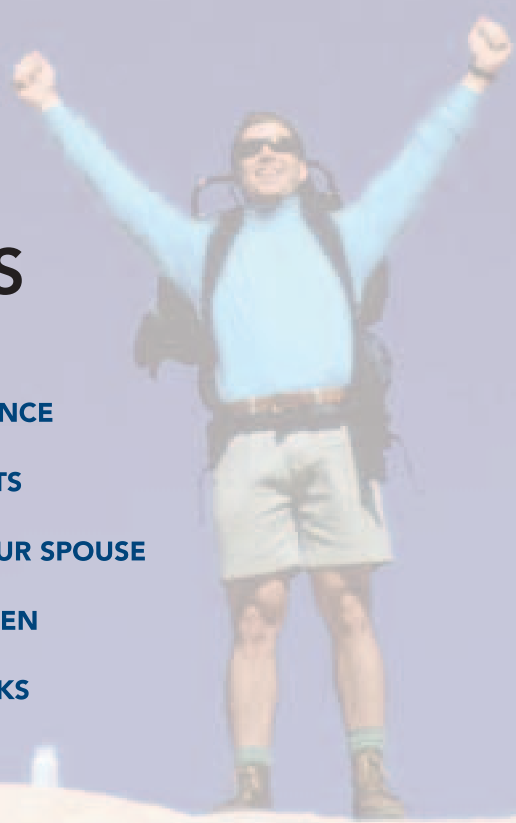
BALANCING THE NEEDS OF CHILDREN, PARENTS AND YOURSELF

HOW TO THRIVE IN THE SANDWICH YEARS

CPS INSURANCE SERVICES SINCE 1974

BALANCING THE NEEDS OF CHILDREN, PARENTS AND YOURSELF

HOW TO THRIVE IN THE SANDWICH YEARS



CONTENTS

THE CHALLENGE OF YOUR LIFE

If you're one of the more than 78 million Baby Boomers in the United States, you may soon face perhaps the most difficult challenge of your life. About 20 million Boomers (people born between 1946 and 1964) have already started to grapple with this challenge. It's the formidable task of fulfilling three major responsibilities at once:

- Raising young children and saving for their education,
- Helping to care for and/or support aging parents, and
- Funding your own retirement.

At the same time, of course, Baby Boomers want to be able to enjoy their free time, travel, remodel their homes and contribute money to charity. Meanwhile, they must negotiate a rapidly changing workforce. And certain key costs are rising faster than inflation — especially college tuition and health care.

They are members of the Sandwich Generation, caught between their parents' and their children's needs. Those who have already begun to cope with their three-fold obligations realize that long-range planning is one of the keys to their survival. They've also discovered that it's important to bring the generations together, and enlist their siblings and other relatives, to form a web of moral support.

WHY IS THIS GENERATION DIFFERENT?

Families have dealt with these kinds of responsibilities for countless generations. Parents, grandparents and children have always helped care for each other. What makes the obligations of Baby Boomers more difficult than those of previous generations? In other words: What's the big deal?

The Baby Boomers are different from generations past, and not just because the group is so large — all 78 million of them. Their responsibilities are (or soon will be) greater and more complex, mainly because of these factors:

Boomers are late bloomers. A generation ago, couples started families in their twenties, and they were empty-nesters by the time they were 50. Couples of this generation have tended to have children later in life — many in their 30s and 40s. At the same time, thanks to advances in medicine and fitness, Boomers' parents are living longer, in some cases outliving their retirement funds. (In 1935, when Congress created Social Security for 65-year-old

retirees, the average male's life expectancy was in the low 60s. Today's life expectancy for males is in the mid 70s.) The result: Boomers are still raising young children or sending them through college when their parents are becoming more dependent.

Families are more dispersed today. In previous generations, it wasn't so unusual to find members of three generations living in the same town or even under one roof; you could always count on a nearby parent or sibling for support. Boomers, on the other hand, have scattered across the country and around the globe to pursue career opportunities, and their parents sometimes find that their nearest offspring lives hundreds, if not thousands, of miles away.

Boomers are not as frugal as their parents. While their parents (who may have lived through the Great Depression and a world war) saved conscientiously for retirement, Boomers grew up in an age of seemingly unlimited natural resources, a fast-growing economy and periods of low unemployment. The booming 1990s revived the illusion that the good times would just keep on rolling. Now, in the midst of an uncertain economy — especially with Social Security's future in doubt — many Boomers find that they've spent more and saved less than they should have, and some will have to play catch-up if they want to retire at all.

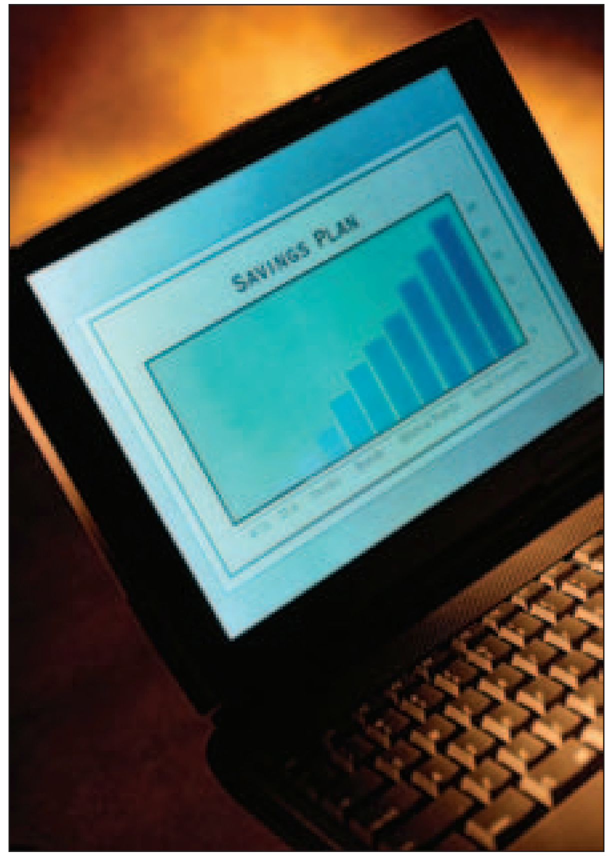
CAN YOU COPE?

A study conducted by AARP (formerly the American Association of Retired Persons) in 2001 found that most Boomers welcome the chance to help care for their parents, and they feel somewhat stressed but not overwhelmed by the added demands.

Still, many Boomers, especially those who are directly responsible for the care of their parents and in-laws, have expressed anxiety or frustration over their situation. For example:

- Part of this group fears that the burden of caring for both parents and children will consume their energy as well as their finances.
- Some are frustrated that their efforts to step up saving for retirement have been stalled by the financial demands of both college-bound children and parents who need a higher level of assistance in their daily lives.

- A portion say they face agonizingly tough choices: whether to take extended leave, reduce their work hours, take less demanding, lower-paying but more flexible jobs, scale back on their ambitions and expectations, or abandon their careers altogether so they can devote more time to family. Some of the older Boomers already have had to make such decisions.
- Many feel guilty that they live so far away from needy parents, or that they haven't invited parents to move in with them. Those who travel frequently to visit their parents often feel guilty for "abandoning" their own children, however briefly.



The best way for Boomers to reduce anxiety and boost their optimism — and increase their odds of truly thriving — is by careful planning, preferably in collaboration with parents and siblings. A good plan involves three kinds of issues: legal, financial and emotional. You don't have to create the entire plan all at once: Take it a step at a time so it doesn't seem overwhelming. But don't wait; the sooner you start planning, the broader your options will be.

LONG-RANGE PLANNING

In addition to projecting expenses for the coming month (or quarter or year), you should anticipate long-term financial needs, so you're not caught by surprise. Boomers in their 40s and 50s should be aggressively saving for retirement, for example. Even if your parents are still healthy and active, you should think about who will care for them five, 10 or 20 years in the future, and what that care might cost in terms of dollars and time.

And, as if that's not enough to think about, you'll want to give your children the opportunity to attend college. Although we can't predict what the world will be like when your youngest graduates from high school, we should probably assume that college tuition won't drastically shrink.

