

Kiplinger's RETIREMENT REPORT

Your Guide to a Richer Retirement

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Get By With Help From Your Friends

IT'S THE small things that can mean the difference between remaining in your home and having to move to a care facility. Perhaps you no longer drive and need a ride to a doctor's appointment. Or maybe you can use some help preparing meals. When you change a ceiling light bulb, are you afraid of falling from the step stool?

CHRIS SHARP

The recognition that assistance in everyday matters can go a long way to maintain a senior's independence has spawned what's become known as the "aging in place" movement. Communities nationwide are experimenting with new living options and services that are designed to help older individuals stay put as long as possible. "We think it's what people want, and we think ultimately it's less expensive than institutionalizing people," says

Greg Case, director of home and community-based services for the U.S. Administration on Aging. We've reviewed five types of aging-in-place housing options.

It Takes a Village

If you want to stay in your house, perhaps you can help turn your neighborhood into a "village." Residents pay an annual membership fee to gain access to free and discounted services, such as handyman services, transportation, prepared meals and financial advisers. "It's citizen run, the essence of a grassroots movement," says Elinor Ginzler, vice-president of health at AARP.

The village concept began more than a decade ago in Boston's Beacon Hill neighborhood. It has grown nationally to 56 villages with another 120 in development, says Candace Baldwin, co-director of the Village

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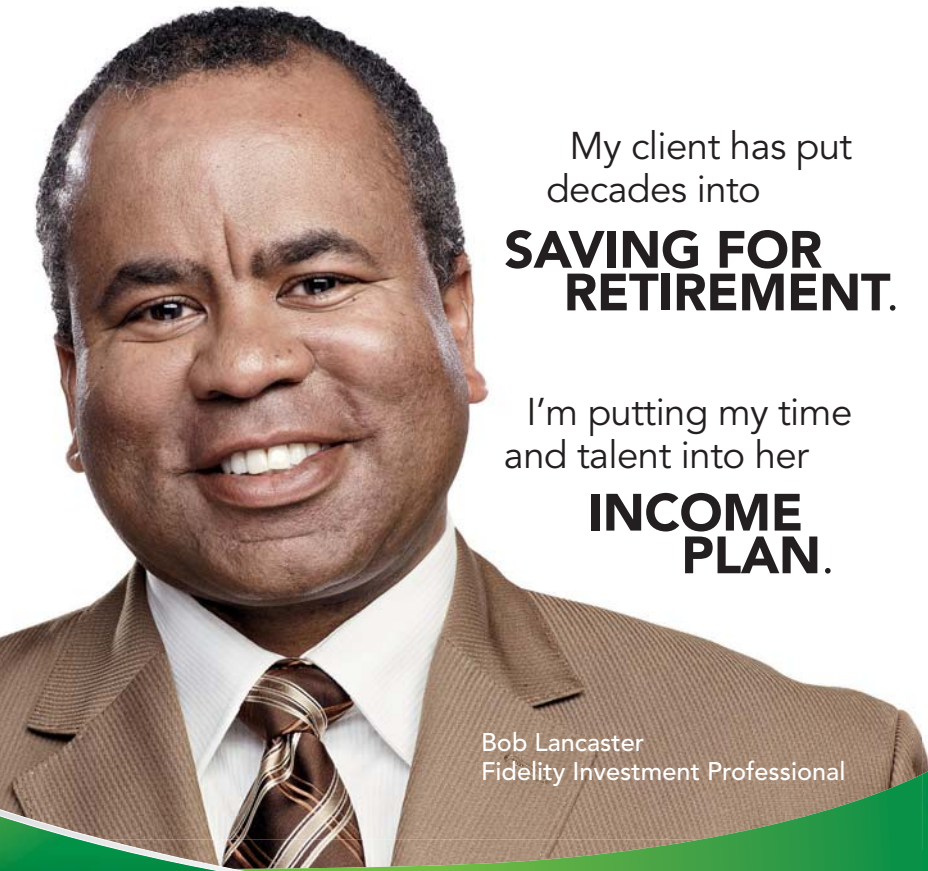
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to Village Network, an information group. Each village differs slightly, as do annual membership dues, which range from \$50 to \$900 per individual.

Villages are usually started by neighborhood residents. In 2007, three older Chicago couples decided to create a village in their Lincoln Park neighborhood after seeing Beacon Hill's success. Lincoln Park Village opened for business in 2009, today counting 215 members age 50 and older.

Lincoln Park Village provides members with access to a full range of services and activities. Services include house watching, yard work, pickups and deliveries, pet sitting, and car rides to appointments. Volunteers and neighbors provide many services, but the village also has vetted a network of trusted providers, such as home-health services.

Dianne Campbell, the executive director of Lincoln Park Village (www.lincolnparkvillage.org), says she makes sure her members get their needs met with one phone call. "It doesn't take too much to be independent or safe," says Campbell, who is the only paid staffer. A board of directors and an advisory council, made up of members, make the decisions.

The village helped Estelle Spector, 81, make the transition to retirement last year when she left her position as an associate professor of theater. With the village, she says, "you meet people all the time." She has taken movement, water aerobics and art classes—all for little or no cost—through Lincoln Park Village. She's also involved in a village book club.

Spector turns to the village for help in caring for her ailing husband, a retired violinist. The couple has sought transportation, sidewalk shoveling, and leads on a handyman for the installation of shower grab bars and house painting. The couple pays \$780 a year (individual memberships cost \$540 a year).

The village offers classes in digital photography and sketching as well as trips to cultural events, such as the-

ater outings. Spector praises the free experts, including one who spoke on understanding Medicare coverage. "I cannot tell you how that helped," she says.

If your neighborhood would like to start a village, go to the Web site of the Village to Village Network (www.vtvnetwork.org). Also, Beacon Hill Village (www.beaconhillvillage.org) sells a how-to manual on various aspects of creating a village, such as provider recruitment and setting up a board.

Mi Casa Es Su Casa

Senior home sharing is a living arrangement in which a senior provides an unrelated person a place to live. Each housemate has a private bedroom, and they share the kitchen and other common areas. Home sharing can defray housing or living costs, but it can also be a way for seniors to get help with chores, rides to the grocery store and other kinds of assistance. The housemate also can watch out for medical emergencies.

Retired engineer Joe Karnicky, 67, of Menlo Park, Cal., says he would be in a nursing facility if not for his home-share partner. Karnicky is confined to a wheelchair because of multiple sclerosis.

Every day for five years, José Puente, 69, has helped Karnicky get in and out of bed. Puente also helps around the house. In exchange, "José pays a substantially reduced rent," says Karnicky. Puente says he moved in with Karnicky because he was looking for companionship and lower-cost housing in the high-rent Menlo Park area. "We are very compatible," Puente says.

The best and safest way to find a home-share partner is to use one of about 70 home-share organizations nationwide. You can find a group at the Web site of the National Shared Housing Resource Center (www.nationalsharedhousing.org).

