



AGINGOPTIONS

— Educate • Train • Connect —



How Traditional Planning
***Fails* Retirees**

10,000 individuals turn 65¹

every day, either already retired or with visions of retirement on their minds. Retirement will start out for most as a much-anticipated day, but as they move deeper into retirement, it will eventually turn into a period of great anxiety and for good reason.

Though most Americans hope to be able to live out their lives in their own home², the reality is that **less than 30%** will be able to realize this hope³.

Of all retirees over age 65, **69%** will deal with incapacity of some sort which will render them dependent on others for assistance with many activities of daily living⁴. Many dealing with incapacity will have reason to worry about losing their hard-earned assets to uncovered long-term care costs⁵ while at the same time becoming a burden on loved ones⁶.



Let's take a look at Bill and Vivian's story, a common example from the real-life experience of **Rajiv Nagaich**, the nation's leading authority on retirement planning.

1. Pew Research Center 2010

2. von Gunten n.d.

3. Bailey and Periyakoil n.d.

4. Johnson, Toohey and Wiener 2007, 1

5. Steiner 2015; Dickson 2016; Banerjee, Ph.D. 2015, 16

6. Nolan 2001

Bill & Vivian's Story

Bill and Vivian were your quintessential middleclass Americans who had built their retirement dreams around health issues, waiting until he turned 65 when he could enroll in Medicare before retiring as most working-class Americans do. Bill and Vivian aspired to live out their lives in the home of thirty plus years which was mortgage free by the time he was to retire. They created a retirement nest egg and expected that with the support of Social Security and Medicare, their debt free lifestyle and a retirement nest egg, that they were set to live their retirement dreams of traveling America in their RV. They had consulted a financial planner and an estate planning attorney to make sure they were planning responsibly to secure their retirement dreams, but that was not to be.

Bill was diagnosed with Alzheimer's in the last year of his work life. A registered nurse by profession, Vivian was determined to keep Bill away from nursing homes, but found herself having to place Bill in one when he started wandering away from home. Each of their daughters supported Vivian in her decision because that was what the medical professionals suggested Bill needed. Within a short time, the cost of Bill's nursing home care had depleted their retirement nest egg, and Vivian was forced to apply for Medicaid benefits. Along the way, each of Bill's daughters was involved in his care to some extent, even after he moved to the nursing home. Unfortunately, Bill died in the nursing home despite his family trying to bring him back home.

No one starts out retirement hoping to become a burden on loved ones or expecting to go broke paying for uncovered care costs. Retirees who witness friends and family members live their last days, months, or years of life in institutional settings find the prospect of institutional care to be more worrisome than death itself. **Fear** of having to deal with institutional care, becoming a burden on loved ones, and running out of financial resources turn out to be among the biggest retirement concerns today's retirees face, whether rich, poor or in between. Everyone is at risk of being institutionalized and becoming a burden on others. Families with small to medium size estates run the added risk of financial ruin. This, despite a lifetime of dreaming and planning for retirement.

What will start out as a health issue evolves into a housing issue when the care burdens become too much for the family to juggle.

Bill's story is not an isolated incident. The fact that one in nine Americans over 65 and more than one in three Americans over 85 will deal with Alzheimer's disease means that millions of families face the same nightmare. Unfortunately, most of these families will be unprepared, as Bill's family was, because this is likely the first time they will deal with a loved one's incapacity.



What Traditional Planning Looks Like

Here is how most Americans plan for retirement: The first step generally is waiting until age 65 to retire when one becomes eligible for Medicare. Enrolling in Medicare and purchasing a supplement insurance policy is what seems to be the norm when it comes to planning around health care needs. Next, people might consider their long-term housing situation, though not much thought is given beyond having a strong desire to be able to live out life in one's own home. Many will be realistic and acknowledge that should a time come that they are unable to manage their home or need help with daily activities, they will figure something out. A few will be proactive and move to retirement communities, but that is the minority. But, the majority of retirement planning efforts center on financial planning. The goal is to accumulate the largest retirement nest egg you can, retire debt free if possible, and have a reasonable income to supplement Social Security benefits. The thinking seems to be that if one has a large enough pot of money and a reasonable income to live on, retirement will be a breeze. A few will anticipate uncovered long-term care expenses and invest in a long-term care insurance policy. Finally, there will be efforts to arrange one's legal affairs. Surely, in order to minimize burdens when we finally pass on we should prepare a Will or Trust, Powers of Attorney to empower our loved ones to be able to advocate for us should we become incapacitated, and a Living Will so that everyone knows our wishes in regards to artificial means of life support. Armed with these documents, most retirees will consider legal planning to be completed. This is what traditional planning amounts to.

This sounds familiar, right? Let's look at the gaps.



