STEVE WEISMAN

BOOMER ORBUST

YOUR FINANCIAL GUIDE TO RETIREMENT, HEALTH CARE, MEDICARE, AND LONG-TERM CARE

RECENT CHANGES TO MEDICAID AND MEDICARE. WHETHER A
REVERSE MORTGAGE IS RIGHT FOR YOU. DRAFTING AN ADVANCE
CARE HEALTH DIRECTIVE. TAX BREAKS FOR PEOPLE CARING FOR
THEIR PARENTS. WHEN YOU SHOULD DELAY SOCIAL SECURITY
BENEFITS. NEW WAYS TO PAY FOR LONG-TERM CARE.



Praise for Boomer or Bust

"This book is filled with critically important information and is an essential primer regarding the issues facing our generation. It will be required reading for all of our staff as well as recommended reading for our sandwich generation clients."

> —Joanne R. Wooldridge, R.N., Geriatric Care Manager Clinical Director, Massachusetts General PrimeCare

> "Read this book. It is a great addition to your personal financial arsenal, worth keeping on hand."

-Rollye James, nationally syndicated radio talk show host

"As usual, Steve Weisman has the right slant on problems that others just glance over. He takes on all of the government sacred cows and deals with the red tape and regulations that are impossible to understand without help. So here is the help you need. Read this book and get started on the way to helping yourself."

—Doug Stephan, host of the syndicated Good Day radio program, heard in more than 400 markets nationwide



BOOMER OR BUST



BOOMER OR BUST

YOUR FINANCIAL GUIDE TO RETIREMENT, HEALTH CARE, MEDICARE, AND LONG-TERM CARE

Steve Weisman



Upper Saddle River, NJ•New York•London•San Francisco•Toronto•Sydney
Tokyo•Singapore•Hong Kong•Cape Town•Madrid
Paris•Milan•Munich•Amsterdam

Vice President and Editor-in-Chief: Tim Moore

Executive Editor: Jim Boyd

Editorial Assistant: Susie Abraham

Development Editor: Russ Hall

Associate Editor-in-Chief and Director of Marketing: Amy Neidlinger

Cover Designer: Alan Clements Managing Editor: Gina Kanouse Senior Project Editor: Lori Lyons Copy Editor: Krista Hansing Senior Indexer: Cheryl Lenser Compositor: FASTpages

Manufacturing Buyer: Dan Uhrig



PEARSON © 2007 by Pearson Education, Inc. Publishing as Prentice Hall Upper Saddle River, New Jersey 07458

Prentice Hall offers excellent discounts on this book when ordered in quantity for bulk purchases or special sales. For more information, please contact U.S. Corporate and Government Sales, 1-800-382-3419, corpsales@pearsontechgroup.com. For sales outside the U.S., please contact International Sales, 1-317-581-3793, international@pearsontechgroup.com.

Company and product names mentioned herein are the trademarks or registered trademarks of their respective owners.

All rights reserved. No part of this book may be reproduced, in any form or by any means, without permission in writing from the publisher.

Printed in the United States of America

First Printing, August 2006

ISBN 0-13-188176-0

Pearson Education LTD.

Pearson Education Australia PTY, Limited.

Pearson Education Singapore, Pte. Ltd.

Pearson Education North Asia, Ltd.

Pearson Education Canada, Ltd.

Pearson Educatión de Mexico, S.A. de C.V.

Pearson Education—Japan

Pearson Education Malaysia, Pte. Ltd.

Library of Congress Cataloging-in-Publication Data

Weisman, Steve.

Boomer or bust: your financial guide to retirement, health care, medicare, and long-term care / Steve Weisman.

p. cm.

Includes bibliographical references and index.

ISBN 0-13-188176-0 (pbk.: alk. paper) 1. Retirement income—United States— Planning. 2. Older people—Care—United States—Planning. I. Title.

HG179.W4635 2006

332.024'014—dc22}

2006004224

To my wife Carole, my love, my life.

As Robert Browning said, "Grow old with me! The best is yet to be."



