keeper, a software program to keep track of all my internet accounts. Some of these accounts will contain digital assets in the future, and they will be worth something./li>

Once that life folio is collected in that three-ring binder, make sure the entire family knows where it is because if Mom or Dad has a problem, you will have to find out where their documents are located, and the children need to know.

Step Two: Learning How to Protect Your clients’ assets.

There are many different programs or avenues that you could use to help protect your client’s assets.

1. **Medicare is the health insurance for those of us who turned age 65.** It includes Sections A, B, and D for hospitals, doctors’ offices, and prescription medications. However, Medicare does not cover custodial care. If you have a client who goes into a hospital and then goes into rehabilitation, they are covered during rehabilitation for up to 100 days. The first 20 days are full coverage, and the 80 days after that are co-pay. After 100 days, the coverage stops.

2. **Medicaid is a partnership between the states and the Federal government to cover people who have run out of assets.** In Massachusetts, to get coverage for Medicaid to be in a long-term care facility, you can only have $2,000 in assets, and your spouse can have up to $137,000 in assets. But that is it. Medicaid is really for those clients who have needed care or had care and ran out of money.

3. **Veteran’s benefits.** Veteran’s benefits can be from a veteran’s nursing home to individual care. There is something called the Aid and Attendance Benefit, which is also known as the veteran’s pension. For any veteran who served during times of war, at least 15 days during any time of war, they are covered for the Aid and Attendance benefit. This benefit will provide them with over $2,000 a month of expense coverage for themselves, and if they are deceased, they will provide over $1,000 for a spouse, but they have to show the need for that care and that their expenses are greater than their income.

4. **Long-term care insurance.** I have long been an advocate for long-term care insurance throughout my career because there is no other program available for individuals that covers the cost of custodial care in a nursing home, assisted living, adult day care, and respite care. Unfortunately, this industry has consolidated considerably over the last several years. When the companies initially came out with their long-term care policies, they expected that a certain percentage of people would surrender those policies. People have not surrendered their policies, so the claims ratio was much larger than insurance companies expected. As a result, long-term insurance carriers have had to increase their rates many times.

The condition is that they cannot discontinue your coverage. However, they can continue to increase your rates. This has happened to several of my clients who have long-term care policies. In many cases, the rates have gone up 50 percent. However, let’s assume you have a long-term care policy that costs you $4,000 or $5,000 a year. Well, guess what? That $5,000 could cover a single 30-day stay in an assisted living or a nursing home, so it is undoubtedly worthwhile.

The industry has recognized that people are now more interested in types of plans that will provide them with some benefits whether or not they need long-term care. These are called hybrid policies. Some are connected to a life insurance policy; some are connected to an annuity and provide build-up for life insurance or annuity benefits whether or not a person needs long-term care. As a result, people can have these long-term care policies and still get benefits from them whether or not they need care.

Step Three is Building a Network of Professionals.

As a financial advisor, you do not know everything that is going on with your clients; you do not know all about their care, medical professionals, or insurance. It is very valuable to build a consensus or a council of other professionals to assist you in making these decisions. Certainly, an elder law attorney specializing in elder law is one of those important members of this team. As your clients' situation gets more and more complex dealing with the issue of aging, the elder law attorney will be an essential part of the team.

Some specialists deal with helping clients downsize from their larger homes into smaller ones and get rid of everything they have collected over the years. Insurance agents are also very important. Have your clients talk to a specialized long-term care insurance agent who understands the whole process of long-term care and also, of course, they need to understand what their Medicare coverage costs and what the benefits are through Medicare.

There are geriatric care managers. They provide care and do assessments of your client's homes to see if they need care and if they can stay in their current home. They will do assessments for memory care to determine if there are memory care issues that the client has, so these are all factors that enter into their clients' situation. So, as the advisor, you need to develop a team of other professionals that you can work with that provide the advice you need to meet your clients' situations.

Step Four is to Make Sure All Your Legal Documents are Up-to-Date

It is very important to make sure these legal documents are all up-to-date.