To help you with long-range planning, in this booklet we will discuss the potential costs for each of the three generations in your sandwich, plus sources of financing and alternative strategies for navigating the uncertain future.

LEGAL ISSUES: POWERS AND COMPETENCE

With Baby Boomers now in or approaching their 50s, their parents in their 70s and 80s and life expectancies increasing dramatically, the time is coming when one or both parents may become physically unable to manage their own affairs. We hope that this does not occur until a ripe old age, but knowing that it might occur at any time, it is best to plan for it now while they are fully cognizant and still able to make smart decisions.

Planning involves two major steps: executing powers of attorney and taking inventory of your parents' assets and key documents.

Many elderly parents avoid such planning until they are urged to do so by their children. Even then, some tend to deny they will ever need help managing their affairs; others react in a hostile way toward children who bring up the subject, fearing they'll lose control of their lives. Asking your parents for a power of attorney can be a delicate issue, but the consequences of failing to plan for the possibility of their incompetence can be devastating to your family, not to mention your parents' well-being.

If one or both parents are incapacitated or become legally incompetent, and thus unable to execute a power of attorney, you may need to pursue a different course of action. (See "Is your parent incompetent?" on page 6.)

TWO TYPES OF POWERS OF ATTORNEY

Through a power of attorney, your parents appoint someone to make decisions and do business on their behalf. The person they appoint is called an agent or attorney-in-fact. Powers should be drafted by an attorney under the laws of the state in which your parents live, and the documents should be reviewed — and updated if necessary — every few years.

The best plan is to create two separate powers: one for property and one for health care.

IS YOUR PARENT INCOMPETENT?

Use a power of attorney to take over a loved one's financial affairs

Joanne was alarmed that her father's good judgment was slipping.

She took him to meet with their attorney, who drew up powers of attorney for property and health care and a new will. The powers gave Joanne the authority to make all of her father's decisions without his consent, as long as his doctor considered him mentally impaired. A month later, she found it necessary to obtain a letter from her father's doctor to that effect.

Different states use different terms to describe an incompetent person — such as incapacitated, disabled or mentally impaired. We'll use the term incompetent to mean unable to manage one's own affairs, including the ability to sign a contract, will, trust or power of attorney.

In most states, to have an individual declared legally incompetent requires a guardianship proceeding in court and an actual finding of incompetence by the judge. A relative or trustee would be appointed to assume responsibility for that individual's affairs. Once declared disabled, there is usually no going back.

This legal process is both difficult and costly. Unless you offer overwhelming proof, such as medical records, doctors' testimony and witnesses, it is not easy to gain a finding of disability. Judges typically do not wish to rob elderly people of their independence.

Even if you have the best of intentions, it's natural to feel some guilt and pain as the person who is taking a parent to court. Although legal action is not the ideal route, it is often better than failing to take any action. Elderly people frequently become the targets of scams and frauds, and can be unduly influenced by unethical parties. In the long run, you are doing your parents and yourself (and siblings) a favor by intervening.

Both may have the same agent, or your parents can appoint a different agent for each power.

POWER OF ATTORNEY FOR PROPERTY

The power of attorney for property gives the agent the right to transact business on behalf of the signer, also known as the principal. Those transactions might include paying bills; depositing and withdrawing funds from bank accounts; trading securities; signing tax returns, leases and some other types of contracts; and hiring help.

The principal can make the power broad or limit it to certain types of transactions, such as using a checking account to pay bills and make deposits. The principal can also provide specific instructions as to how he or she wants these responsibilities carried out, or leave it largely up to the agent's discretion.

With a standard (not durable) power of attorney, the agent's right to make decisions or transact business on the principal's behalf ends when the principal becomes incapacitated. With a durable power, the agent's right *continues* (or begins) when the principal becomes incapacitated.

A power of attorney does not let you assume control over matters that are normally handled by a trustee, such as transferring assets out of a trust.

To use a durable power of attorney, the agent usually must obtain a written statement from the parent's physician attesting that the parent is incapacitated, either temporarily or permanently.

AGENT'S RESPONSIBILITY

If you are designated as the agent, you should familiarize yourself with the document immediately and clarify any ambiguous or confusing instructions. That will save you a lot of hassles later, when your parent may not be available to explain.

Make several copies of the original power and give them to the people with whom you'll have to transact business on your parent's behalf. Those may include your parent's banker, insurance company representative, landlord, broker and accountant. Those professionals sometimes insist that their own power-of-attorney form be used, in which case you can have your parent complete and sign those forms while still competent to do so.

When it comes time to exercise the agent's powers, remember that your fiduciary duty is to act in your parent's best interest, not your own. (You can be sued for abusing the authority granted to you.) Always keep your parent's assets separate from your own.

DURABLE POWERS OF ATTORNEY FOR HEALTH CARE

A health care power of attorney appoints someone as an agent (sometimes known as the patient advocate) to make important medical decisions should the principal become unable to communicate with his or her doctor. It also may contain a clause that gives the agent the right to terminate life support in a terminal illness or other specific situation.

As with a power of attorney for property, the agent's duty is to act in the best interests of the principal, and in accordance with any instructions contained in the document or in an addendum attached to it.

DOCUMENT INVENTORY

Keep a record of your parents' important papers

If possible, store photocopies of the important documents that your parents have in their possession, and give a set to your siblings or other family members for backup. If you can't make copies, at least keep a list of what the important documents are and where they can be found. In particular, check to see if your parents have the following:

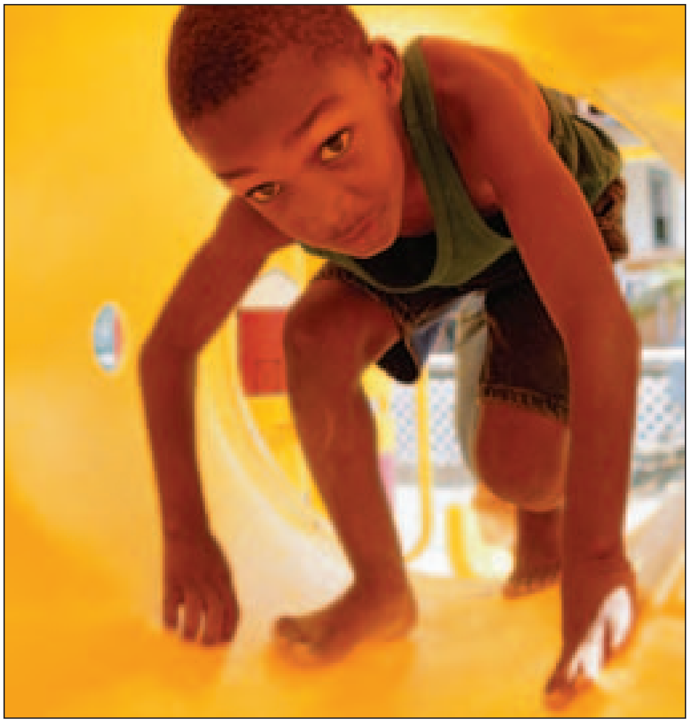
- Social Security cards and records
- Titles to personal property
- Deeds to real property
- Estate planning documents: wills, trusts, powers of attorney
- Names and current addresses of trustees, executors and beneficiaries
- Bank account statements, IRAs and retirement plans
- Investment account statements
- Insurance policies
- Previous years' tax returns and tax records for the current year
- Business interests, including partnership agreements
- Safe deposit box agreement and location of keys
- Mortgages and other loan agreements
- Marriage certificate, divorce decree
- Military records, Veterans Administration documents

INVENTORY YOUR PARENTS' ASSETS AND LEGAL DOCUMENTS

In addition to persuading your parent to execute powers of attorney, you should make a list of your parents' valuable assets (possibly including the title or deed to them) and where to locate them. This list would prove useful if you ever have to fill out a financial statement or loan application on your parents' behalf, if you need to sell a car or real estate for them, or in the event of their death.

Also keep a record of important documents in your parents' possession. (See "Document inventory.") If possible, make photocopies of them for safekeeping; otherwise, note the nature and location of each document.

Finally, keep an updated list of your parents' financial and legal advisors, consultants and health care providers, with names, addresses and phone numbers. Also write down the phone numbers of their landlord and/or utility companies that service your parents'



residence. Give copies of all these records to your siblings or other family members for backup.