How Traditional Planning Fails Retirees

Traditional retirement planning in America is built around the assumption that the issues to solve are around the death of a person. If one is lucky enough to go to sleep one day and not wake up the next, traditional planning will serve the loved ones of the deceased family member well. But, most people eventually wake up and find themselves unable to manage their activities of daily living without assistance. In other words, they experience incapacity of some sort. Traditional planning will then prove to be little more than a false promise, a recipe for disaster - as it was for Bill and Vivian and their family. What will start out as a health issue will soon turn into a housing issue when the care burdens become too much for the family to juggle, along with their other daily responsibilities. The ill person may hope to avoid institutional care, but it is likely the family will be guided to find a safe living environment for the incapacitated loved one. For most who have to access care at the hands of others, whether at home or in an institutional care setting, the issue will become financial as soon as the family figures out the limitations of Medicare and health insurance policies that do not cover long-term care costs in any meaningful way. And for the lucky few who will end up consulting an elder law attorney, they will find the incapacity will have become a legal issue, because the elder law attorney will help the family rearrange the assets in the estate to find a way for the long-term care bills to be covered by VA or Medicaid programs. No matter how much the incapacitated person hoped not to become a burden on others, the family will be dragged into the situation. The only question will be: How prepared was the family to deal with the issues at hand? The family members are the ones who will be coordinating the incapacitated loved one's health care needs, trying to understand housing options, working with the medical community, trying to understand how to best navigate the financial issues, and contracting lawyers to get a handle on how to cope with

the uncovered care costs that seem to have become inevitable. In other words, what will start out being a health issue will soon turn into a housing and financial issue and all along the way the process will be a family affair.

Anatomy of why things go wrong: Going through the traditional planning process, the typical retiree will have dealt with insurance agents, physicians, financial planners, and legal counsel, among others. But all these professionals will be approaching your needs from their unique perspectives leading to fragmented planning. None of these professionals coordinate their efforts with each other, even though when things fall apart in retirement it will usually start out as a health issue, become a housing issue, morph into a financial issue, and present itself as a legal issue. And all along the way your needs will turn your life into a family issue. It is unlikely that at the planning stages you would have consulted with your family members on concerns that would eventually impact them. This fragmented planning leads to many unintended consequences.



Let us illustrate. When the treating physician discharges you to a rehab center, he or she is doing exactly what a physician is expected to do – get you care. How much thought does a physician give to the impact of such a discharge on your finances? Little to none. That is not what they are expected to worry about. The fact that you chose to age in your house without enough consideration about whether

it is suitable for you when incapacitated is your responsibility. The impact that remaining in your home will have on your children and other loved ones when they have to travel to support you is your responsibility too. You cannot hold anyone but yourself responsible for these decisions. The financial advisor who advised you to buy a long-term care insurance policy assumed that having extra finances will somehow allow you to access care, without considering other planning aspects that prevent the average person from being able to access care at home. They did nothing wrong. Your legal counsel helped you with the Will or Trust, Powers of Attorney and Living Will exactly how law school prepared the attorney to help, so the attorney did nothing wrong. So, no one is wrong at the planning stages, yet you are left dealing with nothing short of a disaster when you are no longer able to manage your own affairs. How can this be? And is there a better answer?

3 Main Goals of Retirement



Is There a Better Way to Plan?

Retiring Americans who aspire to avoid institutional care in their lives should be able to realize that hope without becoming a burden on loved ones or running out of money. To get there, the plan has to be more than relying on isolated professionals one at a time.

The key is getting family better prepared to deal with the incapacity of a spouse or parent if/when the time comes and to work on the plan years before incapacity strikes. Proper planning will still invariably involve coordination between health, housing, financial and legal professions, but from the perspective of each profession doing its part to develop a coordinated answer to helping a client avoid institutional care, become a burden on loved ones, or run out of resources. That process is what we refer to as *LifePlanning*, a proprietary retirement planning solution that is a cutting-edge approach for today's retirement planning needs.

A proper *LifePlan* must be created before a catastrophe arises and it must coordinate the planning efforts of medical providers, financial advisors and legal counsel. It must involve family members you hope to count on should you lose your ability to care for your own needs so they know what your plans are and how they can address those hopes without being unduly burdened by the chore.



What do you do with this information?

LifePlanning from AgingOptions is designed to help you overcome the shortfalls of traditional retirement planning. We do this first by educating you in these topics. You deserve a plan that will bring greater predictability of outcome. You deserve more assurance that your family will not be burdened with heart aching questions. You deserve to have confidence in your retirement plan that minimizes lost assets to uncovered medical and long-term care costs. And you can only get there when you understand why the gaps exist in the planning chain, outline a strategy or “blueprint” to a *LifePlan*, and then achieve the confidence to hold every professional you hire accountable to a higher and more personal standard which address your personal goals.

