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# FEBRUARY 2015

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## Dogs, Cats and Other Critters

*I have a friend who is a veterinarian. He spent 30 years of his life in the US Army as a veterinarian, and he knows all about Critters. It doesn't matter what kind of Critter. He knows about everything from what makes a horse sick to what makes a hamster happy. I am constantly amazed at the width and breadth of his knowledge. Because of his long Army service, he has a lifetime of experience; treating animals of all kinds in different climates and continents.*

*And yet, when it came to his financials, and questions about social security, he sought professional help. Seeking opinions and observations, he came to my office with an open mind.*

*He had some knowledge of financial and estate planning tools. Just as I have some notion of how to care for a dog, I couldn't tell you why the dog was sick or how to treat it.*

## 'Critters' (cont'd)

*We all need specialists in our lives. The person seeking to start a business often needs a business coach. A Doctor needs his residency. A person trying to save for retirement might need a financial professional. In each phase of our lives, we consult specialists; people who have knowledge that we lack. Our families and plans are as diverse as the animal kingdom that my friend serves. It is no surprise we need 'financial coaches.' Because the job of planning our financial present and future requires not just planning for the near future, it also requires us to do 'preventive medicine'.*

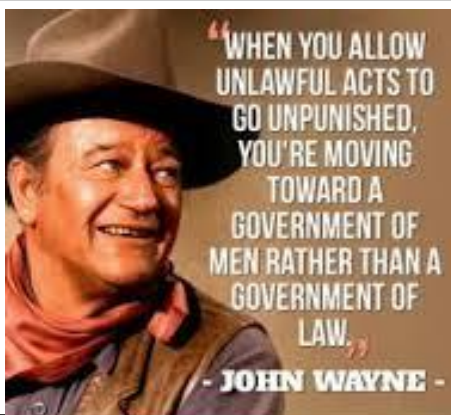
*The main strength of a good financial and retirement income plan is preventing our plans from 'getting sick'. My friend the Doctor might say: 'an ounce of guarantee is worth preventing one giant loss'.*

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*A great anxiety has God allotted, and a heavy yoke to the sons of men; like a fugitive being pursued, as he reaches safety he wakes up, astonished there was nothing to fear.*

*Sirach, 40:1,7.*

## **The Need...to Plan**

The rising cost of health care in the United States has become one of the primary risks to a financially-secure retirement. With health care costs expected to continue increasing faster than inflation, the time to plan for your future health care needs is now...before you retire. Your ability to enjoy a financially-secure retirement can be enhanced by planning for future needs such as:

**Long-Term Care Services:** Are you familiar with the variety of long-term care services available? If it becomes necessary, what type of long-term care services would you prefer? How will you pay for any needed long-term care services?

**Advance Directives:** Have you communicated your medical care wishes in the event you suffer a catastrophic medical event? Have you named someone else, a spouse or other family member, to make medical decisions for you in the event you are incapacitated?

**Paying for Health Care in Retirement:** Do you know what your out-of-pocket health care costs might be after you retire? Are you aware that Medicare, while it covers many health care costs, has significant limitations? Are you familiar with the various types of insurance that can help pay health and long-term care costs not covered by Medicare?

### **Did You Know?**

In 2013, men reaching age 65 had an average additional life expectancy of 17.8 years, while women reaching age 65 could expect to live an additional 20.4 years on average.

While estimates vary, a couple retiring at age 65 without private health insurance from a former employer can expect to pay significant out-of-pocket health care costs during their retirement years. Fidelity Investments, for example, estimates that a 65-year-old couple who retired in 2014 needs about \$220,000 to cover medical expenses throughout retirement, a 38% increase from the \$160,000 first estimated for those retiring at age 65 in 2002. This estimate does not include costs of dental care, long-term care or over-the-counter medicines.

At least 70% of people over 65 will need long term care services and supports at some point in their lives.

At a median daily rate of \$240, an average nursing home stay of 835 days currently costs over \$200,000.

**All sources available on my website**

*Frank (Capra) called me one day and said:*

*'I have an idea for a movie, why don't you come over and I'll tell you?' So I went over and we sat down and he said, 'This picture starts in heaven'. That shook me.*

*- James Stewart on 'It's a Wonderful Life'*

## **What is a Trust?**

The word "trust" is applied to all types of relationships, both personal and business, to indicate that one person has confidence in another person.

For our purposes, a trust is a legal device for the management of property. Through a trust, one person (the "grantor" or "trustor") transfers the legal title to property to another person (the "trustee"), who then manages the property in a specified manner for the benefit of a third person (the "trust beneficiary"). A separation of the legal and beneficial interests in the property is a common denominator of all trusts.

In other words, the legal rights of property ownership and control rest with the trustee, who then has the responsibility of managing the property as directed by the grantor in the trust document for the ultimate benefit of the trust beneficiary.

A trust can be a living trust, which takes effect during the lifetime of the grantor, or it can be a testamentary trust, which is created by the will and does not become operative until death.