PROTECT YOUR CHILDREN, TOO

While you're at it, make sure you and your spouse have powers of attorney in effect. You can name each other, or any other trusted individuals, as your agents. If you become disabled or incapacitated without these documents in place, your spouse or other family members may wind up in court, at no small expense, to determine who will manage your affairs and in what manner. That would ultimately hurt your children most.

NOMINATE A GUARDIAN FOR YOUR MINOR CHILDREN

As a parent, perhaps the most critical legal issue you need to decide is whom to nominate as a guardian for your children. The guardian will care for your children if both you and your spouse die or become incapacitated at the same time. The best place to name your guardian — and the only place in most states — is in your will.

If a sudden catastrophe does take the lives of you and your spouse, and you have not designated a guardian, a state court will appoint a guardian to care for the children until they reach the age of majority (18 in most states). The court will try to make a good decision, of course, based partly on recommendations by your relatives and considering the wishes of the children. But the state doesn't know your children or your family history like you do, so it may not select the person who is going to do the best job of raising your kids as you wish.

With a will, you not only can name the guardian of your choice, but also can leave instructions about how you would like your children to be raised and educated. The courts are not absolutely required to appoint the guardian you have chosen — they have the power to reject your nomination and appoint someone else if they feel that is in the child's best interests. But courts are rarely inclined to meddle with the wishes of the children's natural (or adoptive) parents.

NATURAL VS. LEGAL GUARDIANS

A child's natural or adoptive parents are considered the natural guardians. If one parent dies or abandons the family, the surviving or remaining parent normally retains all the rights of a natural guardian.

If both parents die, at minimum the court will appoint a personal guardian, who will provide the children with a home and, it is hoped, a loving and healthy environment. In your will you may also nominate a guardian of the estate to oversee your children's property and finances, if you don't believe the personal guardian will do the best job of it. On the other hand, if you believe the personal guardian is also competent to handle your children's property, you may nominate that person as a general guardian. You can also nominate an alternate guardian in case your first choice is unable to serve.

GUARDIAN'S QUALIFICATIONS

You may nominate any legally fit adult (or couple) as your children's personal guardian. If the judge has any doubt about the nomination, or if the nomination is legally challenged in court, the judge will consider factors such as:

- The child's preference, when appropriate,
- Whether the nominee(s) will provide stability and continuity of care,
- The existing relationships, if any, between the children and the proposed guardian(s),
- The moral fitness and conduct of the proposed guardian(s), and
- Who will best meet a child's special needs, if any.

If the person or couple you think will best care for your children do not have the means, you should consider making a bequest to them in your will; or else set up one or more trusts for your children.

TESTAMENTARY LETTER

In addition to nominating one or more guardians in your will, you may attach a testamentary letter in which you advise the guardian of your wishes for the children's education, health care, religious upbringing, lifestyle, etc. The guardian is not obligated to follow these wishes to the letter, but if you choose the guardian wisely, he or she is likely to do so. The letter will also help the court determine whether the nominated person is capable of fulfilling your wishes.

FINANCING THE FUTURE: YOUR PARENTS

More than half of all Americans, and 43% of those over 65, will need some kind of long-term care during their lives, whether it's provided in a family home or an institution. As both life expectancies and demand for long-term-care services increase, costs can only go up as well.

A caretaker can do many things: help with household chores, provide transportation, and dispense medication. He or she can also provide skilled nursing services, physical therapy and maintenance of medical equipment.

Try to get a sense of your parents' preferences with respect to long-term care. Would they feel comfortable in an assisted living facility or nursing home? Would they prefer to receive care at home? Do they have plans to move to another state when they retire? Will they consider selling their home? In general, let your parents know you're concerned about their welfare and will assist them in any way you can.

Also talk with your siblings. How willing and able are you or they to assist your parents, in terms of time and money? Would any of you consider inviting your parents to live with you?

Keep in mind that as a caregiver you won't be alone. More and more Boomers are getting involved in helping out parents. Almost a quarter of all American households provided informal care to a relative or friend over the age of 49 during the last 12 months, according to the National Alliance for Care Giving. You can be sure that as more Boomers join these ranks, you'll find an abundance of agencies, classes, books, Web sites and other resources on the subject.

HOME VS. INSTITUTIONAL CARE

Before you commit to hosting your parents or in-laws, learn about the alternative kinds of long-term care available. Basically, your parents have three options: remain in their home, live with family members or enter a residential facility.

The benefits of remaining in their own home can be great. In-home care lets an older person maintain a feeling of independence, privacy and comfort in familiar surroundings. Public health studies have shown that the longer people stay independent from institutional care, the better their overall physical and emotional health.

In recent years, a wide range of eldercare professionals, both medical and custodial, have made their services available to those living in private homes. They include registered nurses, licensed practical nurses and nurse assistants; occupational and

Chart 1

Costs of long-term care

Naturally, expense is a major factor in deciding where your parents will reside. Although costs vary from one region to another — they're generally higher in the Northeast and lower in the Southeast, for example — we can provide a general range of costs for various long-term-care services and facilities:

RESIDENTIAL FACILITIES

Assisted living facility: room/board and assistance	$1,500 – $3,500/month
Nursing home: room/board and skilled nursing care	$2,000 – $6,000/month

HOME CARE SERVICES AND PROGRAMS

Custodial care (nonmedical)	$10 – $30/hour
Registered nurse	$20 – $50/hour
Nurse assistant/Aide	$12 – $25/hour
Adult day care programs	$40 – $50/day

Note that many of these costs are increasing faster than the inflation rate. In fact, the U.S. General Accounting Office estimates that long-term-care costs will triple over the next 20 years! Also, don't forget the overhead costs of housing an additional person or couple in your home: food, utilities, insurance, maintenance and transportation.

physical therapists; dieticians and nutritionists; speech therapists; housekeepers; home care companions; and drivers. The only drawback is that some of these care providers, especially the medical specialists, are typically not available full-time or around-the-clock. They work in shifts, which can be very costly — 24-hour home care typically costs twice as much as institutional care. Think of it as paying the ultimate private room rate!

If you or your siblings do not have time to plan, hire, organize and manage such a team of eldercare professionals, a third-party agency can take on the task — for a fee, of course.

Whether you or a sibling would want to invite your parents to reside with you involves issues of living space and relationships, and it's not always an easy decision. As long as you have children of your own, living space may be scarce. Intergenerational relations aren't as harmonious today as they were two or three generations ago, when it was more common for multiple generations to dwell together. Children often thrive with their grandparents in close proximity, but there may also be tensions between Baby Boomers and their parents.

Even in households where relationships are harmonious, if both parents are employed outside the home and kids are in school, the grandparents can end up feeling isolated, staying in bed or watching TV much of the day.

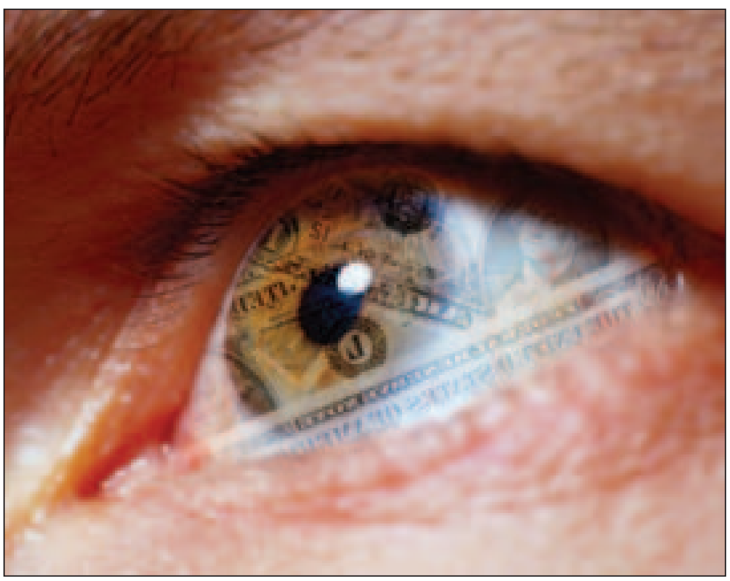
If transportation is available, however, adult day care is a cost-effective way to keep elders active and social while living at home. Such a program usually provides lunch, offers exercise and craft activities, and supervises medication.

