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WHEN SHOULD YOU START FINANCIAL PLANNING FOR RETIREMENT? RIGHT NOW!

Andrew Hook, a Certified Elder Law Attorney with Oast & Hook, was featured in an article in the November-December 2006 issue of *Hampton Roads Magazine*. The article is about financial planning for retirement, and it deals with the problem that all too often people delay planning for retirement until the decade in which they hope to retire. Mr. Hook explained that he has met with several clients who are planning to retire in the near future, but who have not fully reviewed and assessed their financial needs for their retirement years. As a result, these clients have to either delay their retirement, save more in their remaining working years, or cut back on their expenses in retirement in order to make their funds last. Mr. Hook gave the example of one client who will have to save more than she earns, and she still will only be able to replace 50 % of her income at retirement.

Ideally, people should begin planning for retirement early. They should consider all of their potential expenses, consider purchasing long-term care insurance policies, and avoid purchasing deferred variable annuities. Mr. Hook prefers to oversee all aspects of a client's retirement planning. This includes establishing the estate and tax plan (e.g., wills, trusts, durable powers of attorney, and advance medical directives), purchasing long-term care insurance, where appropriate, and consolidating investment accounts. This overall approach works better than a piecemeal approach. In many cases, Mr. Hook works with a client's existing advisors as a team.

One major problem with failing to plan early, is that people underestimate their retirement expenses. They may base their plans on the often cited figure of needing 70 % of their income after they retire. In fact, many people may need in retirement nearly 100 % of their pre-retirement income. Some retirees still have mortgage payments, and the same expenses for maintaining their homes. Some want to travel for recreation or to visit children and

grandchildren. Some retirees want to enjoy the same or higher levels of restaurant and entertainment activities than they did while they were working, or they want to pursue new hobbies. All of these activities cost money, and this means that people may have to work longer than they planned.

In the later years of retirement, people may become less active for health reasons. Although travel, entertainment, and hobby expenses may decrease, medical and care expenses can increase dramatically. This can be the result of hitting the “doughnut hole” in a Medicare Part D prescription drug plan, where drug expenses are not fully covered. The increased expenses can also be the result of needing assistance in their homes. Mr. Hook estimates that the health care deductibles, co-payments, and other health care needs of a retiree can easily exceed \$100,000 during their retirement.

Many people do not plan properly to take care of long-term care expenses should they need extended care at home, or care in an assisted living facility, or a nursing home. Mr. Hook explains that the time to consider purchasing a long-term care insurance policy is when the policy is most affordable. This may be at a younger age, although the younger one is when one purchases a policy (e.g., in one’s 40s), the higher the possibility that new policies may evolve and improve, and other care options may be available that are not covered by older policies. Discussing long-term care options should be part of one’s comprehensive retirement plan.

Mr. Hook generally advises seniors against purchasing variable deferred annuities. The high commissions paid to those who sell such annuities can often benefit the salesperson more than the purchaser. These annuities often have large penalties for early withdrawal, and they may be unsuitable for elderly investors, who do not need the income tax deferrals that these annuities provide.

The lesson learned from this article is to start today to plan for retirement. According to Mr. Hook, “People think, ‘I’ve got plenty of time to get around to it.’ They don’t. With the compounding of investment returns, time is your friend, and delay is your enemy. Many people think they can wait until they get their children out of college before they sit down and seriously think about their retirement plans. You can’t afford to wait. Sure, you can wait, but it’s going to hurt you financially in the long-run.”

The attorneys at Oast & Hook help clients plan for their retirement with an integrated approach that considers all aspects of retirement. For more information, please contact Oast & Hook, or visit Oast & Hook’s website at www.oasthook.com.

Ask the Expert

Mark your calendar to listen to the “Ask the Expert” show on WTAR radio (850 AM) from 5:00 p.m. to 6:00 p.m., Tuesday, December 12th. The guest speakers will be Oast & Hook attorney Andrew Hook and Bryan Mesh, the Executive Vice President of the Beth Shalom Home of Eastern Virginia.

Speakers

If you are interested in having an elder law attorney from Oast & Hook speak at an event, then please call Jennifer Lantz at 757-399-7506.

Oast & Hook

Oast & Hook is an elder law firm. We represent older persons, disabled persons, their families, and their advocates. The practice of elder law includes estate planning, investment and insurance advice, estate and trust administration, powers of attorney, advance medical directives, titling of assets and designations of beneficiaries, guardianships, conservatorships, and public entitlements such as Medicaid, Medicare, Social Security, and SSI, disability planning, income tax planning and preparation, bill paying, account management and reporting, care management, and fiduciary services. We also handle litigation involving these issues, such as will contests and estate administration disputes. For more information about Oast & Hook, please visit our website at www.oasthook.com.

Oast & Hook is the Virginia member of the Special Needs Alliance, a nationwide network of disability attorneys. As members of this alliance, we assist personal injury attorneys in resolving their cases to enhance the judgments and awards of their disabled clients and to maintain the eligibility of these clients for SSI and Medicaid. We are experienced in protecting the public benefits of persons with special needs and in assisting with the management of their assets. For more information about the Special Needs Alliance, visit its website at www.specialneedsalliance.com.

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