CONTENTS

ACKNOWLEDGMENTS XXI ABOUT THE AUTHOR XXIII INTRODUCTION XXV

PART I PLANNING FOR YOUR MONEY 1

1

IRAs AND 401(k)s 3

For Want of a Nail (IRA Style) 3

Stretch IRA 4

Roth 401(k) 6

Know When to Leave 11

When Should You Take the Money Out and Pay the Taxes? 12

Upside of Anger and Downside of 401(k) Accounts 12

What You Don't Know Can Hurt You 13

2

RETIREMENT INVESTING 15

How Much Is This Going to Cost Me? 15
Doctor, Doctor, Give Me the News 16
How Long Will You Live? 17
The 4 Percent Solution 18
Baby Steps for Baby Boomers 19

Only You 19

Just a Thought 20

Keep on Keeping On 20

Now What? 21

Moving on Up 21

Paying Off Your Mortgage 2.

Hunt for Green October 22

Bet on the Boomers 23

Target Funds 25

Fees, If You Please 26

Risk 26

Go Long 27

Climb the Ladder of Success 28
529 Ways to Make Your Retirement Easier and More Fun 28
Bringing Down the Market 29

3 ANNUITIES

Fixed Immediate Annuity 32

Variable Immediate Annuity 33

Deferred Annuities 34

Theory vs. Reality 36

Estate Planning 37

No, No, No! 38

Fewer Fees, Please 38

Surrender Fees 39

Bank of America 40

Bad Citizens 40

Don't Buy Any Green Bananas 40 Class Action 41 So Who Are Variable Annuities Good For? 41

4

INCOME TAXES FOR SENIORS 45

Dependents: It All Depends 45 Reducing Gross Income 46 Multiple Support Agreements 47

Think 47

Dependent Care Credit 48

Medical Expenses 48

Senior Citizen's Freedom to Work Act (or the "Do You Want Fries with That?" Act) 50

Nursing Home Expenses 51

Long-Term Care Insurance Premiums 51 Head of Household 52

Tax Distributions from Individual Retirement Accounts (IRA)

Not Too Soon and Not Too Late 53

Exceptions to the Rule 54

Taxability of Social Security Payments 54

Mr. Lucky 54

Taxability of Accident or Health Insurance Policy Benefits or Life
Insurance Proceeds 56

Taxability of Long-Term Care Insurance Policies Proceeds 56

Taxability of Disability Payments 56

Taxability of Accelerated Death Benefits 57

Sale of Home 57
The Fly in the Ointment 58
Record Collection 59
Once and for All 60

5AGE DISCRIMINATION 63

The ADEA 64 Reduction in Force Beast of Burden 65 Statistics Don't Lie 66 Disparate Treatment 66 Disparate Impact 67 What Do Words Mean? 68 Who Are You Calling Old? 69 You Can't Always Get What You Want 70 Reverse Age Discrimination Oldster vs. Codger 72 California Sets Record 73 Not So Simple 73 The State of Age Discrimination 74 A Look into the Future

6 REVERSE MORTGAGES 79

Uncle Sam Likes Reverse Mortgages 80 Not Exactly a Good Match 81 Conventional Mortgage vs. Reverse Mortgage FHA-Insured Reverse Mortgages Lender-Insured Reverse Mortgages 82 Uninsured Reverse Mortgages Open-End Reverse Mortgages 84 To the Max 84 Home Keeper 85 Payment Plans 86 Reverse Mortgage Fees 87 Picky Little Detail Some Good News 89 Repayment 90 The Catch 91 For Whom the Reverse Mortgage Tolls 91 Counseling 92 Legacy for the Next Generation 93 At-Home Care 94 Shared Equity and Appreciation Fees 95 The Bottom Line 96

PART II PLANNING FOR LONG-TERM CARE 97

7 HOME CARE 99

How About a Sandwich? 100

A Statistical Look at Caregiving 101

Home Health Agencies 101

81

It's a Family Affair 102
Respect My Authority 103
Long-Distance Information 104
Just the Facts, Ma'am 105
Who Can I Turn To? 105
Geriatric Care Managers 107
Who Takes Care of the Caretaker? 107
Caregiver.com 108
Other Resources for Caregivers 109
Some Final Thoughts 109