Many elders prefer the security and convenience of total, around-the-clock care provided by an institution. For them, a residential care facility may be best. Another benefit of these facilities is the organized social activities and camaraderie with other senior residents.

FINANCING LONG-TERM CARE

Because many elders will live several decades after they retire, long-term care costs can add up to hundreds of thousands, if not millions, of dollars. Where will the funds come from? If your parents can't afford the care they need, the burden will likely fall to you and your siblings. For everyone's well-being, urge your parents to start planning now. You can help by familiarizing yourself with the options for financing long-term care, including the following:

- Qualifying for Medicaid,
- Generating income through a reverse mortgage, or
- Using a long-term care insurance policy.



MEDICAID ELIGIBILITY

Medicare doesn't cover long-term care. Medicaid can provide assistance through a welfare-like program, but to benefit, your parent must drastically reduce his or her net worth. Federal and state governments share Medicaid funding. The states have some flexibility in the way they administer their Medicaid programs. For example, to some extent each state sets its own rules for determining who qualifies for Medicaid assistance — in other words, the state decides who can't afford long-term care and who really can.

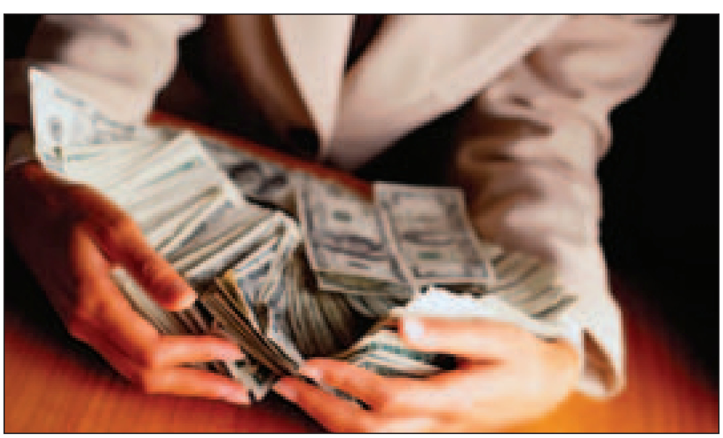
In every state, eligibility depends partly on your parent's income and assets. A person who has an excess of either will not qualify for Medicaid assistance. And the maximum levels your parent must not exceed to qualify are lower than you might think.

Asset levels vary from state to state, but a person generally must have less than $2,000 in liquid assets to be eligible for Medicaid. For purposes of determining eligibility, assets typically include cash savings, securities and pension plans, and real estate other than a primary residence. Assets that are exempt from the eligibility determination may include your parent's primary residence and household goods, clothing, books, wedding and engagement rings, and cemetery plots. A car may also be exempt if the person or his or her spouse needs it to drive to work, or to receive medical treatment.

To prevent the impoverishment of the spouse who is not receiving long-term care, the couple's joint income and assets are divided between them according to formulas established by the state. The healthier spouse retains his or her portion of the income and assets, while the institutionalized spouse claims only the remaining portion on the Medicaid application.

Even if your parent isn't initially eligible, he or she may qualify for Medicaid assistance after residing in a nursing home, paying costs and depleting his or her assets. On the other hand, Medicaid eligibility can end if a medical review determines that your parent no longer needs long-term care.

Some people attempt to qualify for Medicaid by giving away assets to relatives, but this strategy requires long-term planning because of the strict eligibility rules regarding transfers of assets. Medicaid administrators can disqualify applicants who appear to have given a large portion of their assets to family members to qualify for assistance. For example, any assets that your parent gave to another individual within the three years before his or her application will be included in total assets for eligibility determination.



Likewise, assets transferred to a trust within the past five years may be counted in your parent's total. If he or she sells an asset for less than fair market value, an administrator may include the difference in total assets for eligibility purposes or may delay your parent's eligibility.

Note that Medicare covers health care services and hospitalization for seniors, but not general long-term care. Medicare does cover some nursing home stays and visits to the home by health care professionals, but only for limited periods of time.

REVERSE MORTGAGES

Another way that parents can receive monthly income to pay for long-term care is through a reverse mortgage, assuming they own a home or condo. In essence, a reverse mortgage is lending money to a bank so it can buy your home. The bank sends you monthly loan payments over a long period of time. At the end of the period — which should exceed your parents' lifetimes — the bank owns the home.

Reverse mortgages can be federally insured, through either Fannie Mae or the U.S. Department of Housing and Urban Development (HUD), for homeowners over age 62. However, there are limits to the amount you can "lend" the bank, and therefore the amount of monthly payments you can receive. Fannie Mae limits the loan amount to $240,000. HUD's limit is based on the median home value in the county in which the home is located.

Until the bank owns the home outright, your parents would still be responsible for property tax and maintenance. If your parents pass away before the bank makes its last payment, some banks will let you or your siblings step in and keep the home by taking out a "forward mortgage" with the same bank. Otherwise, the home would go through the probate process.

LONG-TERM CARE INSURANCE

Long-term care (LTC) insurance covers what regular health insurance policies and Medicare do not: assisted living arrangements, nursing home residence and long-term home care. LTC insurance pays benefits mainly to people with chronic illnesses and can cover a broad range of medical, skilled-nursing and nonmedical services.

A chronic illness is typically defined by LTC policies as one that requires care for at least 90 days. Nonmedical or custodial services can include help with simple daily tasks like bathing, dressing, taking medication, going to the doctor and shopping. Some policies even cover adult day care.

LTC policies usually require a short waiting period, analogous to a health policy's deductible amount, before they will start paying benefits. Policies generally state a daily or monthly maximum benefit in terms of dollars, and/or a maximum period (in years) in which they will cover services. Some older policies pay only a percentage of the nursing home cost (often in the neighborhood of 60%) but also offer higher coverage in return for a higher monthly premium. Also, some policies offer "inflation protection," which increases the maximum benefit levels yearly, based on certain economic indicators.

If your parents' disposable net worth is more than $3 million ($6 million for couples), they may not need LTC insurance because the interest and dividends they earn could probably cover their long-term-care expenses. However, as long as they can afford the premiums without compromising their standard of living, they could likely benefit from some amount of LTC insurance. The coverage can provide the base for their long-term care expenses, with the balance, if any, coming from income.

Cost of LTC insurance

The amount of the annual premiums is dependent on the insured's age and coverage amount purchased. Average premiums are in the $1,600 range and can be as high as $6,000. The younger your parents are when they buy an LTC policy, the lower the monthly premiums will be.

Of course, the earlier your parents start coverage, the longer they'll be paying premiums. But as with life insurance, they must purchase LTC insurance before they really need it. People who are already in poor health will have a hard time getting any LTC coverage at all. In many cases, they'll pay less in total premiums in the long run if they begin coverage now rather than wait until costs escalate or until their health starts to fail. And if you have concerns about your parents' potential health problems, urge them to start sooner rather than later.

Once they decide on buying an LTC policy, they can choose between a group plan and an individual plan. A group plan may be available through their employer, if they're not yet retired. Here are the advantages and drawbacks of each:

- Individual plans are usually more expensive, but offer more coverage and benefit options. Discounts are often available for married couples and individuals in excellent health.
- Group plans are generally less expensive and easier to qualify for, because you don't have to meet any medical requirements (or minimal medical requirements) during the enrollment period. You'll have fewer options, however, as benefits are less flexible. Group coverage might be available for employees' family members and retirees. In some cases, coverage may continue even after your employment terminates.

If either parent has serious health problems and their employer offers guaranteed coverage, urge them to take advantage of it as soon as possible. Otherwise, they should consider individual policies that let them tailor the benefits to their needs.

ELDER CARE TAX INCENTIVES FOR YOU

If you and your spouse are helping to care for a parent, and you can claim that parent as a dependent on your tax returns, you may be eligible for certain tax credits and deductions.

