
SEPTEMBER 2013

Social Security, So Misunderstood

Right now I am gearing up to do a series of educational meetings on Social Security Planning. This topic is being addressed because there are more options to this program than what many of us perceive. There are also more pitfalls and tax implications to the choices we can make than what meet the eye.

In preparation for these meetings, I have uncovered some distinct strategies that can help beneficiaries. Some of these strategies can increase benefits, lower taxes, and in many cases improve access to higher income levels in the future. I have discovered this program has many benefit claim scenarios, that if approached properly and pragmatically act as more significant income planning tools than many beneficiaries believe are available.

Some of the variables in making these decisions are out of our control, such as inflation, life expectancy, length of working life, income, divorce, and remarriage. Each of these life events colors what is available to beneficiaries, and what their long and short term goals might be. Because our lives

So Misunderstood(cont.)

change, so can our options change. What some beneficiaries see as a one-time decision is really more flexible than they think.

Where do insurance products come in to this discussion? This discussion is very important. Life insurance is usually a central theme. A person needs to plan for two items. The first is what happens if a spouse dies prematurely? Where do funds come from to make up the benefits between when the last child is 16, and the survivor qualifies for benefits? What if, in retirement, a beneficiary dies unexpectedly and their pension or social security benefits combination is altered?

A second consideration would be income or nursing home income requirements? In this case, enhancing income for confinement or to adjust for inflation opens an annuity purchase decision. There are annuities designed to give up to 3 times the normal income to an annuitant should they need assistance. There are also annuities that guarantee income increases tied to the CPI.

That's why we're doing the meetings. If you have any thoughts please call me and we can look in to your personal situation.

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Medical & Nursing Home Care

- 71% of baby boomers feel LTC is the greatest threat to their standard of living during retirement
- 66% could only afford to stay in a nursing home two years or less
- Only 12% of those surveyed had made financial preparations for LTC needs



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Inflation and Retirement Income

Assume: 2.50% Inflation		35%
Marginal Tax Bracket	5.50%	Gross Rate of return
	-2.00%	Taxes
	3.50%	After Tax Return
	-2.50%	Inflation
	=====	
	1.00%	REAL Rate of Return

You may be interested in what the public probate records of the estates of businessmen, attorneys, entertainers, accountants and even a President have to show.

<u>Name</u>	<u>Gross Estate</u>	<u>Net Estate</u>	<u>% Shrinkage</u>
Franklin D. Roosevelt	\$ 1,940,999	\$ 1,366,132	30%
Henry J. Kaiser, Sr.	\$ 5,597,772	\$ 3,109,408	44%
Edwin C. Ernst, CPA	\$ 12,642,431	\$ 5,518,319	56%
Robert S. Kerr (U.S. Senator, Oklahoma)	\$ 20,800,000	\$ 11,300,000	46%
A.H. Wiggin (Chairman, Chase Bank)	\$ 20,493,999	\$ 5,646,666	72%
William E. Boeing	\$ 22,386,158	\$ 11,796,410	47%
Rick Nelson	\$ 744,357	\$ 506,636	32%
Elvis Presley	\$ 10,165,434	\$ 2,790,799	73%
Rock Hudson	\$ 8,600,000	\$ 3,926,288	54%
James S. Kemper (Insurance Executive)	\$ 10,948,356	\$ 7,007,560	36%
Nelson A. Rockefeller	\$ 79,249,475	\$ 56,727,628	28%
Conrad Hilton	\$ 199,070,700	\$ 93,288,483	53%

Source: Public Probate Records

If these people, who had access to the best advice money could buy, were not able to avoid the "unwanted heirs" (federal and state estate taxes and estate administrative costs), it will be difficult for the rest of us to avoid estate settlement costs.

Proper advance planning, however, can minimize the impact of estate settlement costs on the value of your estate

The Generation Skipper

Some of the most popular retirement vehicles have been the traditional IRA, or 401ks, 403bs, etc. While they provide significant accumulation features, (tax deductibility, pre-tax contributions, no capital gains taxes, etc), they do create some sticky tax situations for the next generation beneficiaries.

Since there were no taxes paid on the money when it went in to the plans, and no taxes paid on any gains, then when the money comes out, the Government wants its 'take'. People who do not get the right advice can end up having a carefully crafted asset squandered in unnecessary taxation.

Take the case of Joan and Mark, who inherited a \$450,000 401k from a deceased Aunt. They did not seek advice, except from the teller at their financial institution, and placed the money into a CD. By the time they contacted our office for assistance, (a year later) that \$450k was down to about \$110,00. Taxes had eaten the rest. Joan and Mark were high earners, and didn't need the money. Yet the advice they received seriously damaged an asset that could have been passed to them with little current taxation, or passed to the next generation with even less taxation.

Making a tax deferred and tax qualified asset a generation skipper on heavy taxation requires a knowledgeable adviser, steeped in these issues, and aware of all options available. If you want to know how to do this, please contact my office.

DOING THE REMARKABLE

by Jim Rohn

When it comes to meeting and conquering the negativity in your life, here is a key question: What can you do, starting today, that will make a difference? What can you do during economic chaos?

What can you do when everything has gone wrong? What can you do when you've run out of money, when you don't feel well and it's all gone sour? What can you do?

Let me give you the broad answer first. You can do the most remarkable things, no matter what happens. People can do incredible things, unbelievable things, despite the most impossible or disastrous circumstances. Here is why humans can do remarkable things: because they are remarkable.

Humans are different than any other creation. When a dog starts with weeds, he winds up with weeds. And the reason is because he's a dog. But that's not true with human beings. Humans can turn weeds into gardens.

