5 More Questions You Must Answer Before Or During Retirement

Everyone's retirement is unique in many ways. But there are many questions that should be answered in almost every retirement plan. Earlier this year, I wrote about five such issues and questions. Those are the five questions I believe are most vital and should be addressed in every, or almost every retirement plan. Some apply before retirement, and some questions must be answered throughout retirement.

Those five questions aren't the only ones that should be answered in every retirement plan. Here are five more questions that you should answer either before retirement or during retirement.

How long must my money last? In other words, how long will you (or you and your spouse) live? Surveys indicate most people haven't given this issue much thought, and when they do have an answer it's usually an unlikely one.

Most of the people who retired through the 1960s and 1970s lived five to 10 years in retirement. But longevity greatly increased in the decades since. Most people retiring now, and many who already are retired, are likely to live 20 years or longer in retirement. Actuaries say that in a married couple each of whom is age 65 this year, it's likely that at least one spouse will live into his or her nineties. It won't be unusual for someone to spend more time in retirement than in their working years.

Your money likely has to last for a long time in retirement. That's why many economists and financial advisors now identify a long life as "longevity risk." You should have a reasonable estimate of how long you're likely to live in retirement and develop a spending plan that makes it likely your money will last that long. You can take a look at actuarial tables, but they'll show you only how long the average person is likely to live. You also can obtain a more personalized estimate using an online calculator that asks questions about your health, lifestyle, and other factors, such as Living to 100.

How will I be cared for, if that's needed? The prospect of paying for long-term care concerns many people. Surveys indicate that even fairly wealthy people worry that the cost of long-term care will absorb most of their estates and leave little or nothing for their loved ones. Yet, many people don't have any plan to pay for long-term care.

It's understandable why many people don't want to pay for traditional long-term care insurance. The cost is fairly high. The average annual premium for a married couple both age 60 is about $3,400 for $398,000 of benefits at age 90, according to the American Association of Long-Term Care Insurers.

Also, since the financial crisis, many insurers exited the business and premiums were increased substantially on many (but not all) existing policies. Another concern is that if an insured dies without every filing a claim for benefits, there is no refund of the premiums paid during life.

There are alternatives to traditional long-term care insurance to consider. You can buy an annuity or permanent life insurance policy that comes with long-term care benefits. The maximum long-term care benefit under these policies usually is a multiple of several times the deposit or premiums you pay to the insurer. Often, there is access to some or all of your contract value if you need it before needing long-term care. If you pass away without needing long-term care, your beneficiaries receive the contract value.

In addition the paying for long-term care, decide who should make decisions for you if that's needed. You should have an advance medical directive and a durable power of attorney or similar documents that appoint agents to make key decisions.

How will I use home equity if it's needed? Home equity often is one of the most valuable assets people own. Yet, how to use the home equity rarely is addressed in retirement plans. Only when there's an emergency do people consider finding a way to tap home equity. It's better if you consider the options well ahead of time and decide the path that is right for you.

Reverse mortgages have become more attractive over the years and are a way to tap your home equity without moving out of the home. A reverse mortgage can help pay for long-term care, especially home health care.

You also can consider taking out a traditional home equity long or line of credit. Another option is to downsize. Sell your home and move into one that's less expensive. That allows you to spend the excess equity from your original home on retirement expenses.

You don't want to begin looking at these options and making a decision when circumstances force it. Instead, consider your options ahead of time and do the preliminary work so the decision can be implemented quickly if needed.

How will I be protected from fraud and abuse? Fraud and abuse against the elderly are growing and are becoming a pre-eminent retirement planning issue. Financial fraud and abuse probably are the most common, but physical abuse and mistreatment also are climbing. It's not unusual for the two to occur together.

As people age, they generally become more trusting of others. Also, even people without any trace of dementia often see reductions in some of their cognitive functions. Those factors mean older people are more likely to be prey for fraudsters. When a person declines physically or mentally, they often become dependent on one or two people if they haven't prepared for this phase of life.

There are several steps you can take to avoid fraud and abuse as you age.

The victims often become socially isolated. You should cultivate regular contacts with friends and family members you trust. Be sure they'll check on you if they haven't heard from you for a while.

You also should have a team of people who will provide protection against financial fraud and abuse. Again, it's best not to depend on one person. You might want to allow financial or legal professionals regular access to your financial statements so they can see if there is any activity that's out of line or suspicious. You also can have family members or friends receive copies of your statements or online access to the accounts.

Of course, have your assets in a living trust for which you've selected successor trustees and have a financial power of attorney that empowers agents to act on your behalf to manage assets not in the trust when needed. It's better to have several people involved, so that it's harder for them to conclude and for you to be isolated. You can work out the details that are best for you with an estate planner.

What legacy do you want to leave? You can't take it with you, so whatever's left will go to someone. Do you want your estate eventually to go to your children? If so, do you want to split it equally among them or in some other ratio? Are there others you'd like to leave something to? Are there one or more charities you'd like to contribute to?

Many people don't spend much time on their estate plans, because they don't realize the estate plan establishes a large part of their legacies. If you don't

decide where you remaining wealth goes, state law will. And state law might not distribute the money the way you'd want.

Even those five questions don't exhaust the list of questions you must consider before and during retirement. But these are key questions that almost everyone needs to consider and develop answers to. The earlier and the more thoroughly you consider them, the more successful your retirement will be.

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I am the editor of Retirement Watch, a monthly newsletter and web site I founded in 1990. I research and write about all the financial issues of retirement and retirement planning, for both those planning retirement and already retired. I cover estate planning, Medicare, long-term care, income taxes, IRA strategies, annuities, investments, and more. Trained as an attorney and accountant, I use independent, objective research and don't rely on rules of thumb, conventional wisdom, or biased research. I also write books, such as The New Rules of Retirement-Revised Edition (Wiley 2016) and speak to groups. A believer in public service, I've served on the Board of Trustees of the Fairfax County (Va.) Employees' Retirement System (since 1992; chairman since 1995) and the Virginia Retirement System (2000-2005). Read more of my thoughts at RetirementWatch.com or follow on Twitter @RWcommunity

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