Consult with your tax advisor to determine which of the following tax benefits you can use:

- ***Deduction for dependents.*** You can claim a deduction for supporting one or both parents.
- ***Credit for dependent care.*** You can claim a credit for providing financial assistance for the long-term care of a parent.
- ***Deduction for medical expenses.*** You can deduct medical costs that you pay for a parent in excess of 7.5% of your gross income.

FMLA LEAVE PROVIDES ANOTHER TYPE OF RELIEF

Your employer may be required to give you an unpaid leave of absence. The federal Family and Medical Leave Act of 1993 requires companies with 50 or more employees to do the following:

- Give full-time employees up to 12 weeks per year of unpaid leave to care for a family member with a serious health problem,
- Continue providing health benefits during the leave of absence, and
- Let those employees return to their jobs, or equivalent jobs, at the same pay level.

Some states have similar laws that apply to businesses with fewer than 50 employees, and some even provide longer leave periods.

FINANCING THE FUTURE: YOU AND YOUR SPOUSE

The average retirement age in the United States is now about 63, according to AARP. Thanks to recent medical advances, many Americans are living 20 and 30 years beyond that age. The combination of earlier retirement and longer life expectancy than past generations has created a problem as well as a blessing. The blessing, of course, is that you will have more time to enjoy your leisure time and your children, grandchildren, and — for the lucky ones — great-grandchildren.

The problem is, how will you get along in your retirement years without the wages, salaries, health benefits and perks to which you've grown accustomed? Your parents are really the first generation to experience this combination of earlier retirement and longer life. By and large they have planned and saved admirably for their retirement.

As mentioned earlier, the Baby Boomers haven't been quite as frugal as their parents, and there is no guarantee that Social Security will provide the income safety net you've hoped it might. To make matters a bit scarier, college tuition and health care costs continue to rise much faster than inflation, and most Boomers' stock portfolios are not producing the comfortable returns of the past decade. Then there's the possibility that you'll have to help finance your parents' long-term care.

A survey conducted by AARP in 2001 found that retirement saving by workers has dipped in recent years, and so has their confidence about meeting their retirement income goals. Clearly, if you have not started to aggressively save money for retirement, you should meet with your financial advisors and create a retirement plan now, and make regular contributions to a tax-advantaged IRA, 401(k) or other qualified retirement plan.

HOW MUCH WILL YOU NEED TO RETIRE?

If you've ever made out a simple household budget, you know what a powerful planning tool it can be. A budget lets you project your income and expenses for the coming month, and then adjust your spending — and ultimately your lifestyle — to make sure the income exceeds the outgo. You don't have to earn a high income to make ends meet and even save a little extra for a rainy day.

Once you've done budgeting for a few months consecutively, not only do your projections become pretty accurate, but you also gain a reassuring sense of control over your finances.

For Boomers in the middle of the generational sandwich, budgeting is an excellent habit to develop. With all the easy-to-learn spreadsheet software available these days, budgeting is a snap on a computer; you can quickly compare various alternative scenarios, based on different assumptions about future earnings and costs.

The number of dollars that you must contribute regularly to a pension fund depends on your retirement goals and expected lifestyle. As a rule of thumb, advisors once said you'd need 70% of your current household income to maintain a similar lifestyle, because many of your current expenses — such as commuting to work and buying dressy clothes — would disappear. They also figured you would likely decide to move into a smaller home with lower property taxes and maintenance costs. Those same advisors today are recommending a retirement income of 80% to 85% of your current earnings.

On the other hand, if you plan to travel more, move to a more upscale community, invest in a vacation home and attend the theater more often, you might just need a higher income than you now earn.

According to AARP, only about 20% of Boomers appear to have sufficient income, assets and retirement funds to enjoy a financially secure retirement. That means a vast majority still have some serious planning to do.

You may be tempted to take the simplest approach to retirement planning: Resolve to save as much as you can. That strategy may work, or it may not — you won't know until it's too late to revise the plan.

A slightly more sophisticated strategy is to accumulate enough savings to replace a target of 85% of your gross income, or 100% of your after-tax disposable income, during your retirement. Then calculate the amount you'll need to put away each month until your projected retirement date to hit that target.

SERIOUS PLANNING PART ONE: THE RETIREMENT BUDGET

The most reliable strategy is to first estimate the income you will need during retirement, using itemized projections of fixed, variable and discretionary expenses. Then add up your expected sources of retirement income, including retirement accounts, pensions and Social Security, interest and dividends on savings and investments, veterans' benefits, and so on.

The "Retirement budget worksheet" on page 31 will help you get started. Meantime, your accountant or other financial advisors can help you with the projections and calculations, including adjustments for inflation.

If your estimated expenses are greater than projected income, the difference between the two is called the "retirement gap." To fill that gap, you'll need to step up contributions to your existing retirement accounts or establish additional accounts and start funding them.

If your target starts to appear unreachable, you may have to scale back your expectations, postpone your retirement or cut back your current living expenses.

Chart 2

Retirement plan contribution limit increases

Year	401(k)s	401(k)s for taxpayers age 50 and over	IRAs	IRAs for taxpayers age 50 and over	SIMPLEs	SIMPLEs for taxpayers age 50 and over
2003	$12,000	$14,000	$3,000	$3,500	$8,000	$9,000
2004	**$13,000**	**$16,000**	**$3,000**	**$3,500**	**$9,000**	**$10,500**
2005	$14,000	$18,000	$4,000	$4,500	$10,000	$12,000
2006	$15,000	$20,000	$4,000	$5,000	$10,000	$12,500
2007	$15,000	$20,000	$4,000	$5,000	$10,000	$12,500
2008	$15,000	$20,000	$5,000	$6,000	$10,000	$12,500

SERIOUS PLANNING PART TWO: TAX-ADVANTAGED RETIREMENT ACCOUNTS

The best way to accumulate retirement funds is by contributing to a tax-advantaged retirement savings plan, the most popular of which are the IRA and the 401(k). These plans are powerful savings vehicles, thanks to their prodigious tax advantages.

Some qualified plans, such as the 401(k), are sponsored by employers, while others (like traditional and Roth IRAs) can be set up by individuals. Although contributions are subject to annual limits, the limits are increasing. (See Chart 2.)

Participants can contribute pretax dollars to the account — that is, your contributions are not included in (or are deducted from, in the case of traditional IRAs) taxable income. What's more, the income generated by the account is tax-deferred, which means you don't pay income tax on it until you take distributions during retirement. Roth IRA contributions are not deductible, but the income generated is tax-free as long as you are at least 59½ when you take distributions and the account has been open at least five years.

Thus, funds in the account grow much faster, due to tax-deferred or tax-free compounding, than in an ordinary savings or investment account. For this reason, you should make the maximum allowable contribution to these accounts each year, if you can afford to do so.

Chart 3

The power of tax-deferred compounding

	Taxable earnings (after tax) deposited in a taxable investment account with 8% interest	Pre-tax earnings contributed to 401(k) with 8% growth rate
Amount Invested	$1,000 before tax, minus $280 (28%) tax = $720	$1,000 tax-free
Value after 10 years	$1,261	$2,159
Value after 20 years	$2,207	$4,661
Value after 30 years	$3,863	$10,063
Value after 40 years	$6,764	$21,725

Assumptions: The individual is in the 28% tax bracket; account earns 8% interest/ROI.

Here's an example of the power of tax-deferred compounding. Let's say you take $720 out of your paycheck one day and deposit it in a taxable investment account, where it earns compounded interest at the rate of 8%. (See Chart 3.) Let's assume that you're in the 28% tax bracket. In reality, you have to gross $1,000 to net $720, because you're paying 28%, or $280, in income tax on the gross. You'll also pay income tax on the interest that the investment account earns each year. After 40 years, your original $720 will have grown to $6,764. That's not bad.

But look what happens when you contribute to a 401(k) instead. Since your contribution to a qualified plan comes out of your gross income "pre-tax" (meaning you never pay income tax on it), you can contribute the full $1,000. In this case, your original deposit will grow tax-deferred over 40 years to a whopping $21,725!

If your employer matches all or a portion of your 401(k) contributions, that's by far the best deal of all, and you should try to focus your retirement savings in that plan.