Karnicky and Puente were matched by HIP Housing, a nonprofit in San Mateo. The program provides seniors with an extra hand. "The high cost of home

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From the Editor

THE SOCIAL Security trustees' annual report included some startling news for disabled beneficiaries. Without a Congressional fix, by 2018, the federal Disability Insurance Trust Fund will not have enough money to pay full benefits.

At the very least, the trustees suggest, lawmakers should shift the allocation of payroll tax receipts from regular retirement benefits to the disability account. Of course, the old-age and survivor funds are hurting as well.

As in 2009, the disability trust fund paid out more in benefits in 2010 than it generated in new revenue. A big reason: The number of disability beneficiaries increased at a larger rate than the increase in retirement-income claimants. The trustees attributed the bounce to the economic recession. Future costs will rise in part because of an influx of baby-boomer applicants, as well as an increase in earnings on which benefits are based.

On a brighter note, we're pleased to welcome Eleanor Laise, who has joined the *Retirement Report* staff as associate editor. Since 2005, Eleanor has covered the asset-management industry for the *Wall Street Journal*, writing about retirement strategies, mutual funds and the risks of "safe" products peddled to retirees. She reviews one of those questionable products—non-traded real estate investment trusts—on page 8.



Susan B. Garland, *Editor*

care can be challenging for many families," says HIP associate director Laura Fanucchi.

HIP Housing matches more than 300 people a year. "The program does a lot of the legwork for you," Karnicky says. HIP staff interviews home seekers and home providers, vets references and conducts background checks. After a placement, it regularly follows up with clients.

HIP house-sharers sign an agreement that covers

rent and other money matters, as well as issues regarding cleanliness, visitors, pets, use of alcohol, quiet time, food and laundry. To protect against elder abuse, Fanucchi will not accept home providers who have memory impairment issues.

You've Got a Friend

Remember the communes of the 1960s? Cohousing is sort of an upscale version for the 21st century senior set. Individual homes, or apartments, are clustered around shared open space and a common house. Residents maintain their privacy in their own living spaces, but they can get together for weekly group dinners, socialize in comfy common rooms, and gather in courtyards or pedestrian pathways.

Cohousing communities in the U.S. number 124 in 26 states with another estimated 100 under way, according to the Cohousing Association of the United States (www.cohousing.org). Most cohousing developments are intergenerational, where seniors can babysit for youngsters, and younger families can run errands for older residents. But some communities are for elders only.

One such development is Santa Fe's ElderGrace, a condominium neighborhood for people over 55. ElderGrace is composed of 28 one- and two-bedroom "green" homes with energy-efficient appliances and in-floor radiant heat. The common house includes a communal kitchen.

Cohousing is ideal for Pam Gilchrist, 71. She likes her privacy but also enjoys participating in a close-knit community and in different projects. For example, she is helping to start a car-share program, which would provide a fleet of electric cars for resident use. Gilchrist is a retired minister from Massachusetts who moved to ElderGrace when it opened in 2009.

Residents serve on teams. Gilchrist is on the outreach, gardening, and buildings and grounds teams. Another team arranges educational sessions on advanced directives and hosts exercise programs. Decisions are reached by consensus. Individuals own their own homes, but a housing trust owns the property.

Craig Ragland, of the cohousing association, says "each community makes its own agreements about what levels of care they provide for each other." For now, most ElderGrace residents are relatively healthy. Residents take other members to doctors' appointments. Gilchrist says the residents have agreed that "we will care for each other until it is more than we can manage, figuring it out as we go along."

Ragland says at the Songaia Cohousing Community in Bothell, Wash., where he lives, members provided most of the care for a resident who was dying from ALS, known as Lou Gehrig's disease. "At the end, he was completely incapacitated, and community members provided about two-thirds of the required care," Ragland says. Visit the cohousing association's Web site or call 812-618-2646 for a list of cohousing developments.

Give an Hour, Take an Hour

Consider the concept of a babysitting cooperative: In return for watching another member's child, a parent will earn a free sitter for a night. In central Vermont, Reach Care Bank uses this kind of cooperative system to keep aging Vermonters independent.

Reach Care Bank, which was launched last summer, is known as a time bank. Each of its 100 members pays an annual \$25 fee, and each is expected to make a monthly commitment of time or money. If you spend an hour doing something for someone else, you earn a time dollar, which you can use to "buy" a service.

Members look to the network to help with activities such as shopping, pet sitting, yoga lessons and respite care. "The goal is to create an affordable and reliable network of volunteers who support the whole community as it ages through the mutual exchange of services," says Rachael Rice, Reach's director of outreach, development and training.

Polly Paulsen, 90, of Montpelier, uses Reach for rides to the grocery store, home repair and computer help. She accrues care credits by participating on Reach's advisory board, playing Chinese checkers with other members and helping with fund-raisers. "Reach has helped me to feel alive," she says.

Some members join to build up hours for an elderly relative. All members undergo reference checks, and those participating in wellness and caregiving programs also undergo criminal record and background checks. Members can find and offer services on the time bank's Web site. The bank's organizers keep track of the credits.

Dozens of time banks operate in 31 states, according to TimeBanks USA (www.timebanks.org). Check out its directory for an option near you. To start your own time bank, the Web site sells a kit for \$70.

Doing It Yourself

Many people don't have access to aging-in-place models, such as cohousing and villages. "The vast majority

of people muddle through, and family members chip in," says Mia Oberlink, senior research associate of the Visiting Nurse Service of New York.

If that includes you, some planning can reduce the amount of muddling. One of the first steps to take is to identify a network of family, friends and neighbors. You can call on them when you need help, perhaps with grocery shopping, if you feel ill or just to socialize.

Use AARP's Livable Communities Checklist (www.aarp.org/homedesign) to assess your home's safety and senior-friendliness. Your home may need minor changes, such as securing handrails or installing non-slip flooring. Major changes could mean putting in a full bath or bedroom on the first floor.

You can hire an expert to make these home modifications. The National Association of Home Builders, with the help of AARP, has developed a certified aging-in-place specialist program to train remodelers. You can find a local specialist at www.nahb.org/aginginplace (or call 800-368-5242, extension 8216).

Consider switching your physician to a geriatrician. Doctors trained in geriatric medicine are more in tune with issues of aging.

Hire a geriatric care manager to conduct a geriatric assessment, which identifies physical, emotional or social issues that may prevent you from aging well. For instance, the care manager could make sure that you're not being prescribed similar medications by different doctors. Or the expert could determine whether you're not socializing enough and arrange for you to get out of the house more. The manager could even decide that your home needs better lighting.

Contact the National Association of Professional Geriatric Care Managers (www.caremanager.org; 520-881-8008), or ask your doctor or a hospital discharge planner for the name of someone who performs geriatric assessments. Arrange for the care manager to check in regularly to make sure you're doing okay.

A care manager can help you find community resources. So can the Eldercare Locator (www.eldercare.gov) and your local Area Agency on Aging (www.n4a.org). They can provide names of home health aides, homemakers, transportation services, senior centers, adult daycare and home-repair contractors.

