



We Haven't Left the Building Yet: Estate and Tax Planning for Pre-Retirees

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Disclaimer

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Items for Discussion

- Retirement Income
- Health Insurance
- Life Insurance
- Executive Benefits
- Long-term Care Insurance

How Do These Impact The Estate?



RETIREMENT INCOME

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Retirement Questions

- Will I be able to maintain my current lifestyle?
- Will I have access to my money when needed?
- Will I have enough money to last as long as I do?
- Will I be able to leave something to my family?



Financial Concerns

- Income
- Inflation
- Liquidity
- Safety
- Taxes
- Family Benefit
- Wealth Preservation

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Types of Retirement Plans

- Pension
- Profit Sharing
- 401(k)
- 412(i)
- 403(b)
- IRA
- Roth IRA
- SEP
- SIMPLE
- Defined Benefit
- Defined Contribution
- Target Benefit



IT ALL COMES DOWN TO THIS....

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“DAVE’S RETIREMENT PLAN”

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Income

VS.

Expenses

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The Income Portion of Retirement

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Social Security

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Social Security Normal Retirement

Year of Birth	Normal Retirement Age
1938 or Before	65 Years
1939	65 Years, 2 Months
1940	65 Years, 6 Months
1941	65 Years, 8 Months
1942	65 Years, 10 Months
1943-1954	66 Years
1955	66 Years, 2 Months
1956	66 Years, 4 Months
1957	66 Years, 6 Months
1958	66 Years, 8 Months
1959	66 Years, 10 Months
1960 and After	67 Years



Social Security Early Retirement

Early retirement is available beginning at age 62.

- Monthly benefits are reduced by 20% to 30% depending upon the retiree's year of birth.



Individual Retirement Statement

Prevent identity theft—protect your Social Security number

Your Social Security Statement

Prepared especially for Wanda Worker

WANDA WORKER
456 ANYWHERE AVENUE
MAINTOWN, USA 11111-1111

January 3, 2005

See inside for your personal information →

What's Inside	
▼ Your Estimated Benefits	2
▼ Your Earnings Record	3
▼ Some Facts About Social Security	4
▼ If You Need More Information	4
▼ To Request This Statement in Spanish	4

(Para Solicitar Una Declaración en Español)

What Social Security Means to You

This *Social Security Statement* will help you understand what Social Security means to you and your family. This *Statement* can help you better plan for your financial future. It gives you estimates of your Social Security benefits under current law. Each year, we will send you an updated *Statement* including your latest reported earnings.

Be sure to read this *Statement* carefully. If you think there may be a mistake, please let us know. That's important because your benefits will be based on our record of your lifetime earnings. We recommend you keep a copy of this *Statement* with your financial records.

Social Security is for people of all ages...

It can help you whether you're young or old, male or female, single or with a family. It's there for you when you retire, but it's more than a retirement program. Social Security also can provide benefits if you become disabled and help support your family when you die.

Work to build a secure future...

Social Security is the largest source of income for most elderly Americans today. It is very important to remember that Social Security was never intended to be your only source of income when you retire. Social Security can't do it all. You also will need other savings, investments, pensions or retirement accounts to make sure you have enough money to live comfortably when you retire.

About Social Security's future...

Social Security is a compact between generations. For more than 60 years, America has kept the promise of security for its workers and their families. But now, the Social Security system is facing serious future financial problems, and action is needed soon to make sure that the system is sound when today's younger workers are ready for retirement.

Today there are almost 36 million Americans age 65 or older. Their Social Security retirement benefits are funded by today's workers and their employers who jointly pay Social Security taxes—just as the money they paid into Social Security was used to pay benefits to those who retired before them. Unless action is taken soon to strengthen Social Security, in just 14 years we will begin paying more in benefits than we collect in taxes. Without changes, by 2042 the Social Security Trust Fund will be exhausted.* By then, the number of Americans 65 or older is expected to have doubled. There won't be enough younger people working to pay all of the benefits owed to those who are retiring. At that point, there will be enough money to pay only about 73 cents for each dollar of scheduled benefits. We will need to resolve these issues soon to make sure Social Security continues to provide a foundation of protection for future generations as it has done in the past.

Social Security on the Net...

Visit www.socialsecurity.gov on the Internet to learn more about Social Security. You can read our publications, use the *Social Security Benefits Calculators* to calculate future benefits, apply for retirement, spouse's or disability benefits, or subscribe to eNews for up-to-date information about Social Security.

James B. Barnhart
Jo Anne B. Barnhart
Commissioner

*These estimates of the future financial status of the Social Security program were produced by the actuaries at the Social Security Administration based on the intermediate assumptions from the Social Security Trustees' Annual Report to the Congress.

ss to a library of information.



Maximum Age

There is no maximum age.

- If one works after full retirement age, benefits are higher because of higher earnings and special credits for delayed retirement.



