

# Capital Financial Planners, LLC

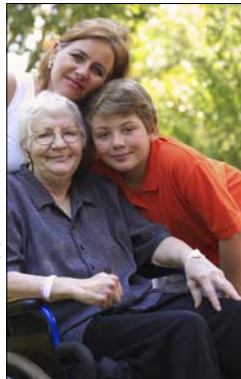
Judith H. Heltzel, MBA, CFP® • Barrigan W. Nelson, CFP®  
503-585-1067 • advisors@capfina.com



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## The Sandwich Generation: A Slice Of Estate Planning

**F**or the millions of baby boomers in the “sandwich generation,” these are worrisome times. Sandwiched between the financial needs of parents and children, they often end up having to contribute to both, and there may be particular urgency when elderly parents need to get their estate plans in order. Often, parents have put off making vital decisions, and face a future of uncertain means, declining control over their own lives, and increasing dependence on younger family members.



One way to address these issues is to view estate planning as a family affair. You could start by setting aside time for everyone involved—yourself, your spouse, and any siblings—to discuss the main aspects. But be prepared for a frank, often awkward discussion of sensitive concerns. Your parents or in-laws may regard this as an intrusion into their personal affairs, and emotions are likely to run high.

You probably won't solve everything in one meeting. Rather, it's likely to be the beginning of a long process. At some point, too, you may want to begin talking with your children, to let them know what's happening and to keep them up to date on your own estate planning.

Here are several things to discuss with your parents:

**Do they have an up-to-date will?** Most estate plans start with a will, and even if your parents have one (many don't), it may need to be updated to

reflect changes in family circumstances, your parents' desires about how assets will be distributed, and frequent recent shifts in tax and estate laws. There could be new grandchildren to account for, or a divorce. You'll need the help of an experienced estate planning attorney, but first you'll have to persuade your parents to share this very personal document with you. Emphasize that your only goal is to make sure their wishes are successfully carried out.

**Where's the money?** A parent or in-law could have assets in many different accounts, and account information and statements may not be neatly filed in one easily accessible location. To make sure nothing is lost, you may want to take an inventory of all of the key documents. This will likely include bank account records, life and disability insurance policies, retirement plan and IRA statements, and the like. It's a good idea to assemble all of the pertinent information, including account and policy numbers and contact names, in one document and make copies for you and your parents or in-laws. Also note whether any accounts are in joint name or designated as “transfer on death” accounts, which will not pass under the terms of a will but rather the designated person on the account.

**How are assets being managed?** Pulling together account documents also provides a good opportunity to

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## Please Welcome Jordan Heller To The Growing Team!

**C**apital Financial Planners, LLC is growing! We have a new member of our team: Jordan Heller. Jordan joined us in January of this year as an Associate. We look forward to introducing him to you.

Jordan is a 2009 graduate of Oregon State University. His degree is in business administration with an emphasis in finance. He is especially interested in investment management and financial planning, so his career interests fit perfectly with our need for more professional help in our office.

Jordan is a Salem native and plans to stay in his hometown. He recently got engaged to his longtime girlfriend, Rachel, and they will be married later this year.

Jordan will be sitting in on client meetings as part of his mentoring process. He will also be calling on clients, so you may be hearing from him. We know clients will find him personable as well as professional and capable. We have always tried to provide personalized attention to our clients and are sure that he will help us continue this approach as our firm grows.

As always, we appreciate your business and your referrals. Our firm is now twenty-five years old and solidly committed to being around for you and your family for the next twenty-five years and more.

Judy:

# Is Medicare A Mystery? Test Your Knowledge

**T**alk about an historic first: 2008 marked the year the oldest of baby boomers turned age 62 and became eligible to claim Social Security benefits. Yet despite their reputation as the best-educated generation in U.S. history, a recent survey suggests that most boomers are woefully uninformed about their retirement health insurance picture, particularly Medicare eligibility.

According to the survey by the National Association of Insurance Commissioners, only 36% of baby boomers knew the age at which they would become eligible for Medicare benefits. And while 84% of boomers said access to health insurance was an important consideration in choosing when to retire, only 43% cited Medicare eligibility as important. Given that most retirees depend on Medicare to pick up much of their health-care tab, the implied gap in understanding could signal trouble ahead for many boomers.

Also two-thirds of those who responded weren't familiar with options such as Medicare Advantage, a managed care program that offers lower costs and broader coverage in return for restrictions on the choice of doctors and hospitals.

And while most boomers didn't know much about the Medicare system, more than eight in 10 expressed concern about its long-term

financial viability.