Consider your social life. Put a plan in place to help you pursue favorite activities. Perhaps that could take the form of regularly scheduled outings to a senior center, which can offer everything from theater trips to a game of bridge. **K** —CHRISTOPHER J. GEARON

Long-Term Care

The biggest threat to one's nest egg isn't a bear market but an extended stay in a long-term care facility.

SmartMoney.com, Sept. 2008

By now you know that after age 65, Americans have more than a 70% chance of needing some form of long-term care.* You also know that the cost of care is extraordinary — averaging \$213 per day or \$77,745 annually in a nursing facility†. Without insurance, even a period of “in home” care can ruin an otherwise sound retirement plan and rob you of both your independence and your ability to leave an inheritance.

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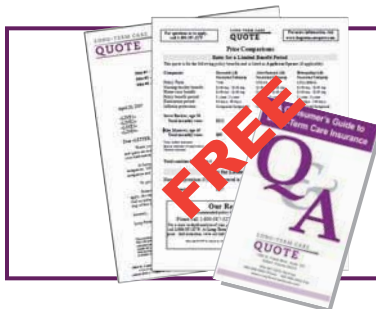


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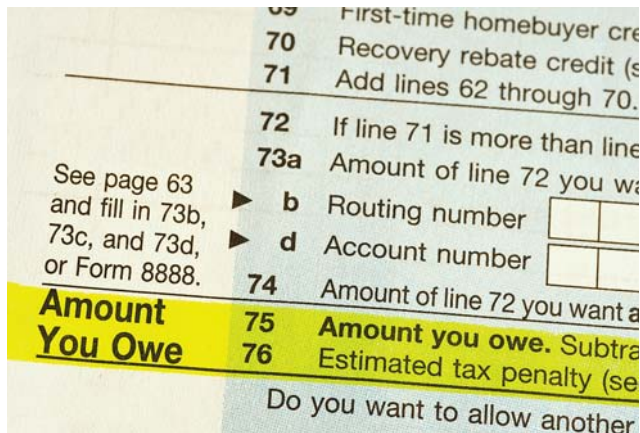
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TAXES

Make Moves Now to Escape AMT-Land

AS A TAXPAYER, you fall into one of two categories: trapped by the alternative minimum tax or relieved to have escaped it. Now that tax season is over, it can be worth your time to figure out why you paid the AMT or how close you came to paying it. There could be ways to lessen its impact next time around.

The AMT was designed in 1969 to prevent wealthy individuals from using breaks to avoid paying tax. Since then, the AMT has hit the middle class largely because the exemptions are not automatically indexed to inflation. Usually Congress passes a last-minute “AMT patch” to temporarily raise the exemption. When lawmakers extended the Bush tax cuts, they included a patch for 2010 and 2011. You have a little extra time to plan for the AMT this tax year.

For married couples filing jointly, the exemption for 2011 is \$74,450, up from \$72,450 for 2010. For singles, the exemption rises to \$48,450, up from \$47,450. As income climbs, these exemptions phase out. For example, the exemption for joint filers starts to phase out at \$150,000 and zeroes out at \$447,800.

The top tax rate for the AMT is 28%, versus 35% under the regular system. Joint and single filers with income of \$175,000 or less pay 26%.

While the AMT’s top tax rate is lower, the AMT captures more income because many deductions are disallowed. To figure your alternative minimum tax, you take your taxable income under regular rules and add back the deductions that aren’t allowed in the AMT system.

Mortgage interest on a primary home and charitable deductions are still allowed, notes Russell Hauer, a certified public accountant with Spring Mill Partners, in Conshohocken, Pa. But interest on a home equity loan is not deductible. Nor can you deduct miscellaneous expenses, such as fees for tax preparation. The threshold for deductible medical expenses is 10% for the AMT versus 7.5% under the regular system.

Fleeing AMT Territory

If you’re subject to the AMT—or on the cusp of falling victim to it—sidestepping it is tough. If you skip deductions in order to avoid the AMT, you might push up your regular tax bill. But there could be some moves you can try. “Considering how close you are to triggering AMT would dictate planning,” says Bryan Pukoff, a principal in the Troy, Mich., office of Rehmann, an accounting and business consulting firm.

To get a sense of how close you came to the cutoff, pull out Form 6251 from the 2010 tax year. Comb through the form’s first 27 line items. “Those are the adjustments from regular income to AMT income,” says James Walker, a certified public accountant in Glen Allen, Va.

Look for positive entries for each line, which will indicate increases in your taxable income for purposes of the AMT. Then you can figure out whether there may be ways to remove or reduce some of those items for 2011. Try to run your projected income and deductions for both 2011 and 2012.

For example, if you have a lot of medical expenses, see if your employer has a pretax medical deduction plan you can contribute to. This money will reduce your taxable wages and make medical expenses nondeductible, helping with both the regular tax and AMT.

People who live in states with high state income taxes, such as New York, New Jersey and California, are often most at risk because those taxes reduce taxable income in the regular tax system, but not in AMT-land. “A high level of deductions certainly pushes people to AMT,” says Susan Colpitts, a certified public accountant at Signature, a wealth-management firm in Norfolk, Va.

Say your two-year projections show that it looks like you won’t get hit by the AMT in the first year but will in the second. If you pay estimated payments for state taxes, set aside money to make your fourth-quarter payment before the end of the year. The same goes for property taxes. Also see if you can prepay miscellaneous expenses, such as broker fees. **K** —RACHEL L. SHEEDY



INVESTING

Dangers Lurk in Real Estate Trusts

IT SOUNDS like the ideal investment for a retiree: a portfolio with a nice 6% or 7% yield and a stable share price that won't bounce around with the market's ups and downs.

That's the sales pitch for "non-traded real estate investment trusts," which are often marketed to older investors seeking steady income. But many people who bought into these vehicles in recent years have seen their dividends drop, their share values erode and their ability to sell the shares sharply curtailed.

Like their better-known publicly traded cousins, non-traded REITs tend to hold broad portfolios of office buildings, retail properties and other real estate. They also pay out most of their taxable income to shareholders in the form of dividends. But unlike publicly traded REITs, non-traded REITs are not listed on any national exchange. Investors buy the shares through brokers, typically at a \$10 offering price.

Amid choppy markets and rock-bottom interest rates, unlisted REITs' promises of stability and steady income have helped them rake in cash from investors. The products attracted \$8.3 billion last year, up 28% from 2009, and total assets reached roughly \$72 billion, according to Blue Vault Partners, a Cumming, Ga.-based research firm that tracks non-traded REITs. A record 15 new unlisted REITs launched last year, bringing the total to 61 at the end of 2010.

That growth has come despite heightened scrutiny from regulators, who are concerned about how these products are marketed to investors. The Financial Industry Regulatory Authority, which oversees the bro-

kerage industry, in 2009 requested information from about a dozen brokerage firms on broker commissions, disclosure of risks to investors and other details. Since then, it has begun several formal investigations into sales practices.

Understanding the inner workings of unlisted REITs can help investors avoid potential pitfalls in investments that purport to offer a lot of income without a lot of risk. Here are factors to consider.

