Czepiga & Daly LLC

Planning today for your tomorrow

News You Can Use

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Make sure to check our schedule of speaking events. Czepiga & Daly will be holding Adult Education classes in 13 districts in the area. Check the school districts near you for dates and times.

Inside This Issue:

New Law Makes Changes to Reverse Mortgages

In addition to addressing the current housing crisis, the Housing and Economic Recovery Act of 2008 includes changes to reverse mortgages, including higher borrowing limits and protections from aggressive marketing. A reverse mortgage allows a homeowner who is at least 62 years old to use the equity in his or her home to obtain a loan that does not have to be repaid until the homeowner moves, sells, or dies.

The new law, which goes into affect October 1, 2008, increases the borrowing level on reverse mortgages. The national limit on the amount a homeowner can borrow will be $417,000. The limit can be increased to $625,000 in high-housing cost areas. The amount a homeowner can actually borrow depends on the home's value, location, interest rates, and the age of the borrower. Currently, the range in loan limits is between $200,160 and $362,790.

The new law also offers some protections for seniors. High fees and aggressive marketing have been cited as problems with reverse mortgages. Under the new law, fees will be capped at 2 percent of the first $200,000 borrowed and 1 percent on the balance, with a maximum of $6,000 in fees. In addition, the law prevents lenders from requiring borrowers to purchase insurance, annuities, or other products as a condition for getting a reverse mortgage. Lenders are also prohibited from working with other professionals who are trying to sell seniors financial products as part of the lending process.●

Increasing the Social Security Age

From *The San Jose Mercury News*
By Jesse J. Holland

Want to keep Social Security from going bankrupt? Make future recipients wait longer for their first benefit check because they probably will live longer anyway, an influential group of actuaries says.

The American Academy of Actuaries, which advises policy-makers on risk and financial security issue, wants any potential solution the White House and lawmakers might consider to include raising the retirement age from the current range of 65 to 67 years old.

Current benefits are supplied by payroll taxes from today's workers, all whom pay 6.2 percent Social Security payroll tax on income up to $102,000. Their employers match it, for a total tax of 12.4 percent. The tax applies to earned income, not to passive income such as dividends and interest.

Benefits are projected to exceed the Social Security system's tax revenue in about nine years. The program's trustees have said the Social Security trust fund will be depleted by 2041 without changes.

A major problem, the actuaries say, is that people are living longer. That means they are drawing more money from the program.●

Choosing a Life Insurance Policy

Deciding which type of life insurance to purchase can be a confusing process. Term life? Variable life? Whole life? Universal life? What do these terms mean and which option is right for your situation? Here's an introduction to the basic choices.

There are two main types of insurance: term and permanent. These two main alternatives differ on how long you are covered and whether or not the policy includes a cash value.

Term life insurance
Term life insurance is the simplest type of insurance. You buy a policy for a set number of years and you have coverage for those years. In general, your premiums will remain level for the term. If you die within the term, your beneficiaries will receive a death benefit. However, once the term ends, your coverage ends. Some policies are "guaranteed renewable." This means that you can renew the policy for another term without having another medical exam, but your premiums will probably increase. Some term policies also allow you to convert a term policy into permanent insurance.

Term insurance is usually purchased to cover a short- to medium-term need, such as a mortgage or a child's education. You can purchase level term insurance where the premiums and death benefit remain the same, but there are other options. If your need for insurance will decrease over time, you can purchase decreasing term insurance in which your death benefit is reduced over the term. Conversely, if your need for insurance will increase over time, you can purchase increasing term insurance in which your premiums and death benefit rise over the term.

Permanent life insurance
There are many different types of permanent life insurance (also called cash value insurance), but the four main types are whole life, universal life, variable life, and universal variable life. All permanent life insurance policies provide coverage for life (or for as long as you pay premiums). The other feature of permanent insurance is that in addition to paying a death benefit, the policy builds a cash value, which can be used as collateral for a loan or withdrawn from the account. A portion of your premium payments goes into a separate cash account that grows over time. Keep in mind, however, that loans or withdrawals will reduce your death benefit. You may have the option to add your cash value to your death benefit when you die, although you will probably have to pay more for this type of policy. In addition to the above, each of the following main types of permanent life insurance has its own specific features and variations:

Whole life insurance. With whole life insurance, you pay a set premium and receive a set death benefit. In addition, the cash value is guaranteed. Whole life insurance is a good option if you are looking for stability in premium payments, cash value, and death benefit.

Universal life insurance. Universal life insurance gives you the option of flexible premiums, cash value, and death benefit. The main feature of universal life insurance is that you can use any accumulated cash value to pay your premiums. You need to be careful, however, that you have enough cash value to skip premium payments or your policy will lapse. In addition, you can change the death benefit, although you may have to go through the insurability process again. Universal life insurance is a good option if you are worried about the ability to pay premiums in the future and want the ability to change your premiums and your death benefit.

Variable life insurance. Variable life insurance gives you the ability to invest your cash value. Your premium payments are level, but you can direct your cash value payments into subaccounts that are similar to mutual funds. Your cash value and your death benefit will vary depending on the performance of the accounts, although some policies may contain a guaranteed minimum for each. Variable life insurance is appropriate if you are using the policy as an investment and want to control your investment options. It is usually better for younger buyers who can afford to take more risks.

Variable universal life insurance. As the name suggests, variable universal life insurance combines the flexible premiums of universal life insurance with the investment choices of variable life insurance. There is no guaranteed minimum cash value, but most policies have a minimum guaranteed death benefit provided you pay the premiums for a set number of years. Like universal life insurance, you may be able to change your death benefit, but you will have to go through the insurability process again. Variable universal life insurance is a good option for young purchasers who want an investment option and flexibility with premium payments. •

Using a Professional Care Manager

Services from care managers should be something that every family takes advantage of, but in reality very few families use them. Care managers could go a long way towards helping the family find better and more efficient ways of providing care for a loved one.