How savvy are you about Medicare? Use this quiz to test your knowledge.

**1) Medicare is:**

- a) The largest health insurance program in the nation
- b) Partly funded by the federal government
- c) Both of the above
- d) Neither of the above

**2) You are eligible to receive Medicare coverage at:**

- a) Age 59½
- b) Age 62
- c) Age 65
- d) Age 67

**3) You may qualify at a younger age if:**

- a) You pay extra.
- b) You are disabled or suffer from end-stage renal disease.
- c) Your household income is below the poverty level.
- d) None of the above

**4) Medicare now includes how many coverage options?**

- a) Two
- b) Four
- c) Five
- d) Six

**5) The newest addition to Medicare coverage is:**

- a) Preventive care
- b) Fitness programs
- c) Prescription drugs
- d) None of the above

**6) Which of the following is true?**

- a) No Medicare recipients pay premiums.
- b) Some Medicare recipients pay premiums.
- c) No Medicare recipients pay deductibles.
- d) No Medicare recipients pay coinsurance charges.

**7) Which of the following is false?**

- a) Medicare will pay for long-term health-care services.
- b) You have to apply for Medicare coverage.
- c) You can purchase supplemental insurance.
- d) Health discount cards are not insurance products.

If you are confused about your Medicare or long-term-care coverage, please give us a call. We'll be glad to help.

ANSWERS: 1-c; 2-c; 3-b; 4-b; 5-c; 6-b; 7-a.

## A Welcome Spike In Personal Savings

**A**re you looking for something good that may have come out of the recession? As a result of the economic downturn, Americans have generally been spending less and saving more. The savings rate in U.S. households in 2009 reached a high point of 6.9% of after-tax personal income in May. Even though the savings rate has slipped slightly since then, the watershed mark was the highest rate since 1992, when savings peaked at 7.7%.

While it's not an exact measure of fiscal health, the savings rate is the percentage of household disposable income that is put into savings rather than consumed. Mortgage payments are

not considered savings, but retirement plan allocations (not capital gains) are. Although a sub-7% savings rate isn't much to brag about in most parts of the world—the annual percentage in other countries routinely hits double digits—it marks a dramatic shift in our personal financial habits. During recent years, the percentage of savings actually dipped below 1%, bottoming out at 0.4% in both 2006 and 2007. In 2008, the saving rate was still only 1.8%.

What's behind the trend towards more savings? During the preceding two decades, rising stock market values and home prices had enticed consumers into thinking they had money to burn, and

they became less and less inclined to save for retirement and other needs. Even retirees were encouraged to spend like there was no tomorrow.

But the recent precipitous decline in household wealth ended the wild spending spree. Real estate values around the country have dropped by an estimated 35%, and during the past two years, U.S. household wealth has been reduced by a whopping 140% of annual disposable income. That's a total of \$14 trillion.

Faced with daunting economic news, people have been forced to rein in spending, while increasing their efforts to prepare for a secure retirement. For

# Best Times Often Followed Worst Times

**T**hese have been tough times for strategic long term investors. While it may seem logical to stay the course through the market's inevitable ups and downs—taking advantage of stocks' tendency to deliver strong returns over very long periods—that logic was little comfort during the bear market, when some portfolios lost more than half their value. Wouldn't it have been better to bail out in, say, late 2007, replacing stocks with cash or with bonds, which have outperformed equities during most of this decade?

Of course it would have been better, but myriad problems stand in the way of executing a successful market timing strategy, which calls for getting out of investments before they swoon and getting back in when they're ready to rise. To investigate market timing's feasibility, Donald Bennyhoff and Yan Zilbering at the Vanguard Group recently examined the performance of the Standard & Poor's 500 stock index from 1928 through 2008 and reported their results in a research note, "Market-Timing: A Two-Sided Coin." Looking only at prices—they left aside dividends because of a lack of data on daily total returns before 1980—Bennyhoff and Zilbering found that the index had returned an average of 5% a year during that 81-year stretch. A clairvoyant investor who had managed to be out of

the market on just the 20 worst trading days—avoiding an average loss on those dark days of 9.2%—would have gained 7.5% annually. Anyone who had missed the 20 best days, on the other hand, would have gained only 2.6% a year. That amounts to a 50% swing, up or down, in portfolio performance.

No one could ever hope to forecast all of the market's best and worst days. But given that infinitesimally small changes—being out of the market on just 20 of 20,340 trading days during the 81 years the researchers considered—can have a profound impact, it may seem worthwhile to try to identify some of them. What if, for example, you got out of the market after it had a particularly bad day, or got in after a really good one? Wouldn't more of the same be likely to follow?