■ **The price tag.** When an investor puts \$10 into an unlisted REIT, he or she is often getting only about \$9 of real estate investments. Commissions and other up-front costs can immediately consume roughly 10% of the investment. The investments can also carry ongoing management fees and expenses.

Michael Black, a broker in Scottsdale, Ariz., says he generally gets a 6% or 7% commission when selling clients non-traded REITs. He acknowledges that the real estate investments must deliver "quite a return" to overcome the fee hurdles. To find REITs that are more likely to clear those hurdles, Black says, he's focusing on those that buy distressed properties.

■ **The health of the dividends.** On the surface, there's nothing not to like about non-traded REIT dividends. The average unlisted REIT yielded 6.5% at the end of last year, versus about 4% for publicly traded REITs, according to Blue Vault.

But recent market distress has caused some unlisted REITs to slash payouts. Behringer Harvard Opportunity REIT I, for example, paid distributions of ten cents per share last year, down from 23 cents in 2009. The reduction "was prudent during a time of debt market distress when capital conservation was an important part of our program to preserve shareholder value," Behringer Harvard said in a statement.

Meanwhile, other REITs are paying out more cash in dividends than they're actually earning from their real estate operations—a formula for future dividend cuts and other woes. The median unlisted REIT that was open to investment in 2010 paid out distributions that were substantially higher than its income from operations, according to Blue Vault.

In some cases, instead of putting investors' money into income-producing properties, the REITs are handing some of that cash right back to shareholders in the form of a dividend. That can happen when REITs that are still building their portfolios set distribution rates based on estimates of the future income of their investments. But critics charge that REITs set payouts at unsustainably high levels in order to lure in investors.

■ **The share price.** Unlisted REITs can maintain their initial offering price for years as they raise money from risk-averse investors and ramp up operations. But within 18 months after the end of the offering period, securities-industry rules require that the REITs be re-priced based on an appraisal of their assets and operations. That's when market realities start to set in.

Inland American Real Estate Trust, for example, was first sold to investors in 2005 at \$10 per share, and it kept that price until September of last year. Then the estimated share value suddenly dropped about 20%, to \$8.03. The valuation was "a direct reflection of economic conditions in the real estate market due to the recession," says Dan Lombardo, senior investor relations manager at the Inland unit that conducts the REIT's day-to-day operations.

The fact that unlisted REIT shares aren't subject to daily market moves is a drawback for investors, says Christopher Germain, president of real estate investment advisory firm Piping Rock Partners. While a falling share price can warn investors of trouble in publicly traded stocks, he says, by the time unlisted REIT shares are revalued, "it's too late for investors to do anything."

■ **Liquidity.** Since unlisted REITs don't trade on national exchanges, selling the shares can be difficult and costly. Limited share repurchase programs tend to disappear when the going gets tough, as it has in recent years. Investors should be prepared to hold an unlisted REIT for seven to ten years, industry experts say.

Difficulty selling shares can combine with declining share values and distributions to form a triple whammy for unlisted REIT investors. That's what happened to Ted Horita, an 81-year-old retiree in Los Angeles, according to an ongoing FINRA arbitration claim he filed this year against Ameriprise Financial Services.

On the advice of his Ameriprise broker, Horita in May 2007 invested \$353,000 in Inland American, according to the claim. In March 2009, Inland American suspended its share repurchase program. That same year, the REIT paid distributions of only about 50 cents per share, down from 62 cents in 2008. In 2010, the estimated share value declined by 20%.

Horita claims that his broker didn't adequately disclose the risks of the REIT, instead presenting it as a solid, risk-free investment. He's seeking to recover his original investment. "It's an absolutely misleading pitch to recommend these investments for clients who are older," says Andrew Stoltmann, Horita's Chicago-based lawyer. Ameriprise didn't respond to requests for comment. **K** —ELEANOR LAISE

INVESTING

Rip-Offs Can Dull Gold's Glitter

GIVEN THAT \$52 billion worth of gold was sold last year for investment purposes, it's not surprising that shady dealers have lined up for a piece of the action. You'll do just fine with mutual funds that invest in gold-mining stocks or exchange-traded funds that track the price of gold. But some like to hold the shiny stuff itself by buying coins or bars—and that's when you can get fleeced. Here's how not to buy gold if all you're after is the metal's investment value.

■ **Don't overpay.** The day you buy, check the spot price of gold at www.goldprice.org. Don't pay more than 5% to 8% over the spot price—that's the typical markup, says U.S. Mint spokesman Michael White.

White says that American Eagle Gold Bullion Coins, one of the most popular choices for investment, first make their way into the market when they are sold to the Mint's "authorized purchasers." Among those dealers are Jack Hunt Coin Broker (800-877-7424); Prudential Securities (212-778-6667); Manfra, Tordella & Brookes (212-981-4510); and FidelityTrade (302-762-6200).

■ **Don't buy coins for their historical value.** Some dealers engage in a bait-and-switch: They offer gold coins, or bullion, and then try to sell customers coins with historical, or numismatic, value. In fact, these coins usually have little or no extra value above their "melt value"—the value of the metal in the coin.

The best-known coins that are bought and sold for their gold value alone are the American Eagle, the Canadian Maple Leaf, the Australian Gold Nugget and the South African Krugerrand.

■ **Don't buy proof coins.** Proof coins are special editions struck for collectors. The dies used to make them are often finely polished and yield coins with mirror finishes. The premium you pay for proof coins may be inflated and may disappear, depending on the market.

■ **Don't buy from a cold caller.** The Federal Trade Commission reports a rise in boiler rooms hawking gold coins or bars. Callers are salespeople who use high-pressure sales tactics. These operators usually make inflated claims about the potential profit from gold. They won't give you physical possession of the gold, but claim to hold it in a vault. In some cases, these are scams and no gold exists. **K**

INVESTING

Find the Best Returns for Your Cash

FOR RETIREES looking for safe places to park their cash, the options are pretty dismal. The typical money-market mutual fund yields 0.02%. Put \$100,000 in it for a year and you'd earn \$20—\$14.40 after taxes in the 28% bracket. After inflation, you will lose money.

Although you won't get rich by holding cash, you can do somewhat better than the measly return paid by the average money fund. But before you set out to find better yields, decide how soon you will need the money. Your rate could be a tad higher if you don't dip into your cash cache immediately.

If your cash is for emergencies, your choices are limited. "It has to be in a risk-free investment, and it has to be something that you can get to at a moment's notice," says Greg McBride, senior financial analyst at Bankrate.com.

Higher-yielding bank savings and money-market accounts can meet these criteria. But you must be willing to shop around and to invest online. On May 17, Bankrate.com listed a federally insured savings account at Discover Bank that yielded 1.15% and required a minimum deposit of \$500. However, rates can change without notice after you open an account.

If you'll need to tap at least some of your cash in the near future, say for a kitchen remodeling, a short-term certificate of deposit will get you a fixed yield for three or six months. On May 17, Aurora Bank was offering a six-month CD with a rate of 1.06% (a one-year CD at 1.23%). "You know exactly what it will be worth at the time you want the money," says Erika Safran, a certified financial planner in New York City.

