

Financial Planning for Seniors

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To whom do you trust to give your financial planning advice? Your accountant? Your kids? The guy you have coffee with at Dunkin' Donuts? Your lawyer? God forbid.

The point about financial planning, like all planning, is that you can't plan how to get where you want to go unless you know where you're going.

As any senior will tell you, where you're going gets harder to see every year. You know you will die eventually, so you should plan to make it easier for your loved ones after you are gone. What you don't know is when that will be, or what kinds of health challenges you might face along the way – challenges that can be incredibly expensive. So here are my contributions to the advice list:

- Since you don't know what's coming, it pays to stay flexible. Stay away from investments where there is a big penalty for early withdrawal. The lure of a slightly better investment return on an annuity may be outweighed quickly by the penalty (often as high as 10%) if you need that money. Incidentally, the only penalty for early withdrawal of a CD is the lost interest that had accrued as of the time of withdrawal. Given today's low interest rates, that's insignificant.
- Consider early withdrawals (at lower tax rates) from your tax-deferred savings. If you are married, the federal tax rate on income of less than about \$80,000 is 12% or less. By withdrawing small amounts over time, you reduce the potential big federal tax hit (22% or more) that would come if you needed to withdraw money suddenly. If you leave it to your kids, they will often end up paying more tax than you do because of their higher incomes.



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- Keep your investment risk low. At our age, who needs to be losing sleep over tomorrow's stock market crash when there may not be time to recover if catastrophe hits?
- Make sure all of your advisors (your investment advisor, your lawyer, maybe not the guy at the Dunkin Donuts) talk to each other. Each one is approaching things from a different angle. Only you know which angle is most important to you. Get them together for a conference call or a Zoom meeting.
- Make sure you have an updated Power of Attorney. A lot of asset restructuring may be needed after you are incapacitated, especially if you then need to qualify for MassHealth. Someone with legal authority should be there to handle those things for you if you can't.

The right plan is the one that helps you sleep at night. Only you know what that is, but people around you may be able to help figure it out.

I will be discussing financial planning in more depth during this month's elder law virtual seminar, which can be watched on Frank and Mary's YouTube channel, youtube.com/elderlawfrankandmary, and local cable stations, along with Frank and Mary's local cable TV shows, where my co-hosts and I address many common issues facing seniors and the resources available during the pandemic. As always, if you have any questions or would like additional information, please contact me at (508) 860-1470 or abergeon@mirickoconnell.com.