Humans can turn nothing into something, pennies into fortune, and disaster into success. And the reason they can do such remarkable things is because they are remarkable.

Try reaching down inside of yourself; you'll come up with some more of those remarkable human gifts. They're there, waiting to be discovered and employed. With those gifts, you can change anything for yourself that you wish to change. And I challenge you to do that because you can change. If you don't like how something is going for you, change it.

If something isn't enough, change it. If something doesn't suit you, change it. If something doesn't please you, change it. You don't ever have to be the same after today. If you don't like your present address change it — you're not a tree! If there is one thing to get excited about, it's your ability to make yourself do the necessary things, to get a desired result, to turn the negative into success.

That's true excitement.

Included in Social Security Taxation Calculation (Provisional Income)

- ◆ Taxable interest, dividends, capital gains
- ◆ Tax-free interest
- ◆ Other earnings
- ◆ Pension/IRA distributions
- ◆ 50% of Social Security benefits

RESOLVING CONFLICT

by **Les Brown**

I've done a lot of research on the topic of conflict resolution, and here are a few tips I've come up with for resolving conflict:

Don't be afraid of conflict. Too many of us become agitated when we encounter conflict or disagreement out of concern and fear. It's odd when you think about it, because conflict is a part of nature, a part of life. And so, you need to approach conflict calmly, as an expected part of dealing with others. Consider conflict a way of learning to see things more clearly.

Abandon the concept of winning and losing when faced with conflict. Instead, adopt a strategy of resolution.

Be flexible. When the other side senses that you are interested in finding a solution, you likely will have created an ally where a potential adversary once stood. Avoid negative or confrontational language. Rather than "buts" and "you're wrongs," try using positive language that disarms rather than confronts, such as "I understand your position and..." or "I can see your point and here is where I'm coming from..."

Talk through the situation with a neutral party to gain perspective and clarity from that person, and also to better understand the conflict through talking it out. It is always helpful to get a problem out in the open and to get input from people you trust.

Rather than approaching the conflict with the attitude of stopping it or overcoming it, think of redirecting the energy toward a common target. Look for similarities in your positions rather than focusing on your differences. When a common goal is made obvious the natural reaction is to put differences aside.

Make a mutual commitment to the greater good. There is undoubtedly a common focus in your lives that should be the center of your attentions.

Find something to distract you from the conflict. Take off on a vacation or weekend getaway,

UPCOMING EVENTS.

1. Social Security Information Meeting.
September 17th, 6pm Shakopee Public Library.
2. Social Security Information Meeting.
September 19th, 6pm, New Prague Library.
3. Medicare Open Enrollment, Oct 15th-Dec 7th.
4. Social Security Information Meeting,
October 17th, Buckham Library, Faribault
5. Social Security Information Meetings
October 19th, Red Wing Library,
October 22nd, Country Inn and Suites, Red Wing

To Register for the Social Security Meetings, Please call (800) 848 4029.

Tools for Thought

Observations from the Field.

The Long Term Care discussion. As an insurance agent, this is one of the most challenging subjects to discuss with clients. Statistics show that at one point in time or another, 67% of us will need long term care either in a facility or in our home. AARP statistics show that ONE in TEN people over the age of 55 have long term care insurance. Yet, the chances of us needing some form of assistance that a family member cannot provide outstrip the chances of any type of accident or other calamity.

Many people I talk to say 'I'll just go on the county'. Some say 'my kids will care for me.' Others just look at me and say 'I really don't have anything to protect!'

I always ask this question. WHO is going to care for you better than yourself? This sometimes draws a blank stare. The point I am making is that providing a financial instrument designed to pay for long term care needs should not be tied to 'having nothing' or 'going on the county'. It is about control of your own situation. It is also about sparing family members from anxiety or physical challenges that come with a loved one who can no longer care for themselves in certain ways. I think if many children could peer in to a crystal ball, they would ENSURE there was a mechanism in place to fund the consequences of a medical need.

There are tremendous new products out there designed to simplify this issue. Some require a healthy client many do not. Find out how to do this by contacting me here at the office or through the website. I can help.



"The quality of your life is determined by how you feel at any given moment. How you feel is determined by how you interpret what is happening around you, not by the events themselves."

-- Brian Tracy

ARE YOU AN OPTIMIST OR A PESSIMIST?

by **Chris Widener**

I have been giving some thought lately to optimism and pessimism. Basically, these are attitudes. Attitudes that shape and formulate our entire existence. I mean, have you ever met a happy pessimist?

Of course not. In short, our optimism or pessimism is this:

The way we interpret the past.

The way we experience and view the present. The way we imagine the future.

Have you given much thought about how your attitude, whether you are an optimist or a pessimist, affects you?

What is optimism? It is a belief that things in our past were good for us, even if that means they were hard and taught us lessons. It is also the belief that things will be better in the future.

Here are some contrasts between optimism and pessimism and how they affect us:

Optimism breathes life into you each day Pessimism drains you Optimism helps you to take needed risks .

Pessimism plays it safe and never accomplishes much.

Optimism improves those around you Pessimism drags them down

Optimism inspires people to great heights.

Pessimism deflates people to new lows There is only one way that optimism and pessimism are the same and that is that they are both self-fulfilling. If you are an optimist, you will generally find that good things happen to you. And if you are a pessimist, you will find yourself in the not-so-good situations more often than not. So can a person just become an optimist? Yes! We can choose to look at the world any way we want to. We can choose to look at the world and think the worst, or we can tell ourselves the good things about each situation. As you find yourself beginning to view the world through the eyes of an optimist, you will reap the rewards listed above, and so will the people around you.

Have you ever met a successful pessimist? Become an optimist and see your world change

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