One variation is the "bump up" CD, which gives you the option to choose a higher rate during your CD term if rates rise. A "step up" CD initially spells out when and by how much the rate will go up during the term. Bankrate.com lists a BB&T 48-month CD which pays 1%, 1.2%, 1.55% and 1.8%, sequentially. Each bank has a slightly different wrinkle.

Laddering your CDs can generate a predictable, if modest,

stream of income. Say you want to save \$10,000. For a five-year ladder, you would put \$2,000 each into certificates maturing one, two, three, four and five years from now.

Perhaps even better than a CD is an I-bond. As of May 1, the interest rate on an I-bond was 4.6%. The rate will reset on November 1, but buyers in June will get the 4.6% rate for the full six months. You must hold an I-bond for 12 months before you can redeem it, and you will lose the last three months of interest if you cash in before five years.

Let's say you buy the bond now and the rate resets at 4%. You will get 4.6% for six months, 4% annualized for three months and 0% for the last three months, assuming you cash in at the end of 12 months. That 3.3% interest is better than what you can get on a one-year CD.

You can buy \$10,000 worth of bonds each calendar year (\$5,000 electronically and \$5,000 in paper). Go to TreasuryDirect.gov to purchase.

Enhancing Your Returns

Low rates have led the mutual fund industry to launch several new "enhanced cash" funds. These portfolios hold a combination of money-market funds and short-term bonds. One of the latest entrants is Fidelity Conservative Income Bond Fund (FCONX). The funds are being marketed as a safe, higher-yielding alternative to regular money-market funds.

During the financial crisis, some enhanced-cash funds, especially those that invested in mortgage-backed securities, took a hit. As investors fled, the funds raised cash by redeeming the shortest-term, money-market securities first. Fund volatility rose as the average maturities of remaining holdings increased.

Peter Crane of Crane Data, a firm that tracks money-market funds, says the newer enhanced-cash funds are more conservative. Even so, if interest rates rise, the prices of bonds in the fund will decline. "Over time, the higher yield should compensate for that higher risk, but if your timing's bad, you can get hit,"

he says. **K** —JOSEPH LISANTI



Your Questions Answered



When a Spousal Benefit Is Reduced

I am 64, and my wife is 63. At 67, I plan to claim my Social Security benefit, which is estimated to be \$2,478 a month. My wife started her benefit at 62. She currently draws \$730 a month. When I start collecting

at 67, will my wife's spousal benefit rise to half of mine, to \$1,239?

No, for two reasons. First, because your wife started receiving benefits early at age 62, her benefits will be permanently reduced by 25% compared with her full benefit at her normal retirement age of 66. Her spousal benefit will also be reduced by 25%. Second, her spousal benefit will be based on your full benefit at normal retirement age. The \$2,478 you quoted at age 67 includes a delayed retirement credit of 8% because you waited for one year beyond your normal retirement age to start collecting. The calculation of her spousal benefit does not include any delayed credits.

However, you don't need to wait until 67 to collect. When you turn 66, you can file for benefits and then suspend them until age 67 (or as late as 70). Once you file, your wife will get a spousal benefit, which will be higher than her own benefit. That spousal benefit will continue after you suspend your benefit.

Run Estimates If a Child Is Eligible for Benefits

I am 62, and I have a minor son, who is eligible for half of my Social Security benefits until he is 18 or finished with high school. I'd like to wait until 66 to apply for benefits, but then he would lose four years of benefits. What should I do?

It is a tough decision. If you file at 62, your benefits are permanently reduced by 25% for life. If you wait four years, your child will lose four years of benefits. Try to run numbers for both options, and you'll get a rough idea of where you will come out over the next 20 years. You'll probably do better if you wait until your full retirement age to collect, especially if you want to leave a larger survivor benefit for your wife. But it's okay if

you want to collect now and stash away the child's cash in a 529 college-savings account.

HSA Contributions End Once Medicare Begins

I read your May article "Save for Medical Costs With an HSA." I have a health savings account. I am turning 65 and will enroll in Medicare. Can I continue to contribute to my HSA?

Once you enroll in Medicare, you can't contribute to an HSA. But you can allow your account to grow or use the money tax-free to pay for medical expenses that are not paid for by insurance. Eligible expenses include Medicare premiums. Over-the-counter drugs are no longer eligible without a prescription.

An IRA Can't Back Up a Loan

Can I use my IRA as collateral for a personal loan?

Using an IRA as collateral for a loan is a prohibited transaction under IRS rules. The IRS notes that the portion of the IRA that is pledged as collateral would be considered a taxable distribution with possible early-withdrawal penalties. The money would be removed from the IRA permanently.

A Bond Fund's Yield Versus Return

Can you explain the difference between a bond fund's yield and its return?

Say you invest \$1,000 in a bond fund and over the year it pays you \$40 in interest, representing the interest the fund has collected on its investments minus expenses. In this case, the yield would be 4% (\$40 divided by \$1,000). However, most funds publish two kinds of yields. One is a distribution yield, which is based on what a fund actually pays out. The other is a 30-day yield, a calculation that takes into account changes in the prices of a bond fund's holdings as they approach maturity.

Total return is essentially yield plus or minus the change in a fund's share price. Say a bond fund pays out 4% in interest over the course of a year. Over that same period, the bond fund's price appreciates by 4%. That fund's total return would be roughly 8%. But if the fund's share price declines by 4%, its total return would be roughly zero. And if the fund's share price tumbled 9%, the total return would be about -5%.

When picking a bond fund, pay attention to both yield and total return. In general, though, the higher a fund's yield the more risks the fund is taking, either by investing in longer-maturity bonds or by investing in bonds with low credit ratings. **K**

Information to Act On



ECONOMY

■ **Static at zero.** Expect the Federal Reserve to keep its benchmark short-term interest rate near zero into early next year. With gross domestic product growth at a tepid 1.8% in the first quarter, low interest rates are needed to spur growth. The ten-year Treasury is vacillating between 3.25% and 3.75%, and it will likely finish the year near the higher end.

INVESTING

■ **Expense ratios.** The asset-weighted average expense ratio for stock mutual funds fell to 0.84% in 2010, from 0.86% in 2009, according to the Investment Company Institute. The average expense ratio for bond funds stayed at 0.64%.

■ **Staying the course.** Three-fourths of households with investments saved the same amount or more than they did three years ago, according to a survey conducted at the end of 2010 by the Investment Company Institute. More than half did not change investment strategies, while 37% shifted to more conservative investments. Sixteen percent delayed or planned to delay retirement, and 14% took early retirement or planned to retire at an earlier age.

TAX TIP

Writing Off Property Damage

Did you suffer property damage from the recent destructive weather? You can deduct losses from disasters, such as floods, tornadoes and hurricanes, that were not reimbursed by insurance. If the property is insured but you don't file a claim, you can't take the deduction.

Use Form 4684. Your loss is equal to the smaller of the property's tax basis or the decline in value, minus any insurance proceeds. Only itemizers can claim a deduction.

The loss is first reduced by \$100. Only the balance that exceeds 10% of your adjusted gross income is deductible.