1. **The durable power of attorney.** This document gives a person the authority to make financial decisions for another person. Now, if your clients are married, both partners need to have a durable power of attorney on the other. In addition, either a child or another advisor needs to have a durable power of attorney on each of them. Why is that important? Suppose a client begins to show diminished mental capacity and their partner does not have the authority to act on their behalf financially. In that case, they cannot make decisions regarding the client's account. If they do not have a durable power of attorney, they will have to go to the courts to get a conservatorship to act in their partner's capacity, which can take months. It is also expensive, and the family member must prove their partner is incompetent before a public court.

2. **The healthcare proxy**. This document allows a person to make healthcare decisions for another person. So, if my wife were ill and could not make healthcare decisions for herself, I could make those decisions for her. Our daughter has a healthcare proxy for both my wife and me because you never know when you will need to make healthcare decisions and in what circumstances you will make them. It is essential that whoever has that healthcare proxy understands what things you want to be done.

3. **A will**. When was the last time that you reviewed your will? Who is what we call the personal representative or the executor of your will? Is that person still alive? The job of the executor of a will is to make sure that everything goes according to what you have stated in the will. It needs to be done by a detail-oriented person. Many people will typically name one of their children as their executor. Is that an appropriate job for one of your children to have? Can they do that job? Make sure they understand the executor's role. Also, if the client has changed states, state rules may vary regarding how wills are transpired.

4. **Beneficiary statements.** You may not consider these legal documents, but they are legal documents. Life insurance, annuities, and IRAs have both primary and contingent beneficiaries. You need to review your beneficiary statements; make sure they still are appropriate. Suppose your primary beneficiary is deceased and you do not have a contingent beneficiary. In that case, the life insurance will be included in your estate and then passed through probate, where it becomes accessible by creditors.

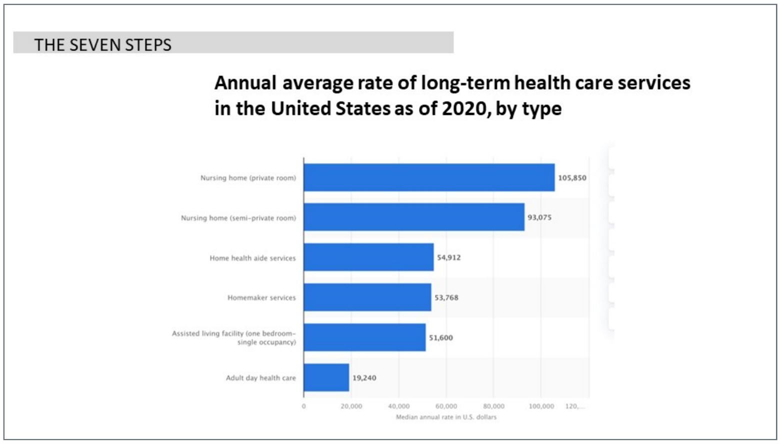
5. **The HIPAA form**. HIPAA was created to protect people's medical privacy. Say your dad is in the hospital, and you go to the hospital and say, "I would like to find out how my father is doing and if he is still in his room." According to HIPAA, if you do not have a HIPAA form in place for that particular person, the person behind the desk cannot give you any healthcare information on that individual. In many cases, the HIPAA form is included in the form for the healthcare proxy, but not in every case. So, it is important to have that HIPAA form, especially if your clients are getting older and may end up in a situation where they need medical care.

6. **The DNR (Do Not Resuscitate) or a POLST (Physicians Order for Life-Sustaining Treatment) form.** Initially, the DNR form was issued for terminally ill people who did not want to be resuscitated if they were to stop breathing. The form has been expanded and, in many states, has been added to or replaced by the POLST form. It looks at many areas of medical coverage, and you can indicate in those areas of medical coverage what you want to be done and what you do not want done.

Step Five is to Develop a Long-term Care Plan

One of the things that we have discovered is that almost 70 percent of people who plan to retire in the next ten years have no idea what their healthcare and long-term cost will be in retirement. Looking at most of your retirement projections and the various software programs, how many build-in long-term care, the potential cost for long-term care, and what will be needed for long-term care? Most of these software programs make no provision for this, so you have no idea what the impact is going to be on your client's situation for the cost of long-term care.