Just keep one important thing in mind before you commit funds to a retirement plan: The money you sock away in your retirement account is essentially off limits until you retire. In most cases, you must pay a penalty of up to 10% — in addition to income taxes — for withdrawing funds from these accounts before age 59½. With some plans, exceptions are made if you withdraw funds to pay education expenses or medical bills. But as a rule, you should contribute to a retirement fund with the goal of leaving it alone — there are better ways to save for education and medical expenses.

DISTRIBUTIONS FROM RETIREMENT ACCOUNTS

Beginning in the first full year after you reach 70½, you must take yearly distributions from any IRA, 401(k) or other qualified retirement plan. To exploit the tax-deferred compounding as long as possible, ideally you would withdraw only the minimum required by the IRS each year. But you can estimate the annual required minimum distribution (RMD) using the "Uniform lifetime table" published by the IRS. (See Chart 4.)

Review your retirement budget every few years, or more often as you approach retirement. Be sure to adjust your

Chart 4

Uniform lifetime table

To calculate your parents' required minimum retirement-fund distribution at any given age, divide his or her projected retirement account balance (on Dec. 31 of the year in which he or she turns 70½) by the distribution period to get the minimum distribution. (If your parent's spouse is the beneficiary and more than 10 years younger than your parent, use the table in IRS Publication 590.)

Your age	Distribution period (years)
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8
75	22.9
76	22.0
77	21.2
78	20.3
79	19.5
80	18.7
81	17.9
82	17.1
83	16.3
84	15.5
85	14.8
86	14.1
87	13.4
88	12.7
89	12.0
90	11.4
91	10.8
92	10.2
93	9.6
94	9.1
95	8.6
96	8.1
97	7.6
98	7.1
99	6.7
100	6.3
101	5.9
102	5.5
103	5.2
104	4.9
105	4.5

estimates and targets for major shifts in the economy, new tax laws, revised personal goals, changes in your health, and the birth or death of family members.

As a part of long-range planning, you should also consider the benefits of long-term care (see page 15), disability (see the sidebar on this page) and life insurance for yourself and your spouse.

REPLACE LOST INCOME WITH DISABILITY INSURANCE

A person's ability to earn income is usually his or her most valuable asset. One way to protect that ability is through disability insurance. Although people often overlook it, most financial planners consider disability insurance an essential element of long-range planning.

Disability insurance's purpose is to replace a percentage — typically 50 to 70% — of earned income that is lost due to a disability. (A disability policy, however, will not replace unearned income such as interest and dividends.)

Many employees have some form of disability insurance through their employer. If employer-sponsored disability coverage is available, check the type of coverage and the policy benefits to see if they're adequate for your needs. You may want to supplement the employer's policy with an individual policy.

Keep in mind that when an employer pays the disability insurance premiums, the replacement income (in case of disability) is considered taxable income, on which an income tax must be paid. If the premiums on an individual policy are paid with personal after-tax dollars, the disability income is tax-free. For those reasons, it is important to find out how much coverage you would have at time of claim.

Individual policies also offer greater flexibility than group policies. For example, you can choose the amount of income replacement (up to certain limits); the length of time (in years or up to a specific age) that you want to receive benefits for a total or partial disability; and the "elimination period" (the time you must wait from the day you become disabled before you can begin collecting disability benefits). That can be 91, 181 or even 366 days and beyond! Naturally, the higher the percentage of income, the longer you receive benefits, and the shorter the elimination period, the higher the premium.

The premium amount will also depend on the insured's age, gender, occupation or profession, earned income, and whether the policy is noncancelable and guaranteed renewable. (That means the company cannot change premiums prior to age 65.)

Another key variable in the policy is its definition of "disability." As you would expect, a broader definition would probably result in greater benefits. For example, some policies pay a benefit only if the insured is unable to work in any occupation at all. That's more restrictive than a policy that pays benefits if the insured is merely unable to work in his or her regular occupation. So be sure to scrutinize this definition when you compare policies.

Not all disabilities are totally disabling. Look for a policy that will pay a proportionate benefit if you're unable to work on a full-time basis and have a corresponding loss of income.

Note that Social Security provides disability income for people under age 65, but its benefits are modest and its claims process can be exasperatingly slow.

FINANCING THE FUTURE: YOUR CHILDREN

Higher education might be your child's ticket to both material success and career satisfaction. There's no guarantee of that, of course. But one thing is guaranteed: It'll be an expensive ticket.

The average cost of tuition, room and board at a state university is about $9,000 per year for in-state residents. The cost can be twice as much at an "out of state" public university and at least as much for a private school. For parents with more than one child in college at the same time, however blessed they may consider themselves, the expense can be crushing. If there is any chance that you might find yourself in that situation, don't wait until you're sure your kids will go to college. The time to start planning is now.

A good plan involves two activities: contributing to a tax-sheltered education savings plan and keeping your estate plan up-to-date.

TAX-SHELTERED SAVINGS PLANS

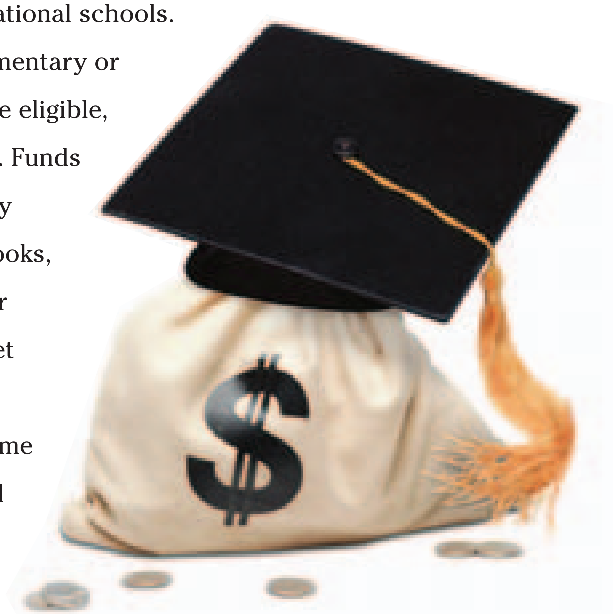
Fortunately, recognizing the importance of a well-educated population, the U.S. Congress established two excellent programs that let you save money for your children's education while enjoying generous tax benefits: Coverdell Education Savings Accounts (ESAs) and Section 529 plans.*

In addition, some colleges and universities offer their own tax-advantaged tuition savings plans.

Congress created Education IRAs in 1997. New tax laws enacted in 2001 expanded their use and renamed them Coverdell Education Savings Accounts (ESAs), after the late Senator Paul Coverdell of Georgia, who led the effort to ease restrictions on contributions to all tax-sheltered tuition savings programs. But many people still call them Education IRAs.

You can set up an ESA for any beneficiary who is less than 18 years old, and for as many beneficiaries as you wish. In addition, people with disabilities or "special needs" can be named beneficiaries beyond age 18.

The beneficiary can use account funds to pay expenses required for enrolling or attending an educational institution that is administered by the Department of Education — including public, private, parochial and vocational schools. Schools at the elementary or secondary level are eligible, as well as colleges. Funds may be used to pay for tuition, fees, books, supplies, computer equipment, Internet access, academic tutoring and, in some cases, housing and special-needs services.



* *The law exempting qualified withdrawals from federal income tax expires on Dec. 31, 2010, unless Congress extends it.*

CONTRIBUTIONS TO AN ESA

Unlike a traditional IRA, your contributions to an ESA are not tax-deductible for income tax purposes. The maximum amount of your contribution in a given year depends on your adjusted gross income (AGI) for the same calendar year. Here are the contribution limits:

- If your AGI is less than $95,000 individually ($190,000 as a married couple filing jointly), you can contribute up to $2,000 to each ESA.
- If your AGI is between $95,000 and $110,000 (between $190,000 and $220,000 for couples), the limit gradually phases to zero.
- If your individual AGI is more than $110,000 ($220,000 for couples) you cannot contribute in that year.

You may not make contributions after the beneficiary turns 18, except for those with special needs.

Donors have broad discretion over how to invest the funds in the account, which grow tax-free.