If the loss occurred in a presidentially declared disaster area, you have the option of claiming it on an amended 2010 tax return. That would trigger a refund check from the IRS.

WEALTH

■ **Legacy.** In U.S. Trust's *2011 Insights on Wealth and Worth*, 49% of those surveyed said that leaving an inheritance was personally important. Thirty-six percent said they wanted to use their wealth to make a positive impact on society. Those surveyed have \$3 million or more in investable assets.

■ **Pessimism.** Forty-four percent of investors with \$100,000 to \$1 million in investable assets have reduced discretionary spending over the past 12 months, according to MFS Investment Management. Meanwhile, 49% of "mass affluent" investors say they have lowered their expectations about life in retirement.

RETIREMENT SAVINGS

■ **Tapping savings.** Nineteen percent of Americans said they have tapped into retirement money over the past 12 months to cover emergencies, according to a survey by Bankrate.com. One in three said their overall financial situation is worse than 12 months ago.

■ **Funding gap.** The unfunded liability for states' public employees' retirement benefits jumped 26% in fiscal year 2009, according to the Pew Center on the States. The report found a \$660 billion gap in pension funding and a \$604 billion gap in funding for retiree health benefits and other nonpension benefits.

HEALTH CARE

■ **Cost estimate.** Fidelity Investments' annual estimate of retirement health-care costs for a 65-year-old couple fell 8% to \$230,000. The drop is a result of changes to Medicare included in the health-reform law. The estimate has increased an average of 6% a year, since Fidelity's first estimate of \$160,000.

RETIREMENT LIVING

■ **Retirement towns.** Several states certify towns and cities as retiree friendly. Those states include Mississippi, Texas, Louisiana, Tennessee and West Virginia. Kentucky and North Carolina are establishing certification programs.

■ **Multigenerational households.** At more than seven million, the number of multigenerational households grew by about half a million in 2010 from 2009, according to the AARP Public Policy Institute. The record growth coincided with the recession. You can find



resources for multigenerational households at www.aarp.org.



TRAVEL

■ **Get a good deal.** DealBase.com has collected nearly 70,000 hotel and flight deals worldwide. The site's "Deal Analyzer" dissects hotels' promotional offers and lets you know whether or not they're good values by telling you how much you'd really save. If you like the deal, click the "Get This Deal" button.

CONSUMER INFORMATION

■ **401(k) fee calculator.** AARP has launched a free online calculator that estimates the fees associated with an individual 401(k) plan and compares those fees with the average for a low-cost 401(k) investor. The calculator also estimates in dollars the potential impact of the fees on the investor's balance at retirement age. Try it out at www.aarp.org/401kfees.

■ **Planning booklet.** ElderLawAnswers.com has revised its estate and long-term-care planning guide, titled *Looking Ahead*. The 75-page booklet includes information on Medicaid planning, buying long-term-care policies and alternatives to nursing homes. The \$10 booklet is available at www.elderlawanswers.com.

■ **Women's guide.** The MetLife Mature Market Institute and the Women's Institute for a Secure Retirement are offering a free publication, *What Today's Woman Needs to Know and Do: The New Retirement Journey*. Download a copy from www.maturemarketinstitute.com.

BENEFITS

■ **Veterans' benefits.** Written by an elder law attorney, *47 Secret Veterans' Benefits for Seniors* (Collier Communications, \$15 at Amazon.com) offers information on various benefits provided by the Veterans Administration. The guide also includes tips to help veterans qualify for benefits due to them.

SPECIAL ISSUE

■ **Retirement guide.** Want even more help to keep your retirement plan on track? *Kiplinger's Retirement Planning 2011* is on sale at newsstands. Or order a copy of the annual issue at kiplinger.com/go/retireKRR or by calling 888-547-5464, operator #18. The cost to order is \$5.95 plus shipping.

Rates and Yields

Certificates of Deposit

SIX MONTHS	YIELD	PHONE NUMBER
AloStar Bank of Commerce (Ala.)	1.12%	877-738-6391
Ascencia Bank (Ky.)	1.07	877-369-2265
National Average	0.28%	
ONE YEAR	YIELD	PHONE NUMBER
MetLife Bank (N.J.)	1.30%	866-226-5638
Ascencia Bank (Ky.)	1.25	877-369-2265
National Average	0.46%	
FIVE YEARS	YIELD	PHONE NUMBER
Tennessee Commerce Bank (Tenn.)	2.65%	877-684-2265
EverBank (Fla.)	2.59	888-882-3837
National Average	1.71%	

Yields include compounding and are as of May 5, 2011. For information on deposit insurance, go to the Web site of the Federal Deposit Insurance Corp. (www.fdic.gov). SOURCE: Bankrate.com

Top Yielding Money-Market Funds

TAXABLE	YIELD	PHONE NUMBER
Flex-funds Money Market*	0.12%	800-325-3539
Harbor Money Market/Institutional*	0.11	800-422-1050
Category Average	0.03%	
TAX-FREE	YIELD	PHONE NUMBER
Alpine Municipal MMF/Investor*	0.19%	888-785-5578
T-E Port/DWS Tax Exempt	0.12	800-730-1313
Category Average	0.03%	

*Fund is waiving all or a portion of its expenses. The 30-day simple yields are to May 3, 2011. SOURCE: Money Fund Report

High-Dividend Stocks

We used Kiplinger.com's stock-finder tool to screen stocks for at least five years of consecutive dividend increases.

DIVIDEND STOCKS	YIELD	SHARE PRICE
Lockheed Martin (LMT)	3.8%	\$80
Abbott Lab (ABT)	3.6	54
Raytheon (RTN)	3.5	49

Benchmarks

	THIS MONTH	3 MONTHS AGO	YEAR AGO
Inflation rate*	3.10%	1.70%	2.30%
Six-month Treasury	0.07	0.17	0.22
One-year Treasury (CMT)**	0.16	0.30	0.40
Ten-year Treasury	3.18	3.62	3.55

*Year-to-year change in CPI as of April 2011, January 2011 and April 2010.
**Constant Maturity Treasury yield.

Fixed Annuities

SINGLE-PREMIUM IMMEDIATE-ANNUITY MONTHLY PAYOUT FACTOR	HIGHEST	AVERAGE
Male age 65	\$6.48	\$6.08
Female age 65	6.01	5.67
Male age 70	7.29	6.88
Female age 70	6.65	6.35

Payouts are guaranteed to the annuitant for life and a beneficiary for ten years. Payout factors are per each \$1,000. SOURCE: *Comparative Annuity Reports* (www.comparativeannuityreports.com). Annuity data are to May 1, 2011.

Build a Nest Egg When You Work for Yourself



BECOMING A free agent comes with a lot of perks. You can set your own hours, deduct your business expenses and run your operation without meddling from pesky bosses. And you have several choices when it comes to tax-deferred retirement plans for the self-employed.

The best route depends on your income, your age, whether you have employees and how much you'd like to sock away for the future. You can set up a plan for a sideline business, even if you have a job and are contributing to a retirement plan at work.