The following are the national long-term care costs as of 2020 by type.



A private room in a nursing home nationwide is over $100,000 a year; a semi-private room in a nursing home is $93,000. Home healthcare aides are more than $50,000; however, there is often up to a six-week wait to get a home care worker, and they are now charging $40 to $50 an hour, which doubles this cost of home healthcare aides.

If you want assisted living, it is essentially less, but over $50,000 a year. But you can see that if you need any of this type of care during your life, how it can impact your retirement, and you as the financial advisor need to put these projections into the long-term care estimate for someone's retirement.

There are three fundamental questions to plan for:

1. **Can you stay in your home?** Have you looked at your home to determine if it is wheelchair accessible? Are the halls wide enough? Are the bathrooms large enough for wheelchairs? Are there many stairs and people need to go up and down to get into the house or the bedrooms? Under what circumstances can they stay in their home and have no problems getting accessibility around the home?

   What are their circumstances, and how will someone unable to walk negotiate them? Can they stay in the home, but what will be their alternatives if they are not? Should they move into a single-floor condo, or should they have one of them go into assisted living?

2. **Who will provide our care?** Situations have become increasingly difficult for dealing with care these days. Many nursing homes are not accepting new patients right now, or they are full, and they are not accepting people until they are tested for Covid. If people want to stay at home, they are also having difficulty getting people who provide home care for them. So, providing care is becoming an increasingly difficult situation.

   In many situations, unfortunately, their children will have to provide that care, at least temporarily, until better circumstances are found. Still, it is something that needs to be considered.

3. **How will we pay for our care?** Certainly, if they have long-term care insurance, it is most likely that long-term care will cover a large amount of their costs. But where do the funds come from if they do not have long-term care insurance? Will they come out of retirement accounts, refinancing the home, second mortgages, or other ways to find money from the home? Where will they find the money?

Part of long-term care planning is end-of-life planning. This is probably one of the most challenging areas for most advisors to bring up and discuss because most of us do not want to get into what will happen when we die. There is a program that I have used, and I have found it to be exceptionally good in helping you have this conversation. It is called the Five Wishes. It is approved for healthcare proxy in 43 states, but it is used in over 50 states, and over 200 million people worldwide are using the Five Wishes. You can get a copy of it by contacting Five Wishes at www.fivewishes.org. It addresses:

1. Whom do I want to make healthcare decisions for me? Whom do you want to provide decision-making for you if you cannot do it for yourself?

2. What kind of medical treatments do I want? Do I want certain medical treatments not included, like intubation and other forms of care? Which ones do I not want?

3. How comfortable do I want to be? Do I want to be assisted through various medications to be comfortable? How do I want that to be taken care of?

4. How do I want people to treat me? How do I want people to observe me and talk to me? How do I want them to relate to me?

5. What do I want my loved ones to know? There are certain circumstances in which individuals do not want their families to know what their needs are.

Complete it for yourself, make these decisions yourself, share it with one of your clients and say, "This is what I have done for my decision-making for end-of-life planning. Take a look at it and tell me what you think of it. What do you think of this program, and what do you think of what I have decided to do?" That will start a conversation with that person right away who can discuss in detail with you and eventually open up the questions they have for themselves and what they need.

Step Six is to Create a Legacy Plan

Much research has been done on older people in the United States, and two things become increasingly important as they age.

The first is maintaining control of their life as long as possible. To be able to continue to drive a car. To be able to live where they want to live and do what they want to do and not be limited in where they can go and what they do.

Number two is when that initial ability to stay as free as possible becomes less and less possible, how do I want to be remembered by my children and grandchildren? That is a legacy question, which becomes increasingly important to us as we get older. Create a Legacy Letter, and in this letter, you share what your values are. What has been important to you during your life? Is it important to you that your family have religious values? Is it important to you that they gather together a certain number of times each year?

These types of things are the values that you state in the Legacy Letter, and you may, in addition, offer various life lessons. What have you learned that either helped or hurt you and share that with your family?

