

It may be time for checkup -- on finances

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By Roger Shumaker
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It's no secret that single seniors face unique financial challenges.

Those who find themselves suddenly single may be ill-prepared to handle their finances. Whether single by design or by the course of nature there are some things that should be considered:

- **Income.** It determines one's lifestyle and is the cornerstone to financial peace of mind. What can a single senior do to increase income? You might consider a split annuity. This concept divides a lump sum into two annuities: one that provides an income stream and the other that grows tax-deferred. Typically this concept will allow for a greater guaranteed monthly income than, say, a CD, on a favorable tax basis, while the principle is guaranteed by the company that issues it.

Consider a reverse mortgage on your home. This allows you to use the equity in your home as an income source. A lender will guarantee a monthly income stream for as long as you live in the home. For many singles, the equity in their home is one of their largest assets. This is a way for them to access the equity without selling the home. You are able to enjoy the home and the equity while you are living there.

- **Taxes.** The more you pay in taxes, the less you have to live on. I see single seniors paying taxes on interest income that they are not spending.

They feel they are obligated to save to bolster their children's inheritance. One example of this was when a single senior lady came to me saying that her pension and Social Security totaled \$18,000 a year and she was paying \$6,000 in income taxes and it was difficult for her to live on \$12,000 per year.

The reality was that with interest, dividends and capital gains added into the picture, her total income was over \$50,000, but these were all reinvested. What she was doing was living off her Social Security and pension and paying taxes on her other earnings out of it.

If you also find yourself not withdrawing any of your gains to pay the taxes due on them, consider using a tax-deferred vehicle, like an annuity or other tax -advantaged vehicle.

Along with income taxes, single seniors could also face having up to 85 percent of their Social Security taxed. Basically, the central pillar of Social Security taxation is income. Your Social Security plus your other income is added together (including income from municipal bonds) and if this figure is over \$25,000, then up to 50 percent of your Social Security is taxed. Worse, should a single exceed \$34,000, then 85 percent can be taxed.

A few ways to avoid the taxation of your Social Security are by using tax-deferred annuities, modified endowment contracts, and U.S. Savings Bonds. To see if your Social Security is being taxed, look at line 20b of your 1040 income tax return.

- **Long-term care.** Some options include long-term care insurance and Medicaid planning. Insurance is important to protect your lifestyle should you ever go to a long-term care facility, even for a temporary stay.

It can be financially devastating. Hospital stays for Medicare patients are for limited periods, so more people are using long-term care providers.

The Golden Rule of "He who has the gold rules" applies here. Peace of mind comes from having the resources to pay for the type of care that you want, need and deserve at the location of your choice, even if that is in your own home. Long-term care insurance may be a solution to consider.

Medicaid planning is a viable solution. It needs to be done before care is required to be most effective. If you wait until you need care, you are doing crisis planning, which is much more difficult.

- **Investments.** I often see single seniors who are taking more risks than they should. They bought an investment years ago and have just held it. The investment may have been appropriate when they were young, but as they mature, their investment outlook and risk tolerance change.

Ask yourself these questions: Why do I have this money invested? Is it so that when I am 110 it has grown to a zillion dollars? What would you do with a zillion dollars at 110 anyway? Does your risk tolerance and investment mix look the same?

It may be wise to compare your portfolio to an asset allocation model that matches your current risk tolerance and goals. A financial checkup is often needed as we age.

Another option is to spend your money on the things that make you happy. When your child says, "Spend your money. I don't want it," believe it. You earned your money, so who would know better than you how to spend it?

- **Procrastination.** My grandfather says, "Procrastination is suicide on the installment program." Get informed and get moving. The best defense is a good offense.

When you are single the burden and reward of making good decisions is yours and yours alone.

Consult with a qualified professional to see if any of these ideas are appropriate for you.

Roger Shumaker is an investment advisor representative and is president of Retirement & Tax Solutions. He may be reached locally at 228-0222 or 1-800-462-4582.