■ **SIMPLE IRA.** This plan is for firms with 100 or fewer employees, including companies with just one. If you have employees, you're required to contribute to their accounts, via a dollar-for-dollar match of their own contributions—up to 3% of their pay or a flat-out 2% of pay. Whether or not you have employees, you can match your own contribution.

For 2011, participants can contribute up to the lesser of \$11,500 or 100% of income (plus a “catch-up contribution” of \$2,500 if you're 50 or older). If you are at least 50 and earn \$50,000 from your business, you could contribute up to \$15,500—\$11,500 plus \$2,500 as a catch-up and \$1,500 (3% of \$50,000) as a match.

A SIMPLE IRA must be set up by October 1 of the year for which contributions are made, but you can contribute until your tax return is due, including extensions. The costs are low, and the process is easy. You can set up one at a mutual fund company, brokerage or bank.

■ **SEP IRA.** Want to stash away even more? Consider a Simplified Employee Pension, known as a SEP. You

can put away up to 20% of your net self-employment income for a maximum tax-deferred savings of \$49,000. That means your income must be \$245,000 to reach the maximum level.

If you have employees, you can contribute up to 25% of their compensation, up to \$49,000. As with the SIMPLE, you can deduct employee contributions as a business expense. There is no catch-up contribution for a SEP.

A SEP IRA is subject to the same rules as a regular IRA. You're required to take minimum distributions after you turn 70½, and you can't take loans from the account.

You don't need to set up or fund a SEP until you file your tax return. That means you have until October 17, 2011, to set up or fund a plan for 2010. For both the SIMPLE and SEP, the funding delay enables you to make a larger tax-trimming contribution if your business is doing well or to reduce your contribution if your net income is lower. You can open an account at just about any mutual fund company, brokerage or bank at low or zero costs.

■ **Solo 401(k).** Only solo proprietors whose only co-worker is a spouse can open a solo 401(k), also known as an individual 401(k). This plan is more difficult to set up than a SEP or a SIMPLE, but it allows you to salt away more money at the same income level. As with a company plan, you can take loans from the solo account—a nice benefit if you need extra money for your business.

With a solo 401(k), you are considered both an employee and an employer. As with a company-based 401(k), you can defer the first \$16,500 of pay (\$22,000 if you're 50 and older). As the employer, you can contribute an additional 20% of up to \$245,000 in net profit—but only up to a total of \$54,500 for both contributions.

Let's say you have net income of \$70,000. You'd be able to contribute \$22,000 for the employee portion. And you'd be able to contribute up to 20% of the \$70,000 for the employer share. After subtracting self-employment tax for Medicare and Social Security, your total contribution would be about \$35,000.

An individual 401(k) is more complex and can be more costly to administer than the SIMPLE and SEP. Plan documents can run 10 to 15 pages, and the plan

must file an annual tax return. Fees range from zero to \$750, depending on your administrator, says Rick Meigs, president of 401khelpcenter.com.

Until the past few years, specialized employee-benefits firms owned the solo 401(k) space, but now you can open an account at firms such as Charles Schwab, Fidelity and TD Ameritrade. Meigs says that business owners should compare the fees for prospective administrators and investments. For instance, he says, an insurance company may not charge an administrative fee, but you could end up paying a big tab for the company's variable annuity. It will likely be cheaper to go with a discount broker that charges a fee but offers low-cost index funds as investments, he says.

Finding the Best Fit

If you have employees, you will need to choose between a SIMPLE and a SEP. A SIMPLE works best if you want your employees to fund most of their retirement costs. Choose a SEP if you can afford the employee contributions and if you have enough income to save more than the SIMPLE maximum.

The decision is more difficult if you have no employees. If your income is low, the SIMPLE is likely a better bet than a SEP. Say you're a 60-year-old earning \$10,000 in consulting fees. With a SEP, you'd be able to contribute \$1,858. With a SIMPLE, you'd be able to put away your entire income.

At this income level, the SIMPLE beats the SEP because the SIMPLE allows the deferral of the first \$11,500 (or 100% of income) plus the match and catch-up contribution. The SEP only allows you to defer a percentage of income.

At a certain level of income, the total plan contributions for a self-employed person are just about the same whether you use a SIMPLE or a SEP. The break-even point for older workers is \$88,500, says Rande Spiegelman, vice-president for financial planning for Charles Schwab. At that income, you can contribute about \$16,450 to either a SEP or a SIMPLE. "Anything over that favors the SEP," says Spiegelman. If your income is lower, you could contribute more to the SIMPLE.

However, Spiegelman says, the individual 401(k) may be your best bet of all. If you think you may be earning \$20,000 or more every year, it may be worth the extra expense and hassle to set up the solo 401(k). Both the SEP and the solo 401(k) allow you to set aside 20% of net profit, but the 401(k) adds that extra punch: You can contribute the first \$22,000 in income

if you're 50 and older. "If you ever think your business will grow, why not set up a plan with the maximum capacity?" Spiegelman says.

Your decision could hinge on how much you can afford to set aside for retirement. The 401(k) is a great option if you want to supercharge your nest egg. Perhaps you can live off your spouse's income or a pension. Depending on your business' profitability, you may be able to contribute considerably more than half of your income.

Let's say you're a 62-year-old consultant with net profit of \$40,000. You'd be able to contribute \$7,400 to a SEP or \$15,100 to a SIMPLE, taking into account the self-employment tax. With an individual 401(k), you'd be able to boost your tax-deferred retirement kitty by \$29,400. With a profit of \$150,000, you could contribute \$50,300 to an individual 401(k), compared with \$28,300 to a SEP and \$18,200 to a SIMPLE.

However, your choice would be different if you needed to keep most of your business income. "If you can't take advantage of the higher contributions and the catch-up, there's no reason to go through the aggravation of the 401(k)," says Meigs.

Another reason to forgo a solo 401(k): If you think there's a chance you'll be hiring employees. "You would have to terminate the plan and that is costly, and then you would have to roll it into a new SEP," Meigs says. "It's easier to have a SEP and continue that with new employees." You can use the calculator at www.401khelpcenter.com or www.vanguard.com to help you compare the tax-deductible contributions of all three plans.

As long as you have income from self-employment, you can open any one of these plans even if you have a job elsewhere. But the potential for tax-deferred savings could be reduced if you're also contributing to a company plan's 401(k).

The most you can contribute to an employer-sponsored 401(k) is \$22,000 with the catch-up contribution. Say you're working full-time at a company with a 401(k) and you set up a solo 401(k) for a catering or furniture-restoring side business. If you're contributing \$20,000 to your employer's 401(k), you can contribute just \$2,000 to the solo plan.

In this case, you would be better off with a SEP because of its lower cost. You can still contribute to your company's 401(k). Plus, you can defer up to 20% of your income from the side business, as long as the total contribution from both jobs does not exceed \$54,500. **K** —SUSAN B. GARLAND

If You Die, Will Your Heirs Know What to Do?



YOU THINK you have taken care of your heirs. Your estate plan is current. The life insurance policy is paid up. And the right computer passwords can unlock all the details of your IRA, 401(k) and brokerage accounts. There's only one thing you forgot: You haven't told your spouse or children where to find anything.

