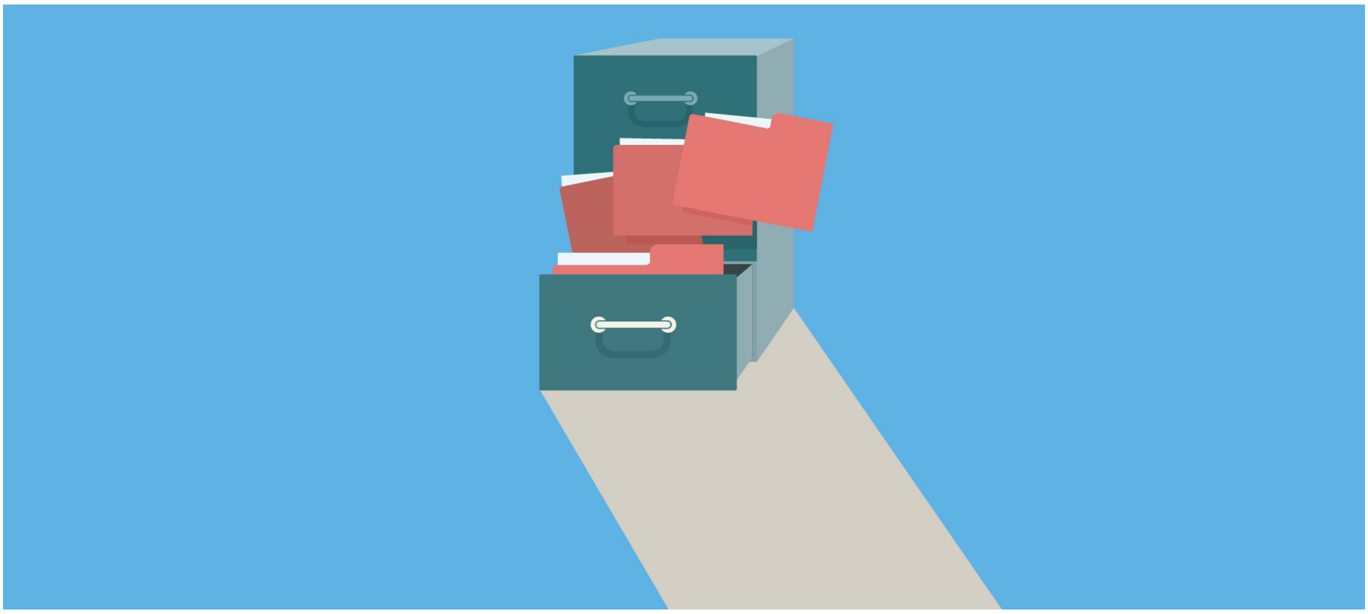

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Ask the Experts: Financial FAQs (Fall 2017)

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Q: Given the rising cost of health care, how much will I need to save to cover healthcare costs in retirement?

A: Health care is one of the biggest costs for most people during retirement. According to recent data from Fidelity, a couple, both 65 years old and retiring this year, will need approximately $275,000 to cover healthcare costs in retirement. Fidelity assumes that the spouses will live to between the ages of 86 and 88 and that the couple has traditional Medicare insurance. The estimate considers premiums, co-payments, deductibles, and out-of-pocket drug costs, but does not include the cost of a nursing home or other long-term-care expenses. This represents a 6 percent—or $15,000—increase over last year's estimate, significantly higher than the general inflation rate for goods and services in the U.S. economy in recent years.

The Fidelity estimate is helpful because it offers a rough approximation of healthcare costs—and an anchor for planning purposes. But healthcare costs are highly variable, so the averages don't mean much for an individual or couple's specific circumstances. Your analysis shouldn't stop there.

Consider the following:

- Since healthcare costs are only expected to rise in the future, younger people should expect to spend more than the $275,000 estimate.

- The cost of chronic conditions such as diabetes, cancer, Parkinson's, arthritis, high blood pressure, and osteoporosis will raise the annual cost of health care in retirement for an individual or couple.
- Because longevity is one of the biggest drivers of healthcare costs, healthy retirees will end up with higher lifetime costs.

