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Talking to Your Parents about Finances

Often, our parents need a gentle reminder to take their medication or make a doctor's appointment. There may be times you will need to provide support for medical or financial needs. Other times, there's a need for complete intervention. It can be challenging for all parties to agree on the level of support an aging parent needs.

Signs You May Need to Intervene

You may want to consider some degree of financial intervention if your parents repeatedly exhibit multiple symptoms, such as the following:

— Inability to handle day-to-day details

— Exorbitant expenditures

— Grandiose thinking

— Reluctance to spend money

— Increase in the number of checks written

— Excessive opening and closing of accounts

— Uncharacteristic withdrawals of large sums of cash

— Unattended long-term obligations

— Unpaid bills

How to Approach Your Parents

At issue is the element of control — most seniors loathe giving up control of their lives. Oftentimes, asking them questions may help them share more about their present situation. For instance, "I'd like to make things more convenient for you, so what accounts do you have that we can turn on automatic payments so that you don't have to focus on this responsibility every month?"

Asking for their support may also help open lines of communication. "I'm thinking of doing some financial planning, but I need to know more about yours so that I can plan accordingly." Perhaps they are expecting you to provide support and potentially help

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Straightening Out Your Financial Accounts

It's not uncommon to accumulate things over the years without taking time to straighten them out periodically. That applies to our finances as well as our possessions. How many credit cards do you carry? How many stocks and bonds, brokerage accounts, and individual retirement accounts (IRAs) do you own? It's not just a matter of finding time to keep track of different financial assets. Often, these assets are acquired without a clear-cut strategy. If you feel it's time to straighten out your finances, consider these steps:

- Make a list of all your assets and debts. List each one individually, so you have a sense of how many different accounts you have.
- Go through each one of your investments. Make sure you understand why you own each one. Assess the prospects of each investment and decide whether you should continue to own it.
- Look for ways to consolidate accounts. Try to get down to one bank account, one brokerage account, and one IRA.
- Assess your outstanding debts. Look for ways to reduce the cost of your borrowing. ❍❍❍

10 • YEARS •

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Talking to Parents

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care for them. There can be financial burdens for an entire family when a family member ages. Those costs increase exponentially when health and mobility deteriorate. Posing the conversation as a "Help me understand your expectations so that I can support you." can oftentimes open the doors of communication before health or finances irreparably deteriorate.

This isn't a conversation to have five minutes before Thanksgiving dinner. You want the time and place to be mutually agreeable. Ideally, the aging adult would bring up the conversation; but many are unlikely to start the conversation to release control to someone else. In some cases, the most effective strategy is to engage the services of a qualified third party, such as a financial planner, tax advisor, and/or an elder law attorney. Parents often feel threatened when children pry into their financial matters. Opening the conversation up to their plans for long-term care insurance, savings, or monies earmarked for assistance can oftentimes be more amenable when a third party is utilized who the aging adult feels has their best interests at heart. The pressure can be lightened when these talks happen over time, when you're not under the stress of illness, injury, a major Life Event, or the shame that can happen after a financial misstep.

How to Organize Your Parents' Finances

Here is a list of information that you will find useful in making decisions about your parents:

✔ **Sources of retirement income and monthly expenses** — If your parents don't keep good records, this may mean checking the mail regularly to wait for income checks and bank or investment statements.

✔ **Residential preference** — You should regard staying in the family home as a temporary situation that must eventually change regardless of your parents' wishes. Should your parents develop an illness or dementia, they will likely need 24-hour care at some point and not many adult children can provide this on their own.

✔ **Last will and testament** — While it's important to honor your parents' wishes, it's also important to stave off sibling arguments and discord in the future. Ensuring your parents write a will helps make sure assets get distributed according to their wishes.

✔ **Durable power of attorney** — This is legal authorization to take over your parents' finances and make decisions on their behalf. A durable power of attorney for healthcare (DPAHC) allows you to make healthcare decisions on their behalf.

✔ **Living will** — A living will is similar to a healthcare DPA, but is also an advance directive of the actual wishes of the incapacitated person regarding healthcare, such as life-sustaining measures or resuscitation.

✔ **Funeral arrangements** — Many times seniors make these arrangements but forget to tell their children.

✔ **Update beneficiary forms** — These may be outdated and include everything from insurance policies to investment payouts.

✔ **Create a plan for estate taxes** — The larger the estate, the more prudent it may be to seek advice from an estate attorney or a qualified financial planner.

The key elements to your parent's financial security and longevity are to determine how much they need to live on now — and in the future. Having a Certified Financial Planner™ professional as a resource will help you determine projected healthcare costs and other financial ramifications of any financial decisions that you make. ❍❍❍

What's the Real Unemployment Rate?

To understand the unemployment rate, it's important to understand a few terms. First, labor force is the number of people (typically just those over the age of 16 and not in the military) who either have jobs or are looking for jobs. People considered not in the labor force are retirees, students, stay-at-home parents, and others who are not employed and not looking for work.