The concept is simple. The family hires a professional adviser to act as a guide through the maze of long term care services and providers. The care manager has been there many times. The family is experiencing it usually for the first time.

Hiring a care manager should be no different than hiring an attorney to help with legal problems or a CPA to help with tax problems. Most people don't attempt to solve legal problems on their own. And the use of professional tax advice can be an invaluable investment. The same is true of using a care manager.

Unfortunately there are too few care managers and the public is so poorly informed about the services of a care manager, that valuable resources that could be provided go lacking.

The irony of not using a care manager is that most families -- when given the opportunity to use the care manager -- think they can do it themselves and will not pay the money. Yet the services of a care manager most likely will save them considerably more money then do-it-yourself. The cost of the care manager might be only a fraction of the savings the care manager could produce. Care manager services can also greatly reduce family and caregiver stress and help eliminate family disputes and disagreements.

1. Assess the level and type of care needed and develop a care plan
2. Take steps to start the care plan and keep it functioning
3. Make sure care is received in a safe and disability friendly environment
4. Resolve family conflicts and other family issues relating to long term care
5. Become an advocate for the care recipient and the family caregiver
6. Manage care for a loved one for out-of-town families
7. Conduct ongoing assessments to monitor and implement changes in care
8. Oversee and direct care provided at home
9. Coordinate the efforts of key support systems
10. Provide personal counseling
11. Help with Medicaid qualification and application
12. Arrange for services of legal and financial advisors
13. Manage a conservatorship for a care recipient
14. Provide assistance with placement in assisted living facilities or nursing homes
15. Monitor the care of a family member in a nursing home or in assisted living
16. Assist with the monitoring of medications
17. Find appropriate solutions to avoid a crisis
18. Coordinate medical appointments and medical information
19. Provide transportation to medical appointments
20. Assist families in positive decision making
21. Develop long range plans for older loved ones not now needing care •

Keeping Track of Your Will

Once you've taken the step to create a will and get your estate plan in order, you need to figure out what to do with the will itself. It is important to keep track of the location of your current will as well as any old wills.

Where to keep a will The safest place to keep the original copy of your will is in a bank safe deposit box, but it may not always be the most practical. If the will is in safe deposit box, it may be difficult for your family to access the box after you die. A better option may be to keep it at home in a fire-proof safe. Just make sure your family members know how to open the safe.

Some attorneys may keep the original copy of the will. But if you leave the will with your attorney, make sure the attorney receives updated contact information from you when you move. That way if the attorney moves offices or retires, he or she will know where to find you and you will know where your will is.

If you do use a safe deposit box or your attorney's office, you may want to keep a copy of your will at home with your other financial documents. It is usually not a good idea to give a copy to family members or friends because you may want to change the distributions at some point and may need the will back.

What do you do with an old will? Once you have written a new will, your inclination may be to destroy the old will, but this may not be a good idea. If, for some reason, your new will is invalidated, the court may be willing to reinstate an old will rather than allowing your estate to pass intestate (according to state law). It is likely that your old will adheres more closely to your wishes than an intestate distribution. If the will is destroyed, it cannot be reinstated.

Making changes to a will If you want to make changes to a will, do not mark up the will by hand, even if you have only small changes to make. A court could take a marked-up will as a sign that you intended to revoke the will. If you want to make a change, contact an attorney who can draft an amendment to the will (called a codicil).•

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If you would like to receive this newsletter via email, please contact our office at (860)-594-7995 or email to korrie@czepigadaly.com. Please be sure to include your name and company name. Thank you!

Speaking Engagements

SEPTEMBER

September 25 **Elmwood Senior Center Housing Fair**
1106 New Britain Avenue, West Hartford 2:00-5:00p.m.

Manchester Community College—My Neighbor Has a Living Trust—Should I??

September 26 **Newington Senior Center Expo**
120 Cedar Street, Newington 10:00 a.m.—1:00 p.m.

September 29 **Bristol Adult Education** - Should I Give my Home to My Children– Strategies that prevent you from going broke at a Nursing Home Part 2

September 30 **Meriden Adult Education**—Should I Give my Home to My Children– Strategies that prevent you from going broke at a Nursing Home Part 1

OCTOBER

October 1 **Berlin Adult Education**—What to do when you need medical assistance—Understanding the Long-Term Care Continuum
My Neighbor Has a Living Trust—Should I??

October 2 **Simsbury United Methodist Church**
799 Hopmeadow Road, Simsbury at 6:30 p.m.
Are you part of the "Sandwich Generation?"

- How do you decide between homecare, assisted living, intermediate and skilled care??
- Is the right person taking care of your parents?

An informational seminar about the options in getting the best care for your parents.

Call Czepiga & Daly at (860) 594-7995 for seating

October 6 **Bristol Adult Education** My Neighbor Has a Living Trust—Should I??

October 7 **Meriden Adult Education**—Should I Give my Home to My Children– Strategies that prevent you from going broke at a Nursing Home Part 2

Windsor Adult Education—Should I Give my Home to My Children– Strategies that prevent you from going broke at a Nursing Home Part 1

October 8 **Avon Senior Center Health Fair**
635 West Avon Road, Avon 10:00 a.m.—1:00p.m.

Berlin Adult Education—Should I Give my Home to My Children– Strategies that prevent you from going broke at a Nursing Home Part 1

October 9 **Manchester Community College**—Should I Give my Home to My Children– Strategies that prevent you from going broke at a Nursing Home Part 1