In addition, a trust can be a revocable trust, meaning that the grantor retains the right to terminate the trust during lifetime and recover the trust assets, or it can be an irrevocable trust, meaning that the grantor cannot change or terminate the trust or recover assets transferred to the trust. Trusts can be used:

- To provide management of assets for the benefit of minor children.
- To assure the grantor that children will benefit from trust assets, but will not have control of those assets until the child is older.
- To manage assets for the benefit of a disabled child, without disqualifying the child from receiving government benefits.
- To provide for the grantor's children from a previous marriage.
- As an alternative to a will (a "revocable living trust").
- To reduce estate taxes and, possibly, income taxes.
- To provide for a surviving spouse during his/her lifetime, with the remaining trust assets passing to the grantor's other named beneficiaries at the surviving spouse's death

## **RESPONSIBILITY by Dr. Joe Rubio**

Responsibility is simply the ability to respond at any time and to any situation in a way that honors you as a person and supports you in your relationships with others. Responsibility does not involve blame, fault, or burden. Not being responsible does not connote shame, guilt or unworthiness. It does not involve a value judgment subject to someone's opinion about how you "should" do something or how someone ought to run their lives. Responsibility instead involves taking full acceptance for every event, relationship, action and situation that occurs in your life. It is merely an interpretation that everything you do, whatever you have in your life, and how you show up for others is your creation. This posture is one you can take on to empower you to be the source of what happens to you in life. Being responsible means that there are no victims created by events in life. In some way, consciously or not, deliberately or by accident, every person, circumstance, event or challenge we encounter in life is the result of decisions we have made. Responsibility is always in the present. It is simply a place to stand from which to look at the world as you make a choice about some action you may take. It does not make anyone wrong or at fault. And it does not involve manipulation. When any situation occurs which touches our lives, taking responsibility means that we take the interpretation that it simply occurred as opposed to the interpretation that it happened to us. Having responsibility implies that you are the designer of who you are, what you have and what you do. You get to change it if what you see around you is not to your liking. Taking responsibility means giving up your right to make others wrong while saying what you need to say to forward the action without harboring ill feelings or thoughts of resentment or getting back at the person in some way.

## UPCOMING EVENTS:

1. Social Security Education Meeting: Firehouse Grille, New Market. February 10 and 12, 6pm.
  2. Social Security Education Meeting, Green Mill, Hastings, MN, February 17 and 19<sup>th</sup>, 6pm.
  3. Retirement Planning Workshop, Green Mill, Hastings, February 24 and 26, 6pm
  4. Retirement Planning Workshop, Firehouse Grille, New Market, March 3<sup>rd</sup> and 5<sup>th</sup>, 6pm.
- To Register for the Dinner Seminars, Please call (800) 451-6117, and for the Social Security Workshops, call (800) 530-1402**

## Tools for Thought

### **❖ Why I Stress the use of Indexed Annuities as part of a retirement plan.**

*In my entire career I have been a 'protector'. Starting in the life insurance business with the Knights of Columbus, I learned this fact: accumulation is great, but protecting it is also important. I was grounded in two principles: one; never lose money, and two, think like the client is no longer there, and you are sitting across the table from the beneficiaries.*

*I have practiced through all of the fads, high interest universal life, buy term, invest the difference, and the Variable Life craze. Been there, done that. Adhering to the principles of planning taught to me by the Knights, I still can say that in THAT practice, and my current practice as the President of Scheiber and Associates, that NOT ONE of my clients has EVER lost a dime, or been unable to retire when they wanted to.*

*Right now the biggest threat to retirees is twofold. One, they have forgotten the crashes of 1999, 2001 and 2008. They keep too much in the stock market, believing it will never happen to THEM (again). The other is the purchase of discredited products like Variable Annuities. We have all seen Variable Products give big promises, only to have those projections and promises eaten in fees, and irrational expectations.*

*Our firm does not believe in paying someone else to risk your money. My belief is the only rational place for money you plan to use for retirement income is an Indexed Annuity. You can gain but you can't lose. It is a sharp contrast to the broken promises of other plans. Which would you choose? A casino table or something solid and guaranteed? Did I mention that in 22 years not one client has lost money?*

## MANAGING AN INHERITANCE

Take your time. An inheritance is frequently related to the loss of a loved one, making this is an emotional time for you, and not the best time to be making important financial decisions. Short of meeting any required tax or legal deadlines, don't make hasty decisions concerning your inheritance. Try and maintain your current budget and lifestyle until you're in a better position to make financial decisions. Identify a team of reputable, trusted advisors (attorney, accountant, financial/insurance advisors). There are complicated tax laws and requirements related to certain inherited assets. Without accurate, reliable advice, you may find an unnecessarily large chunk of your inheritance going to pay taxes. In addition, you may benefit from a review of your overall financial situation in light of your inheritance. If married, you will need to decide if the account is in your name alone or held jointly with your spouse. **Inherited assets have special protection in the event of a divorce.** If you commingle inherited assets in a joint account, however, you run the risk of losing that special protection. Understand the tax consequences of inherited assets. If your inheritance is from a spouse, there may be no estate or inheritance taxes due. Otherwise, your inheritance may be subject to federal estate tax or state inheritance tax. Income taxes are also a consideration. Life insurance proceeds are generally received free of income tax. Inherited retirement plan assets are subject to income tax when received by you from the plan. Treat inherited retirement assets with care. The tax treatment of inherited retirement assets is a complex subject. You'll have a variety of options available to you, but they come with time deadlines and vary according to the type of retirement plan and your relationship to the deceased. Make sure the retirement plan administrator does not send you a check for the retirement plan proceeds until you have made a distribution decision

***For sound advice on how to manage an inheritance, Scheiber and Associates provides counseling and advice on these issues, as well as programs that provide legal advice to help beneficiaries with these issues.***

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