The unemployment rate is a measure of the number of people in the labor force who do not have jobs divided by the total number of people in the labor force.

This measure of unemployment is convenient — the U.S. Department of Labor uses data from state unemployment offices (based on the number of people who filed weekly unemployment claims) to calculate the rate.

But it's not entirely accurate because many people are not counted, including those for whom unemployment insurance benefits have ended; those who had been looking for a job for so long that they gave up (but who still do not have a job and want one); those who lost jobs and would qualify for unemployment insurance benefits but do not apply; and students who have recently graduated and cannot find jobs — but are not eligible for unemployment because they were not previously employed.

In addition, the unemployment rate doesn't account for *under*employment. In the aftermath of the Great Recession, many employees who had been laid off from full-time, year-round work were only able to find part-time, part-year, or temporary work. They are technically employed, but in many cases not fully employed — they don't earn as much as they had, which often makes it difficult to support their previous lifestyle.

There is another unemployment rate used frequently in research called the U-6 unemployment rate. It is defined as the total number of people who are unemployed (per the official definition) *as well as* all marginally attached workers and those employed part-time for economic reasons. The U-6 rate accounts for the people who are unemployed, underemployed, or discouraged. In August 2016, the official unemployment rate dropped to 4.9%. The U-6 unemployment rate dropped to 9.7% (Source: Bureau of Labor Statistics). ❍❍❍

Making Sense of Government Deficits and Debt

Both the federal government's budget deficit and total indebtedness are near record highs in terms of their dollar amounts. The word deficit applies to a budget condition, while debt refers to how much an entity owes. A budget can be balanced, run a surplus, or run a deficit, depending on whether the government spends the same amount as its revenue over the budget period, less, or more.

The federal government's fiscal year runs from October 1 through September 30 of the following year. Just because the government spends more than its revenue one year doesn't lock it into the same situation the following year. But when a government spends more than it earns in a given fiscal year, it must make up the shortfall, either by using savings or borrowing.

According to the Committee for a Responsible Federal Budget, the 2015 Fiscal Year budget stated that the federal government ran a deficit of $439 billion dollars. That's less than in recent years ($483.35 billion in 2014, $973 billion in 2013, $1.09 trillion in 2011, and $1.29 trillion in 2010). The post World War II record was set in 2009 when the federal government ran a deficit of $1.41 trillion. Although 2015's deficit is roughly 10% below the FY 2014 deficit and nearly 70% below the 2009 peak, economists are concerned about this unsustainable fiscal path.

The federal government borrows by selling Treasury securities with maturities that range from 30 days to 20 years. Even as deficits have fallen, debt held by the public has continued to rise, growing from $5 trillion in 2007 to $13.1 trillion, as of October 2015. The 70% drop in annual deficits since 2009 is certainly significant, though it is less impressive than some would suggest when it is put into context. Over the same period that deficits fell by 70%, nominal debt held by the public grew by about 75%. This puts debt at just under twice the 50-year historical average of 35% Gross Domestic Product (GDP), leaving it near record-high levels never seen other than around World War II (Source: "FY 2015 Deficit Falls to $439 Billion, but Debt Continues to Rise." Committee for a Responsible Federal Budget. October 15, 2015).

Deficits: The Dollars Alone Don't Tell the Whole Story

It's important to understand, however, that the total dollar value of the deficit is relatively meaningless when taken out of context of the size of the economy and the fluctuating history of U.S. government debt. Economists recognize that the real measure of both the deficit and the debt is how large they are compared to the size of the U.S. economy and historic context.

The 2015 deficit will be the 83rd since 1900 and the 14th in a row. The last string of surpluses was from 1998 through 2001. However, when compared to the size of the economy, these deficits are by no means the largest. That record was set in the war year of 1943, when the deficit reached 28.1% of gross domestic product (GDP). In 2009, the largest year for a federal budget deficit since World War II, the deficit equaled 10.1% of GDP; the 2013 deficit is an estimated 6% of GDP.

Federal Debt: It Fluctuates

Just as with federal deficits, the true significance of government debt lies not in the number of dollars, but in the ratio of dollars of debt to the U.S. GDP. While the current federal debt level of $17.5 trillion is the highest on record in dollar terms, at about 107% of estimated GDP for 2013, it's still far off the record of nearly 122% in 1946, the year after World War II ended.

Since 1900, federal debt as a percentage of GDP has fluctuated in three great pendulum swings. In 1900, it stood at 20.4% but then fell to a low of 7.3%, only to rise to a peak of nearly 35% by 1919, the year after the end of World War I. In the next swing, the debt to GDP ratio fell to a low of 16.3% in 1929 then rose to its all-time high of 122% in 1946. It took 35 years for the ratio to reach its next low of 31.8% of GDP in 1981. Since then, it took four years to climb above 40%, a total of 10 years to reach above 60% in 1991.