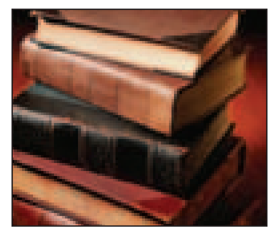
ESA DISTRIBUTIONS

Withdrawals are not included as taxable income to the beneficiary as long as they are used for qualified education expenses. If a beneficiary withdraws funds that exceed those qualified expenses, he or she must pay income tax on the excess funds as well as a 10% early-withdrawal penalty. Exceptions to this penalty apply when the beneficiary is disabled, or in some cases on the donor's death.

All funds remaining in the ESA must be withdrawn when the beneficiary reaches age 30. An exception is made, as usual, for special-needs beneficiaries.

If the beneficiary does not go to college, or drops out, and there are still funds in the ESA, you (the donor) have two choices, both of which have no adverse tax consequences:

- Roll over the funds from one ESA into another one for a family member of the beneficiary, or
- Change the designated beneficiary to a member of the first beneficiary's family.



If you think your child will be eligible for financial aid in college, establishing an ESA for him or her might be a bad idea. That's because eligibility for financial aid is usually based on the income and assets of both the parents and the student. An ESA in the student's name might disqualify him or her for aid.

Another caveat: Tax relief under The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) — including the provisions that expand the use of ESAs — will expire in 2010 unless Congress extends the law. If it expires, the lower contribution limits, which were in effect before 2001, will return. But funds that are already in an ESA will continue to grow tax free, and distributions for education expenses will not be taxed, even if the provisions expire.

529 PLANS

Under Section 529 of the Internal Revenue Code, all 50 states have created tax-sheltered education savings plans, and you're not limited to your own state's plan. A 529 plan can be either a prepaid tuition plan or a savings plan. With a prepaid tuition plan, you secure future tuition, regardless of how much tuition increases, by making set contributions. But plan funds must be used at a specific school and cannot pay nontuition expenses, such as room and board.

With a savings plan, your contributions are managed by an investment firm hired by the state in which the plan is set up. Given the uncertainty of both future college costs and investment return, it's possible you won't accumulate enough funds to pay for your child's education. But you could also accumulate excess funds. If you are willing to bear the risk, one advantage over prepaid tuition plans is that you can fund all qualified education costs, including such potentially large expenses as room and board, and use the funds at any accredited U.S. college, as well as many foreign ones.

Some private colleges and universities have established their own private tuition savings plans, the funds in which can be used only for students attending that institution. But people who contribute funds to a tuition savings plan sponsored by a college or university may not also contribute to a 529 plan in the same year.

The maximum total 529 plan contribution can be as high as $250,000. Some states set more restrictive donation limits, however. Contributions are not subject to gift tax, if you use your annual gift tax exclusion. You can use five years of annual gift exclusions up front, allowing you to gift up to $55,000 per beneficiary ($110,000 if married) without incurring a gift tax.

Contributors to 529 plans have little discretion over how to invest funds in the account, in contrast to ESAs. The state or plan administrator makes all the investment decisions.

When you use 529 plan distributions to pay for qualified education expenses, you pay no tax on them. But unlike ESA distributions, you cannot use them to pay elementary or secondary education expenses.

If you find a state that has a 529 plan you think will better meet your needs, you can roll over your 529 plan funds (up to once a 12-month period) with no negative tax consequences as long as you keep the same beneficiary. If your 529 plan accumulates more funds than your child needs, or your child chooses not to go to college, you can transfer the plan's balance to benefit his or her brother, sister or even first cousin. And if you are considering college or graduate school for yourself, you can create a plan in your own name and later make your child the beneficiary.

Which education savings plan you should contribute to depends on what state you live in, your AGI, how much money you wish to contribute and when you think the beneficiary might need the funds (whether for college or sooner). Ask your financial advisor for help in determining the best plan for your situation. ESAs will be better if you would like to fund elementary and secondary expenses. On the other hand, the 529 plans typically permit much larger annual contributions. Therefore, some parents contribute up to $2,000 to an ESA, and then contribute additional funds to a 529 plan for the same beneficiary.

ESTATE PLANNING

When it comes to providing for your children's future, saving for their college education is only a beginning. You also need to consider how they would get along if both you and your spouse should die suddenly in a tragic accident. How would they survive, who would take care of them, and how much of your wealth would be consumed by estate taxes instead of passing down to your children?

A good estate plan can help ensure your children receive excellent care in the event of your death, minimize estate taxes and guarantee that your assets are passed along to your heirs according to your wishes.

If you and your spouse die without a will — the linchpin of a good estate plan — a state court judge (who probably has never met your family) will appoint a guardian for your minor children and decide how to distribute your assets among your heirs. If you have a large estate and fail to protect it from federal estate taxes, you could end up forfeiting tens or even hundreds of thousands of dollars to the IRS that otherwise would have enriched your children.

Four keys to smart estate planning

For parents with minor children, the four most important elements of an estate plan are durable powers of attorney (see page 7), the will, trusts and life insurance.

The purpose of a will is to distribute your valuable assets according to your wishes, in an orderly fashion, and in a way that minimizes resentment and jealousy (and litigation) among family members. In most states, a will is also the only document in which you can name a guardian for your children. (See “Nominate a guardian for your minor children” on page 9.) Some people choose to also have a living trust to ease distribution of their assets and avoid probate.

Other trust types can also be useful. A trust is an agreement that lets you transfer property to a trustee to hold, manage and distribute according to the specifications of the agreement. There are several different kinds of trusts, each of which, if properly drafted, provides significant tax benefits. Often there are good nontax reasons for having a trust as well, especially when your trust beneficiaries are too young (or otherwise unable) to manage the property themselves.

Assets that you transfer into certain trusts are considered outside of your estate for federal estate tax purposes. This is a great advantage, considering the estate tax is the biggest single tax that most affluent families will ever pay. (In 2004, the marginal tax rate for estates worth $3 million, for example, is a dizzying 48%, though it is scheduled to fall to 45% by 2007 and disappear in 2010, only to return in 2011 unless further legislation changes that. See Chart 5.)

Chart 5

Transfer tax exemption increases and rate reductions

Year	Estate[1] and GST tax exemption[2]	Highest estate, GST and gift tax rates
2004	$1.5 million	48%
2005	$1.5 million	47%
2006	$2 million	46%
2007	$2 million	45%
2008	$2 million	45%
2009	$3.5 million	45%
2010	(repealed)	35% (gift tax only)
2011	$1 million[3]	55%[4]

[1] Less any gift tax exemption already used.
[2] The gift tax exemption is $1 million for all years.
[3] The GST tax exemption is adjusted for inflation.
[4] The benefits of the graduated estate and gift tax rates and exemptions are phased out for estates/gifts over $10 million.
Source: U.S. Internal Revenue Code

One reason to buy life insurance is to replace the income your children would lose if you and your spouse were to die unexpectedly. Your policy should provide enough money to cover your children’s living expenses and repay any remaining debts.

For couples whose estate assets are largely illiquid — a closely held business, for example — a second reason to buy life insurance is to provide cash to pay the estate tax. Without insurance proceeds, your children’s guardian or trustee may have to sell the business quickly, possibly at a fire-sale price, in order to pay the tax.

In some cases, especially if your estate is worth more than $1 million in 2004, the most effective way to hold a life insurance

policy is by placing it in an irrevocable life insurance trust (ILIT). When you die, the proceeds from the policy will be available to a spouse but will ultimately pass to your children (assuming they're the beneficiaries) free of both estate tax and income tax. The ILIT may not be the best way to shelter your wealth from taxes in every single case, but it's always worth considering when you review your estate plan.

GIFTS AND CHARITABLE DONATIONS

When you can afford to do so, giving money to your children and other family members not only feels good, but it's sound estate-planning strategy as well. The IRS lets you give $11,000 per year to any individuals you choose, or $22,000 to each individual if you are married, without incurring gift tax or using lifetime gift tax exemptions. The gift can be cash or an investment of the same value. This is a way to gradually transfer a portion of your wealth from your estate to your children, without paying estate tax. Not only that, but you'll enjoy the gratitude of those to whom you give the gifts while you're still alive. When you consider that $11,000 today may be worth much more when you die, the tax savings can be enormous.