Often that's not the case, according to Bennyhoff and Zilbering. Frequently the best and worst days happen within shouting distance of one another, and some of the best days have been particularly likely to follow hard on the heels of some of the worst. In dramatic turnarounds, eight of the 20 best days occurred within 10 trading days of one of the worst 20 days. On October 29, 1929, the S&P sank by 16.1%; the next day, it soared 12.5%. In 2008, a 7.6% loss on October 9 was followed by an 11.6% gain on October 13.

Post-plunge rebounds often last more than a day, with the market frequently recouping, during the next few weeks, a significant fraction of what it has lost. For example, the worst sell-off in the Vanguard study—on October 19, 1987, when the S&P 500 lost 20.5% of its value—was quickly followed by a lot of buying. Within 20 trading days of Black Monday, the market had rebounded by 9.6%. A similar thing happened during the 1929 crash; after that 16.1% free fall on October 29, the S&P stabilized temporarily, regaining 2.5% during the 20 trading days that followed. And in 2008? Twenty days after December 1, when the market fell 8.9%, it had regained 9.1%. Looking at the S&P's performance following all 20 of the worst days, the market regained an average of 2% during the next 20 trading days.

For would-be market timers, those tendencies make a difficult job virtually impossible. While it may be feasible to anticipate broad market shifts and to make tactical adjustments to a portfolio based on certain metrics like price-to-earnings ratios, any attempt to time a wholesale market entrance or exit will probably fail. Few people expected the stock market to surge when it did in the spring of 2009, or to advance as much as it did during the next several months. Investors who had cashed out their portfolios during the market rout almost certainly missed some (if not all) of the rally.

The recent volatility of the S&P 500—from day to day, week to week, and month to month—only reinforces how unlikely it would be for anyone to get in or out at just the right time. Rather than try to time the market, which almost always backfires, most investors would do better to stick with a well-diversified portfolio with regular asset allocation rebalancing to keep volatility in check and increase potential long-term gains. ●

Performance data quoted represents past performance and does not guarantee future results. Indices are unmanaged and do not reflect the payment of fees and other expenses associated with an investment. Investors cannot directly invest in an index.

instance, instead of buying goods with their checks from the economic stimulus package or taking advantage of other tax incentives, many people have chosen to hold on to the money. And it doesn't look as if things will change radically anytime soon.

How long will the latest trend last? Most economists predict a slow, steady climb back to better times rather than a quick return to another financial boom. But cutbacks in domestic consumption will also slow down the economic recovery. In the meantime, the savings rate is expected to

rise gradually until it hits the 10% mark at some point during the next 10 years. Other financial experts believe the recovery period could last even longer.

Of course, an increased savings rate is to be applauded, especially after it had plummeted dangerously close to zero. Americans will have to adjust to a lower standard of living compared with the heyday of 2007. But if

forgoing a few luxuries is the price you have to pay for protecting your financial future, that's probably a trade-off you'd be willing to make. ●



## The Sandwich Generation

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check on your relatives' investments. Do their holdings seem appropriate given their advancing age, financial needs, and risk tolerance? If there are many similar accounts, you might want to suggest consolidating them to simplify their management.

**Are tax records in order?** As part of this process, look at tax issues, and determine the tax basis of securities that may have been purchased decades earlier. It's also a good idea to know where your parents' tax records are kept and who their accountant is.

**What are their wishes about health care?** This can be a particularly touchy subject, so tread carefully, but it's also extremely important. Try to

establish guidelines for what will happen if a relative is disabled or suddenly loses a spouse. If extra care is needed, do they prefer to have someone come into their home, or would they rather move into assisted-living or live with a family member?

Laying the groundwork now for such major changes could help make a later transition somewhat easier. Also encourage your parents and in-laws to establish a living will and durable power of attorney that sets out their preferences for end-of-life care and specifies someone to handle health-care decisions if they're no longer able to make them. A general

power of attorney is also needed for management of assets.

This list hardly covers everything you'll need to discuss, but it may help get you started. For affluent families, intergenerational issues are likely to be much more complex, perhaps including a variety of trust arrangements and sophisticated estate planning strategies. We can work with you and your parents to assess asset allocation plans, tax strategies, and other elements of their financial lives. And, of course, we're also happy to help you take stock of your own estate



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1640 Liberty St. SE  
Salem, OR 97302  
503-585-1067  
advisors@capfina.com