

# Get Ready for 7 Serious Life Transitions Ahead

**Teresa S. Sampleton, CFP®, CPA**  
**Vice President**  
**Sampleton Wealth Management Group**  
123 Main Street  
12th Floor  
New York, NY 10018  
(212) 555-1111 ext. 10  
teresa.sampleton@sampletonwealth.com  
www.sampletonwealth.com



By Elaine Floyd, CFP®

**Most baby boomers will face seven key events in their last stage of life that will color their finances and investments. Prepare for these events by thinking about them now.**

It can be dangerous to generalize about the baby-boom generation, but there are seven key events that nearly everyone will face as they move through the last third of their lives. Unlike earlier, happier events such as getting married, having children, and moving up the career ladder, some of these events may be anticipated with dread. For this reason many boomers may put off facing them. But lack of preparation can make a bad situation even worse.

Warning: the terminology used here is rather blunt.

## 1. Your parents will get old

If your parents are still living active lives, you will have to face the fact that your parents will eventually get old. You should start thinking about this now and begin gathering resources so you won't be at a complete loss when your parents can no longer function independently. There is nothing worse than to discover that a parent has lost the ability to pay bills, make nutritious meals, or seek proper medical care when a little attention and advance planning can allow you to step in before your parents harm themselves. Here are some of the things you should begin discussing with your parents:

**Health status.** As parents age and the possibility of medical complications increases, make yourself aware of your parents' health status.

**Long-term care.** Every family needs to consider the possibility that the parents may someday become unable to function independently. What type of care would your parents want? What plans have they made to pay for it?

**Power of attorney.** By signing a durable power of attorney for health care and a durable power of attorney for finances, your parents can appoint you or another family member to step in and make decisions and execute financial transactions should they become unable to do so.

**Estate planning.** Do your parents have a will? Does an existing will need to be updated for new grandchildren or other family members?

## 2. Your parents will die

Sorry to be so blunt about it, but this is the natural order of things. You will face both emotional and financial issues when your parents die. Go to A Healing Place ([www.ahealingplace.org](http://www.ahealingplace.org)) for insights and resources that can help with the emotional

issues. As far as financial matters go, this is what you will face:

**The estate must be settled.** If you've never experienced a death in the immediate family, you may not realize that there are many steps involved in settling an estate. Knowing about these ahead of time will help prepare you for your responsibilities.

**Inherited assets must be managed.** Financial institutions across the nation are just waiting to swoop down on boomers who will be receiving some trillions in inherited wealth. Find an advisor now that you can trust so that if and when you come into these assets, you'll have a ready source of guidance.

### 3. You will fight to stay healthy

Boomers are starting to come to terms with aging, but serious illness is still largely unexplored territory for most of them. More and more, boomers will be paying attention to their health, either working hard to stay healthy or managing chronic illnesses. Here is a glimpse of what's ahead:

**Navigating the health care system.** Boomers who have been healthy all their lives will be in for a shock if they encounter insurance deductibles, co-pays, and denied claims resulting from inadequate insurance and lack of preparation for expenses they thought would be fully covered.

**High out-of-pocket costs.** Even with private health insurance and/or Medicare, many boomers will find themselves paying out-of-pocket health care expenses. These may include premiums for Medicare Part B (outpatient care) and Part D (prescription drugs) as well as the costs of alternative treatments and other private-pay services for boomers who want the very best in health care.

### 4. You will reach retirement age

Whether or not you ever plan to retire in the traditional sense of the word – and many studies have shown that you won't – the vast majority of boomers will reach traditional retirement age.

This is the age at which you may take advantage of certain tax benefits and entitlement programs developed under the traditional retirement system. Boomers who aren't thinking about retirement as such will still want to take advantage of them.

**Social Security.** Full retirement age is the age at which full Social Security benefits may begin. For baby boomers born between 1943 and 1954, full retirement age is 66. You can apply for Social Security anytime between age 62 and 70. Get some help deciding when is the best time to file.

**Medicare.** To avoid a 10% penalty on Part B premiums, you'll need to apply for Medicare at age 65 unless you are covered by a health plan at work. Go to [www.medicare.gov](http://www.medicare.gov) for more information on Medicare.

**Tax issues.** The IRS calls people age 65 and older "the elderly." Boomers are not likely to identify with this term, but if you can admit to turning 65, you can claim an extra standard deduction for the elderly and/or blind. See IRS Publication 554, "Older Americans' Tax Guide," for more tax issues that will come up as you age.

### 5. You will need to manage multiple sources of income

Even boomers who say they'll "never retire" will likely have multiple sources of income that will need to be managed. These may include the following:

**Self-employment income.** Boomers who leave their primary careers to do consulting or freelance work will need to ensure that this new form of income is adequate to meet their needs and that they make estimated tax payments as necessary. They will also need to consider how their earnings will affect their Social Security benefits.

**IRA distributions.** Whether you start these early under a program of substantially equal periodic payments or wait until you are forced to take required minimum distributions at 70-1/2, you will need advice and counsel on how to plan out your IRA withdrawals over your remaining life.

**Investment income.** If you are used to receiving regular paychecks from an employer, you'll need to shift your mind-set toward paying yourself. That means carefully managing all investment accounts to ensure sufficient inflation-adjusted lifetime income.

## 6. You will get old

Boomers can barely imagine it now, but like their parents, boomers themselves will get old someday. And they – and their children – will face the same issues you faced when your parents were getting old. What types of assisted living arrangements will you want to consider? How will you pay for it? What can you do now to make this phase of life more comfortable?

Another term that is commonly used under traditional retirement and entitlement systems that boomers tend not to relate to is “disability.” Definitions vary depending on the program, but any boomer with a chronic illness or condition may qualify for various private or public disability benefits.

## 7. You will die

Again, sorry to be so blunt, but you know it's going to happen. Boomers seem to be somewhat more

open to contemplating their own deaths than their parents' generation, perhaps because they still see it as a long way off.

**Life expectancy.** Go to the Real Age website ([www.realage.com](http://www.realage.com)), and take a test to find out your “real age” along with health tips that will help you “live life to the youngest.”

**Legacy planning.** As they review their lives, boomers are starting to consider legacy planning and ethical wills. This life-centered approach to death can lead to some of the estate-planning tasks you should be executing now, including advance directives and wills. It's a good idea to review your estate plan or specific tax situation with your estate attorney.

---

*Elaine Floyd, CFP<sup>®</sup>, is the Director of Retirement and Life Planning, Horsemouth, LLC., where she focuses on helping people understand the practical and technical aspects of retirement income planning. Horsemouth is an independent organization providing unique, unbiased insight into the most critical issues facing financial advisors and their clients. Horsemouth was founded in 1996 and is located in New York City.*

---

Advisory Services offered through Sampleton Wealth Management LLC, a Registered Investment Advisor.