Charitable gifts are also exempt from the gift and estate tax. If you give now, instead of at your death, you will enjoy the benefits that your gift confers on the recipient; and you will be able to deduct those gifts from your taxable income. If you want to give money to charity but are concerned that you might need to use these funds during your lifetime, consider a charitable remainder trust, which lets you make the gift while you're still alive, but permits you to use the interest and dividends from the funds during the remainder of your life — a real win-win situation.

UPDATE YOUR ESTATE PLAN

Contrary to what many people believe about their estate plans, they are not meant to be signed, witnessed, notarized, placed in a drawer and forgotten about. Rather, they occasionally need to be reviewed and possibly amended — sometimes totally rewritten — in response to changes in the estate tax law, changes in your marital status, substantial changes in your net worth, the birth or adoption of a child, or the death of a beneficiary, just to name a few circumstances.

OVERCOMING EMOTIONAL ROADBLOCKS

On paper at least, planning for your future seems straightforward, logical, black-and-white. You go from step one to step two, and when that's accomplished you look at step three.

In practice, creating a comprehensive plan and following it through are not so easy. But at least you have a roadmap, so to speak, and you know what steps you must take. It may be challenging to get from step two to step three, but you know you are capable of doing it with a little (or a lot of) discipline and effort.

The emotional issues related to caring for yourself and two other generations aren't so straightforward or logical. You don't have an emotional roadmap to follow.

HOW TO COPE

What are the emotional challenges that Baby Boomers are facing in the middle of the generational sandwich? Not enough time and money may come to mind first, but other challenges are emerging also: for example, lack of support from siblings and other relatives, worries about your parents' health and — for some Boomers — the stress of three generations dwelling in the same home. Here are some of the ways Boomers successfully cope with such challenges:

Find a trusted advisor. Don't think you have to do it all on your own. A professional advisor can help with defining and managing your financial objectives. This may free up some time for yourself.

Reserve time for yourself. Caring for your parents, in-laws and other relatives, in addition to young children, can occupy a lot of your time. If necessary, cut back on social, civic and volunteer commitments to make time for some fun, relaxation, intimacy with your spouse, and solitude. Many Boomers are at the peak of their careers and deserve a bit of self-indulgence without feeling guilty about it. Saving time for yourself isn't selfish — you'll do a much better job of caring for others when you're fresh, relaxed and not stressed out.

Get support from siblings. Don't let all the responsibility fall on your shoulders. Meet with your siblings and other relatives to discuss how you can care for your parents as a team. Assign roles to each other based on your expertise — for example, legal, financial, medical and household maintenance issues should be managed, respectively, by the lawyers, accountants, doctors and contractors in your family, if any. Wealthier family members should possibly pitch in more than others.

Encourage parents to socialize. In many cases, older parents become demanding or complain about all kinds of things when they're really just lonely and need social interaction. Don't let them become isolated. If you live far away, write or call them weekly; if you're not a prolific writer, send them newspaper clippings and photos with short notes. Buy them a computer and teach them how to send and receive e-mail. Use local community programs, adult daycare facilities and senior centers.

Establish boundaries. When three generations live together under one roof, establish rules regarding privacy, respect for each others' property, responsibility for cleanup, performance of chores, eating schedules, and use of the telephone and TV. Better yet, get your parents their own telephone line and TV set. If healthy relations become difficult, seek professional counseling or therapy.

Learn the warning signs. Some elders have a way of hiding their illnesses because they don't want to be a burden, until it's too late to treat them effectively. One or more of the following conditions could signal the start of an illness that needs treatment:

- Major changes in daily routines such as getting out of bed much later than usual, skipping meals or forgoing a daily walk in the park,
- Decline in hygiene and appearance: skipping showers, not changing clothes every day, letting hair and nails grow long,
- Sudden weight loss or gain without corresponding change in diet or exercise,
- Dramatic mood swings,
- Increased forgetfulness or disorientation,
- Unusual expressions of despair, depression, anxiety, or fear, and
- Failure to pay bills.

Be sure you have the phone numbers of your parents' doctors, and develop an emergency plan, including backup care-givers — in case you can't transport your parents to a hospital, for example.

To take care of aging parents and young children all at once, it may feel like you must make significant sacrifices. But you may find that the benefits of keeping the sandwich together — including rekindling close family relationships — outweigh the sacrifices in the long run.

RETIREMENT BUDGET WORKSHEET

Income source (annual)	You	Your spouse	Total
Social Security benefits*	$	$	$
Veterans Administration benefits			
Employer-sponsored pension (e.g., 401(k))			
Individual retirement funds (e.g., IRA)			
Interest on savings			
Investment income			
Limited partnership income			
Rental income			
Gifts and inheritances			
Fees and royalties			
Annuity			
Trust distributions			
Other			
Other			
Other			
Total annual retirement income	**$**	**$**	**$**

* Your local Social Security office will provide a statement of your lifetime earnings, Social Security contributions, and estimated retirement benefits.

Expense (annual)	Estimate
Fixed expenses	
Mortgage or rent	$
Cable TV, Internet services	
Property taxes	
Homeowner's or renter's insurance	
Health insurance (incl. dental, vision)	
Automobile insurance	
Life insurance or ILIT contributions	
Long-term care insurance	
Other insurance	
Auto loan payments	
Other installment loan payments	

(Continued on next page)

RETIREMENT BUDGET WORKSHEET (CONTINUED)

Variable expenses	
Home maintenance	$
Utilities (gas, electric, water, sewer, etc.)	
Telephone	
Household furniture, furnishings and improvements	
Appliances and maintenance	
Food, sundries, groceries	
Clothing, laundry, dry cleaning	
Health care, medical expenses	
Pharmaceuticals	
Auto expenses: gas, maintenance, etc.	
Transportation	
Income taxes	
Investment expenses	
Professional fees (attorney, accountant, etc.)	
Contributions to trusts	

Discretionary expenses	
Vacations and travel	$
Gifts	
Household help	
Entertainment, restaurants	
Education	
Membership dues	
Hobbies	
Books & periodicals	
Charitable contributions	
Political contributions	
Total estimated expenses (annual)	**$**

Calculate your retirement gap

Total annual retirement income (both spouses) $__________

Subtract total estimated expenses $__________

Surplus or shortfall $__________

Calculate the additional yearly savings needed to fill the gap

Target retirement age __________

Number of years to retirement __________

Shortfall divided by years to retirement $__________

INSURANCE SERVICES SINCE 1974

CPS Insurance Services is celebrating 30 years of service to brokers. Our commitment to you is to continue to mix the latest technologies, with years of knowledge and service expertise. CPS is a major player in the advanced case market — with an in-house advanced planning and tax attorney providing expert guidance in advanced estate planning, investment strategies, corporate and personal tax planning, charitable trusts, benefits design, deferred compensation planning, corporate financial planning, as well as strategies for retirement and wealth management.

Knowledge of the products is only one facet of advanced case design. At CPS, we utilize two in-house underwriters with a combined 50+ years of impaired risk underwriting experience, to ensure your client is receiving the best possible rating. CPS' proven *Quick Quote© Underwriting System* will help obtain a tentative medical quote and price range for your client. Our back office support system, to process your business; a high level of product knowledge; and years of underwriting experience, are just some of the reasons why CPS has been a leader in the insurance industry since 1974.

With access to more than 60 products from 20 highly rated carriers, CPS' comprehensive Annuity Department can assist you with all of your fixed, indexed, variable and single premium immediate annuity needs. This includes all case design, illustration, contracting and case issuance services, as well as advanced sales support and compliance approved sales tools.

Our Long Term Care department will assist you with illustrations, sales support, contracting and case issuance services. Corporate Deductible Long Term Care is a hot topic — our in-house expert can help you find these potential clients in your current book of business.

www.cpsinsurance.com is a full service website for you, today's prosperous broker. CPS knows business doesn't always take place between the hours of 8AM and 5PM, Monday through Friday. Obtain product information, forms, or status on your pending cases, **24 hours a day, 7 days a week!** At CPS, we have all the tools to help a broker become more successful.

For your benefit, CPS provides top-notch selling tools, such as these advanced planning guides. The resources we provide will make your job easier, saving you time and making you more profitable. Good Selling!

CPS is:
Companies, Products, Services.