Thirdly, express love and gratitude for those who have been important to you in your life. Express love and thanks to those who have treated you well and taken care of you. And possibly another issue might be giving guidance to trustees as to what you want to be done. You can put these types of things in a Legacy Letter to pass on to your family.

The Seventh Step is Building a Relationship with Your Clients' Family

Over $40 trillion will pass from Baby Boomers to their children over the next 30 years. Will you understand and know who your client's family members are? Do you know the first names of each of your top five clients' children, and if you do, have you had the chance to meet each of their children?

One of the most important things that you can do as a financial advisor is to help to plan a family meeting where your client and their spouse and their adult children get together for a meeting and share all the things that we have discussed previously: the life folio, the legal documents, the leaving legacy, all of those issues can be shared at the family meeting.

So, how do you put together this family meeting? First, identify the Alpha child. The Alpha child in the family is looked up to by the other siblings, is successful, communicates well with their parents, is acknowledged and loved by their parents, and is respected by everyone in the family. The reason to identify the Alpha child is that when Mom and Dad want to get together with the family, some of the children are going to say, "Well, no. I cannot do it, I am too busy," but the Alpha child will come to the rescue and make sure that everyone gets together. You (as their advisor) should volunteer to become the facilitator or one of the facilitators.

If you are not comfortable managing the meeting yourself, bring on a second person that can help you. Volunteering to facilitate a family meeting with your clients will make you the family's trusted advisor. In the conversations you have with the family members, they will get to know you, what you can do, and what you can offer to the family.

As the research has shown, over 90 percent of assets will move from one advisor to another when both aging clients have been deceased. Children do not know their parents' advisors and therefore have not kept the advisors that their parents had. But if you become the entire family's advisor, they will look to you to provide that service to them.

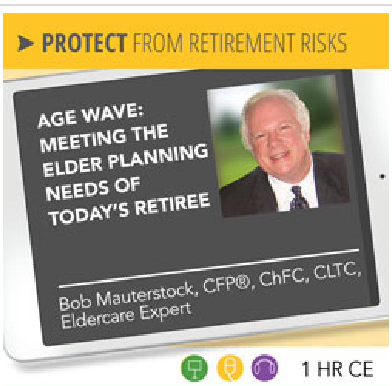
What is the process of the family meeting? I call it facilitating without prejudice. You should enter the meeting having no predetermined expectation as to what the results should be. It is not your job to determine what the family should do.

The family will decide what they want to be done and how to do it for themselves. Your job is to be objective. You need to designate a scribe, a person who will keep track of the activity and the decisions made in the meeting and make sure that decisions are made through consensus. And what does that mean? You do not vote on decisions in a family meeting.

Once these results are determined, action items need to be assigned to family members, and you as a facilitator should follow up to see how many of those are carried out six months after you have made those decisions. So, the family meeting is an increasingly important part of the family.

The Certified Elder Planning Specialist Program

If you are interested in discussing and learning in more detail the things we have discussed today, inquire about our Certified Elder Planning Specialist program, which is available at our website www.planforlifenow.com. It is a ten-session, completely online program with questions and presenters. We have brought in the best presenters in the various areas of elder planning, allowing you to have a weekly discussion with them online as a group. It is an excellent program, and it is probably the only one that exists today to discuss and deal with the issues you need to know as an elder planning specialist.



About Bob Mauterstock, CFP®, ChFC, and CLTC, Eldercare Expert

Bob Mauterstock, CFP®, ChFC, CLTC, is an accomplished speaker, author and sought after authority on the financial concerns of baby boomers and their adult children.
For over 35 years, Bob has helped families achieve a worry-free, comfortable retirement. He has inspired baby boomers and their adult children to give each other the gift of communication and preserve their legacy for future generations. In 1987 he qualified as a Certified Financial Planner® and became a specialist in retirement income planning, long term care planning, investment management and legacy planning. In 2009 he sold his practice to a regional accounting firm, which was then transferred to Kevin Leahy, CFP®, who established Connecticut Wealth Management, LLC in 2010.

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