Key point: You should expect to spend more for any number of reasons. In fact, HealthView Services, a firm that specializes in healthcare cost analysis and planning, estimates that a 65-year-old couple in Medicare's high-income tier can expect healthcare costs of $565,142 during retirement. That's more than twice the Fidelity estimate. HealthView takes a more optimistic view on life expectancy and expects that higher-income retirees will want more than the basic care and services that Medicare provides.

Of course, the estimates discussed here assume Medicare as it currently exists. Premium increases and changes to Medicare cost-sharing arrangements could be undertaken in the future. If this happens, higher-income retirees can expect to bear the brunt of cost increases.

Q: How long should I keep financial documents like canceled checks, bank statements, tax records, and brokerage statements?

A: It's fitting that, in an issue featuring a story on the merits of simplifying life, we address this question. Holding on to old financial documents can stand in the way of downsizing and turn into a significant source of household clutter. In the absence of clear guidance, many people hang on to items like tax records, bank, brokerage, and retirement plan statements, and bills indefinitely. In most cases, that's entirely unnecessary.

Here is a breakdown of how long to keep financial documents:

- **Dispose of (almost) immediately**
  This list includes ATM and credit card receipts, bills, checks, and bank deposit and withdrawal slips. Save them if you need them to support your tax return; otherwise, dispose of them as soon as you reconcile them with your next monthly statement. Also, there is no need to hold on to junk mail, credit card offers, or miscellaneous correspondence from your bank or other financial institutions related to policy changes or disclosures.
- **Keep up to one year**
  Keep your quarterly retirement plan statement until you receive your year-end summary statement. If everything matches up, shred your quarterly statements. And unless you are self-employed, there is no need to hang on to monthly bank statements for more than a year.
- **Keep for a year or more**
  You should hold on to loan documents until you pay the loan off, then dispose of the papers. Hold on to vehicle titles as long as you own the vehicle. If you invest in stocks, bonds, mutual funds, or other securities, keep your purchase confirmations until you sell the investment so you can establish cost basis. If cost basis information appears on your annual statement, hold on to the annual statement and dispose of the confirmations.
- **Keep for seven years**
  You should keep tax filings and related documents—such as W-2s, canceled checks, receipts, and documentation of mortgage interest and charitable deductions—for seven years.
- **Keep indefinitely**
  While you may not consider them financial documents, make sure you hang on indefinitely to important records such as birth and death certificates, marriage licenses, divorce and bankruptcy decrees, Social Security cards, and military discharge records. Store them in a safe-deposit box, if possible. Also hold on to estate-planning documents, life insurance policies, and a list of the contents of your safe-deposit box.

Of course, if you do decide to purge your home of dated financial documents, make sure that you dispose of them wisely. If you have a backlog of documents to get rid of, drop them off at a reputable local service that will shred them (while you watch!). Going forward, you may want to invest in a good, affordable shredder for day-to-day document disposal.

Q: I am self-employed. Should I consider disability insurance?

A: Since your ability to earn income is your most important asset, you may want to consider purchasing disability insurance. The reality is that you have a greater chance of suffering a long-term disability during your working years than dying. This is true whether you are self-employed or work for a large corporation.

But, as a self-employed person without access to big-company benefits, suffering an illness or injury without disability income insurance could create a hardship for your business and family. Unfortunately, financial obligations don't stop just because you become sick or disabled and can't work. You are personally liable for the debts of your business, because as a sole proprietor, there is no legal distinction between personal and business assets.

A disability income insurance policy pays cash benefits in the event you are unable to work due to illness or accident as defined in your policy. Most policies replace 50 to 70 percent of your salary, and typically benefits received are tax-free. Policies can be tailored to provide for the essentials of daily life, and premium and policy terms can be designed to fit your budget and needs.

You may also want to consider business overhead expense insurance. Because you're self-employed, you probably generate most of your business's income. Business overhead expense insurance provides funds to pay the normal operating expenses of your business if you suffer a disability and are unable to work. This allows you to keep the business open until you recover, replace yourself with another person, or sell the business.

Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948 or schedule an appointment with a retirement counselor today.