8

CHOOSING A NURSING HOME OR AN ASSISTED-LIVING FACILITY 111

For Information, Go Right to the Source 111

Who Can Help? 112

The Basics 113

Licensing, Certification, and Accreditation 116

Identity Theft 117

Assisted-Living Facilities 118

Which Is Better—No Regulation or Little Regulation? 119

Accreditation 120

Just How Much Assistance Does a Resident Get at an Assisted-Living Facility? 122

Things to Ponder When Choosing an Assisted-Living Facility 122

What Would Tim Russert Ask? 125

The Fine Print 125

How Do You Pay 126 Final Words 126

9

LONG-TERM CARE INSURANCE 129

Rule of Thumb 130

Why Get Long-Term Care Insurance? 131

Where Do You Start? 133

Group Policies 137

Lowball Shopping 137

Buy It Early 138

Putting It Off 139

Picking a Policy You Can Afford 139

It Pays to Be Married 141

Who Is in Jeopardy of a Premium Increase? 142

Let's Get Creative 142

Before You Actually Apply for a Policy 143

Crime Doesn't Pay 144

10

ALTERNATIVES TO LONG-TERM CARE INSURANCE 145

Life Insurance 101 146

Permanent Life Insurance 146

Viatical Settlement Companies 148

Accelerated Death Benefits 149

Theory vs. Reality 151

John Hancock LifeCare Benefit Rider 152

Finding the Money 153

Another Thing to Think About 153

Swap 154

But That's Not All 154

Other Considerations 155

A Workable Solution 157

PART III GOVERNMENT PROGRAMS 159

11

SOCIAL SECURITY 161

Basic Coverage 162
Calculating Your Benefits 162
Look for Your Annual Statement 162
The Times They Are A-Changing 163
Show Me the Money 164
Spousal Benefits 168
A Myth Is as Good as a Mile 169
Who Wins Under Private Accounts? 171
Don't Throw the Baby out with the Bathwater 172
Blame It on the Bossa Nova 174

12 MEDICARE 177

Alphabet Soup 177

It's as Simple as ABC 178

Medicare Part B: Pay Me Now or Pay Me Later 179 Mind the Gap 181 *Traditional Medicare or Medicare Advantage? Medicare Prescription Drug Coverage* What Are Your Choices for Prescription Drugs? 190 What If Your Medigap Policy Pays for Prescriptions? 191 How Good Are You at Predicting the Future? 192 Medicaid 192 TRICARE 193 How Do You Tell If Your Present Coverage Is Creditable? 193 Things to Consider When Choosing a Drug Plan If You Take a Lot of Drugs 194 Using a Medicare Plan Finder 195 Don't Give Up the Ship 195 Sign Me Up 196 Who Benefits Most from Medicare Part D? Oh, Canada 198 Generics 200 Health Savings Accounts 201 Health Care Program 202 The Future of Medicare 202 Cures Worse Than the Disease 203

Cures Worse Than the Disease 203

Beware of Insurance Companies Bearing Band-Aids 203

Ethical Issues 204

13

MEDICAID 207

Medicaid Planning 208

Changing Rules 209

Spousal Impoverishment 210

Countable Assets 211

Your Home 211

Free Advice and Worth Every Penny 213

Snapshot 214

Spend-Down 215

Look-Back Period 215

Home Improvement 217

Home Sweet Home 218

Every Rule Has an Exception, Including This One 219

Half-a-Loaf Giving 221

How Much Do You Pay? 223

Increasing the Spousal Resource Allowance 223

Personal Care Agreements 224

Life Insurance 224

Retirement Plans 225

Trusts 225

Do Nothing 226

Hard Choice for Hard Times 226

As If You Don't Have Enough to Worry About 227

Estate Recovery—or, the State Giveth and the State

Taketh Away 227

Partnership for Long-Term Care 230 Congressional Assumptions 232 Congress Solves a Problem That Doesn't Exist 233

PART IV HEALTH CARE DECISION MAKING 237

14

ADVANCE-CARE HEALTH DIRECTIVES 239

Living Wills vs. Advance-Care Directives 240

How Do You Start? 241

Whom Do You Trust? 242

Difficult Choices 243

Words 244

Details 244

HIPAA 245

Do Not Resuscitate 245

Party On, Dude 245

I'm from the Government, and I Am Here to Help You 246

History 247

Terri Schiavo 248

POSTSCRIPT 257

INDEX 259