A good starting point is to invest in a *LifePlanning* solution that can guide you in developing just that blueprint, or hire a coach (*LifePlannner*) who is well versed in this aspect of planning. Visit the AgingOptions website to compare online, classroom or custom *LifePlanning* solutions and choose the best one for you.

www.AgingOptions.com

Contact us if you would like more information about how we can provide *LifePlanning* to your organization or workplace.

253.941.7200 | Info@AgingOptions.com

Bibliography

- Bailey, Amos, and Vyjeyanthi (VJ) Periyakoil. N.d. Home Hospice: Home Care of the Dying Patient / Where do Americans die? Accessed December 13, 2016.
www.palliative.stanford.edu/home-hospice-home-care-of-the-dying-patient/where-do-americans-die/.
- Banerjee, Ph.D., Sudipto. 2015. "Utilization Patterns and Out-of-Pocket Expenses for Different." Employee Benefit Research Institute (EBRI). February. Accessed December 19, 2016.
www.ebri.org/pdf/briefspdf/EBRI_IB_411_Feb15_HlthExpds.pdf.
- Bernstein, Nina. 2014. Fighting to Honor a Father's Last Wish: To Die at Home. September 25. Accessed December 20, 2016.
www.nytimes.com/2014/09/26/nyregion/family-fights-health-care-system-for-simple-request-to-die-at-home.html?_r=0.
- Boult, MD, MPH, MBA, Chad, MD, MPH, Lisa B. Boult, MSN, Lynne Morishita, PhD, Bryan Dowd, MB, Robert L. Kane, and MD, MPH, Cristina F. Urdangarin. 2001. A Randomized Clinical Trial of Outpatient Geriatric Evaluation and Management. Clinical Investigation, The American Geriatrics Society.
- Casselmann, Ben. 2014. What Baby Boomers' Retirement Means For the U.S. Economy. May 7.
www.fivethirtyeight.com/features/what-baby-boomers-retirement-means-for-the-u-s-economy/.
- Dickson, Bonnie. 2016. "Predicting health care costs in retirement." AgingOptions. March 3. Accessed December 19, 2016.
www.agingoptions.com/2015/03/predicting-health-care-costs-in-retirement/.
- Duncan, David Ewing. 2012. How Long Do You Want to Live? August 25. Accessed December 19, 2016. www.nytimes.com/2012/08/26/sunday-review/how-long-do-you-want-to-live.html.
- Gilbert, Susan. 1997. A Nursing Home? Or Death? August 6. Accessed December 19, 2016.
www.nytimes.com/1997/08/06/us/a-nursing-home-or-death.html.
- Johnson, Richard W., Desmond Toohey, and Joshua M. Wiener. 2007. Meeting the Long-Term Care Needs of Baby Boomers: How Changing Families Will Affect Paid Helpers and Institutions. The Retirement Project Discussion Paper Series, Washington, D. C.: The Urban Institute.
- Merriam, Sharan B. 1998. Qualitative Research and Case Study Applications in Education. San Francisco: Jossey-Bass.
- Nolan, Jenny. 2001. "Fear of "Burden" Major Reason for Oregon Assisted Suicides." National Right to Life News. March. Accessed December 19, 2016.
www.nrlc.org/archive/news/2001/NRL03/oregon.html.
- Norman, K. Denzin, and S Lincoln Yvonna. 1994. Handbook of qualitative research. Thousand Oaks: Sage Publications.
- Pew Research Center. 2010. Baby Boomers Retire. December 20.
www.Pewresearch.org/daily-number/baby-boomers-retire/.
- Span, Paula. 2012. Where the Oldest Die Now. April 18. Accessed December 19, 2016.
www.newoldage.blogs.nytimes.com/2012/04/18/where-the-oldest-die-now/?_r=0.
- Stake, Robert E. 1995. The art of case study research. Thousand Oaks: Sage Publications.
- Steiner, Sheyna. 2015. "Americans racked by retirement fears." Bankrate. February 2005. Accessed December 19, 2016.
www.bankrate.com/finance/retirement/survey-americans-racked-by-retirement-fears.aspx.
- The Alzheimer's Association. 2016. 2016 Alzheimer's Disease Facts and Figures.
- Von Gunten, Charles F. n.d. "Stanford School of Medicine: Palliative Care: Where do Patients Die?" Stanford School of Medicine: Palliative Care. Accessed December 19, 2016.
www.palliative.stanford.edu/overview-of-palliative-care/where-do-patients-die/.
- Gaugler, Kane, 2015, Family Caregiving in the New Normal. Academic Press.



AGINGOPTIONS

— Educate • Train • Connect —

253.941.7200 | Info@AgingOptions.com | AgingOptions.com