Employer Sponsored Retirement Plans

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Employer Sponsored Plans

- Pensions
- Profit Sharing
- 401(k)s
- SEPs
- SIMPLEs
- 412(i)
- 403(b)



Plan Document

- Who can contribute?
- How much can be contributed?
- What are the benefits?
- Who must be covered?
- When are benefits guaranteed?
- When can benefits be paid?



“When Can We Get Our Money?”

(usually, but not always):

- Termination of Service
- “Retirement”
- Early Retirement
- Death
- Hardship
- Must begin payments by age 70 1/2



Note:

It's important to know these rules for your employer and any previous employer(s) (and your spouse's employer(s))



Early Retirement

- There may be a penalty for benefits received prior to age 59 1/2.
- Social Security eligibility begins at age 62 (with a reduced benefit).
- Medicare eligibility begins at age 65.



IRAs and Other Savings Vehicles

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Transfers/Rollovers

- Individual control of:
 - Savings vehicles
 - Income (Timing and Duration)
- Guaranteed lifetime income possible
- Penalty for early distributions
- More than one IRA possible
- RMDs required (not in 2009)



Other Savings Vehicles

- Savings Accounts
- Mutual Funds/Securities
- Annuities
- Income Producing Property
- Cash Value Life Insurance



Tax Considerations

- Ordinary income
- Capital Gains
- Tax Free



Other Considerations

- No penalty for early distributions
- No minimum distribution requirement
- Flexible in its usage
- Great “safety net”



Executive Benefits

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Executive Benefits

- Stock Option Plans
- Stock Buy-Out Agreements
- Deferred Compensation Arrangements



Executive Benefits

- Provisions
- Amounts
- Exercise Dates
- Tax Status
- Co-ordination with other benefits



The Expense Portion of Retirement

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Health Insurance

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Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)



COBRA

Allows an employee and certain beneficiaries to extend current health insurance coverage at group rates for up to 36 months following a “qualifying event” that results in a loss of coverage.

- No evidence of insurability is required
- Coverage identical to employees



COBRA Qualifying Events

- Death of the Covered Employee
- Termination of the Covered Employee
- Divorce
- Reduction of the Employee's Hours
- Employee's Eligibility for Medicare (for family)



Medicare

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Medicare

The nation's health care program for people age 65 and older



Application for Medicare

Contact Social Security 3 months prior to
your 65th birthday

(even if not applying for retirement benefits)



Medicare Supplements

Standardized policies designed to “fill in the gaps” in coverage offered by Medicare, including:

- enhanced basic benefits
- payment of deductibles
- payment of excess charges



Life Insurance

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Group Life Insurance

Review the provisions:

- Does the coverage continue/reduce/terminate at retirement?
- What is the cost to continue the coverage?
- If so, is it convertible?
- What is the premium for the conversion policy?



Individual Life

Review the provisions:

- Co-ordinate premiums with retirement income
- How long will the policy last?
- Can the death benefit be reduced?
- Can the premium be reduced?
- If the policy is cancelled, is there cash value?



ALL Life Insurance

- What is the purpose for the life insurance?
- How was that amount determined?
- Is the purpose and the amount still current?



Long-Term Care

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Long-Term Care

If long-term care is needed, how will it be paid for?



Possible Long-Term Care Solutions

- Self Fund
- Medicaid
- Long-term Care Insurance
- Other Financial Products



Remember...

Long-term care insurance is a retirement planning tool. As we plan for retirement, it is a great time to assess our need for long-term care and plan for the payment of those expenses. Those expenses can frustrate an otherwise sound retirement plan.



Consider This:

Federal Estate Tax (2009) (maximum)	45%
Federal Income Tax (2009) (maximum)	35%
Shrinkage from long-term care expense (maximum)	UNLIMITED



Cost of Care:

Nursing facility: \$177/day*
(\$64,605/year)

Assisted living: \$2,813/month*
(\$33,756/year)

*Source: Mutual of Omaha Cost of Care Survey, April, 2008



With expenses like that, retirement plans
may be in jeopardy.



Tailored Plans

- Daily Benefit amount
- Benefit Period
- Elimination Period
- Inflation Protection
- Choice of Facility/Plan of care
- Additional Riders



As our clients prepare for retirement...

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It's a Good Time To Review

- Benefit Provisions
- Document Provisions
- Coverage Amounts
- Beneficiary Designations



Sources of Information

There are many things to consider as retirement approaches and many sources of information:

- Internet
- Organizations
- Advisors (my barber)
- Family



To Summarize:

How Does Retirement Planning Impact the Estate?

(Hint: It Boils Down to Income vs. Expenses!!)



To State the Obvious:

If we maximize income, and we choose our expenses wisely, we will have more for ourselves, whether we are healthy or sick, which leaves more to pass on to our family.



Questions?

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