A quick review of the last 115 years of federal deficits and debt levels reveals a number of patterns and a total of 33 years to reach its current levels:

- While deficits are more common than surpluses, they spike in response to national emergencies, specifically wars and severe economic contractions.
- Deficits were twice as common as surpluses until the administration of Franklin Delano Roosevelt; since then, deficit years have outnumbered surplus years by more than four to one.
- Debt peaks are driven by the same emergencies as deficits.
- Debt levels have fluctuated, but have fallen to higher lows after each peak.

In spite of these patterns — or perhaps even because of them — the U.S. economy experienced its greatest growth after World War II. In neither the relative size of deficits nor debt has the U.S. touched previous highs, and economists have no answer to the question of how much debt is too much for a country like the U.S.

The political consensus among both Democrats and Republicans is that federal debt and deficits cannot continue to grow at their recent rates without doing harm to the economy. The difference between the two parties is whether to prioritize job creation (perhaps financed by more government debt) and wait to rein in the deficit and debt until after the economy is stronger, or to start slashing government spending now, even at the cost of higher unemployment.

House Ramen Noodle

Serves 4

1–2 Tablespoons Oil (Sesame, Olive or Canola)

Non-Stick Cooking Spray (optional; any will do — Canola, Olive Oil, Vegetable)

5 oz. Mushrooms, thinly sliced (Shitake is best for this recipe, but any will do)

4 Garlic Cloves, minced (I've also used Garlic Powder)

1 10 oz. package of Japanese Curly Noodles, Chuka Soba, or Ramen Noodle packs

1–2 Cups of Low-Sodium Beef or Vegetable Broth

2–4 Cups Fresh Cut Kale, washed and chopped finely

1 Tablespoon Unsalted Butter

2 Scallions or Chives, washed and chopped

4 Eggs (I let the eggs sit out to warm a bit before I cook them)

Salt (optional)

Directions: Heat your skillet over medium-high heat. Add 1–2 Tablespoons of Oil and your Mushrooms. Cook for 1–2 minutes until Mushrooms begin to soften. Stir and add a teaspoon of water if they stick to the pan. Add your fresh garlic and cook until fragrant, maybe 1–2 minutes. If using Garlic Powder, wait until mushrooms are cooked through, turn off heat and then sprinkle the powder generously to the mushrooms. Stir until covered and set aside in a bowl.

Add your Broth to the pan and heat until you see a few bubbles, then add Noodles. Follow their instructions, but depending on the brand, they usually cook 3–5 minutes, until tender. Add in your Kale and Butter, re-add your Mushrooms to the pot and cook until the Kale is wilted and the Noodles are tender. Serve in a bowl and garnish with Scallions.

Preheat a non-stick skillet and a Tablespoon of Oil or Non-Stick Cooking Spray. When the skillet is at medium-high heat, crack each egg and add into the skillet. Lightly salt them and cook 2–3 minutes, until the egg white is white, but the egg yolk still is slightly runny. I usually cook 2 Eggs at a time so that I don't overcook them. Place 1 egg on top of each bowl of noodles and serve.

Investment Answers News

We'd like to extend a special thank you to the many of you who attended our Circle of Family event in September at Belterra. It was the official launch of us celebrating our 10-Year Anniversary along with you. We'll continue to celebrate this wonderful milestone over the next year, and we hope to see you at our upcoming events.

September is Life Insurance Awareness Month, October is Breast Cancer Awareness Month, and November is Long-Term Care Awareness Month. This time of the year, we like to focus on these very important financial tools for your Estate. Although you may already have Life Insurance, we recommend having Travis review your policies. If you have more than one policy, we may be able to consolidate them, simplifying things, and potentially increase your coverage while decreasing your costs. Remember, Life Insurance is necessary for different reasons at different stages of your life.

Keep in mind as we get closer to the holiday season, it's a wonderful time to schedule Family Meetings with Travis. Financial issues often come up during the end of the year festivities, and we are a resource that is available not only to you, but also to your family.

Financial Thoughts

Approximately 37% of workers retire early. Some of the more common reasons for early retirement are health shocks, the retirement of a spouse, and layoffs without being able to find another job (Source: Center for Retirement Research, September 2015).

After retirement, the death of one spouse can reduce annual income by 30% to 40% as a result of a reduction in Social Security and pension benefits (Source: *AAII Journal*, January 2016).

Almost 51% of Americans saw themselves starting a business in 2015, compared to 42% in 2013, with new business owners increasingly likely to be male and over age 45. The factors that hold people back from starting a business are not enough savings, a fear that the odds of success are low, and liking the security of a steady income (Source: *Money.com*, March 2016).

While the overall divorce rate has remained steady from 1990 to 2010, it has increased among older adults. For instance, the divorce rate for couples between the ages of 50 and 64 increased from 6.9% to 13.1% and for adults age 65 and over from 1.8% to 4.8%. For women, that typically means a decrease of 41% in both assets and household income (Source: *Money.com*, March 2016). ❍❍❍