Drawing up a letter of instruction now can spare your family a load of aggravation if you die or become suddenly incapacitated. At the very least, the letter should list all of your investment accounts, insurance policies, loans, cemetery plot records, real estate holdings, military benefits, overseas assets and even frequent-flier memberships. It should also provide the location of important documents and the names of key contacts, such as your lawyer, financial adviser and insurance agent.

Stuart Kessler, a director of J.H. Cohn, an accounting firm in New York City, provides a model letter of instruction to clients. He describes it as a "road map" for heirs. "You'd be surprised how many spouses don't know where the wills are," he says.

Kessler's letter directs heirs to cancel club memberships and to call current and past employers regarding company benefits and stock options. If you'd prefer that mourners donate to a specific charity rather than send flowers, stick it in the letter.

Soon after Larry Knapp retired two years ago from Caterpillar, his wife, Janis, asked to see all of the couple's financial records. They were stacked in piles and boxes in his home office. Knapp, 63, who lives in Eureka, Ill., says it took about 12 full days, spread over three months, to sort through everything.

Knapp placed all relevant documents in a binder that Janis and their four daughters could find easily. "I am more peaceful now," says Knapp. "If something happens to me or to both of us, I know that someone can come in here in a painless manner without having to go through all those boxes."

As his guide, Knapp used the *Family Love Letter* (www.familyloveletter.com), a booklet created by John Scroggin, an estate lawyer in Roswell, Ga., and Donna Pagano, a financial planner in Westlake Village, Cal.

Horror Stories of Neglect

Scroggin says detailed instructions can ensure that heirs don't miss out on their inheritance. He recalls one client who had an insurance policy of about \$500,000. The premium was paid automatically from his bank account. When he had a stroke and could no longer handle his affairs, his children terminated the bank account and transferred the funds. The policy was canceled because premiums went unpaid. "They lost all of the insurance," he says.

Another client's children dutifully paid his nursing-home bills for years. When he died, they discovered he had long-term-care insurance. The insurer refused to reimburse them because they had missed the claim-filing deadline.

Pagano says the exercise also serves as a reminder to update documents. For instance, you may have forgotten to change your beneficiary designations on pensions and IRAs. "Some accounts have left survivor benefits to a previous spouse," she says.

Also include funeral instructions and information you would like in your obituary, says Wynne Whitman, an estate lawyer for Schenck, Price, Smith & King, in Florham Park, N.J. Note if you already paid for your funeral and whether you'd like to be buried or cremated. Record preferences for music and speakers.

Whitman says the letter should be kept in an "important paper drawer" at home. Let your family know where it is. "People need to be able to get to the letter of instruction quickly," she says.

Make sure to note the location of any items you may have hidden. Whitman recalls one family whose relative had secreted away the sterling. "It was hidden behind the furnace," she says. "They had to use a metal detector to find it." **K** —SUSAN B. GARLAND



ESTATE PLANNING

A Prenup Can Protect Your Spouse and Kids

LOVE MAY be blind, but couples should enter second marriages with their eyes wide open. Anyone walking down the aisle for a second time—especially those who have children or significant assets—should consider a prenuptial agreement.

A prenuptial agreement is a contract signed before marriage that addresses what would happen to the couple's assets after a divorce or death. Without an agreement, it will be up to the divorce courts or probate courts to divide up the assets according to state law, often with results that neither spouse would want.

It's critical to start the process long before you walk down the aisle, says Sheila Riesel, a partner in the matrimonial group at Blank Rome, in New York City. "The person who wants the prenup needs to say, 'Before we get married, here are financial issues we should discuss and figure out how to resolve,'" she says. "I don't think anyone looks forward to this process, but it's a good one to go through."

Indeed, if you present the agreement within days or even weeks of the wedding, the contract could be invalidated later, says Jason Smolen, an estate lawyer in Vienna, Va. "There's a sense that the party receiving the agreement at that late hour might not have time to properly consider its consequences," he says.

Once you agree to a prenup, both parties must disclose all financial assets or risk having the entire contract thrown out. According to Rima Ports, an estate lawyer at Beermann Swerdlove, in Chicago, this disclosure typically consists of a schedule of assets with

descriptions, values and account numbers, any debts, and all sources of income. The disclosure might also include several years of tax returns.

Both parties can hammer out some of the basic terms on their own to avoid racking up legal fees. Then each party must be represented by his and her own lawyer. A prenup runs between 15 and 40 pages, along with financial disclosure documents for each party. The costs range from \$2,000 for the simplest contracts to well beyond \$15,000 for complex agreements.

Yours, Mine and Ours

A prenuptial agreement can cover a range of issues. You could determine what will happen to your home in the case of a divorce or death. For example, the document might spell out that a wife who outlives her husband can stay in the house that was once his, but must leave it to his children upon her death.

You could decide whether the income and property you and your spouse bring into the marriage is marital or separate property. You can also agree on what happens to assets you each acquire, perhaps an inheritance, during the marriage. The same goes for debts incurred during and before the marriage.

A wealthy spouse can use a prenup to protect assets while also ensuring the security of the less-wealthy spouse. The agreement could set aside a certain amount of assets to the needier spouse. "Most of the time, people want to think about having assets flow back to their respective families once they've taken care of their second spouse," says Smolen. For example, he says, some couples note in the prenup that the spouse will get the house and an insurance policy, while the other assets will go to the kids.

You'll want to make sure that your prenuptial agreement, wills and trusts are all in sync, says Ports. In cases where there are discrepancies, she says "a prenuptial agreement would typically trump a will and trust, but the surviving spouse would have to go through a lot of legal hoops to get the matter settled." After you end your negotiations, you may want to share your plans with your children to help ease their minds.

A prenup should spell out plans for family heirlooms or items with emotional value. Otherwise, your second husband might keep your dad's baseball collection even though you promised it to your son. "Even for clients who have millions of dollars, the thing that may be most valuable to them is a ring from their grandmother," says Daniel West, a financial planner at the Moneta Group, in Clayton, Mo. **K** —ERIN PETERSON

A First-Hand Account From the Stroke Belt

I LIVE IN what's known as the Stroke Belt, a region in the southeastern U.S. that has a considerably higher incidence of stroke than other parts of the country. In early March, I became another statistic for the cardiovascular-disease database.

Unlike many stroke victims, I exercised every day. I am not a smoker or drinker, and I rarely eat fried food. I ate at McDonald's only once in my life. I believe my stroke resulted from stress, following several months of intensive personal care for my wife, Susan. She died six hours after I had my stroke.

I hadn't realized how emotionally involved I was with Susan's cancer. I handled many of the household chores as I watched her health decline until she became bedridden. My internist warned me to take better care of myself. I thought I was being "Mr. Cool."

On March 6, while someone was tending to my wife of 54 years, my daughter, Laura, and I went out to lunch, ran some errands and had an overall relaxing day. At 9:30 that night, I started getting ready for bed. I kissed my wife goodnight. I thought I was putting on my pajamas, but I soon realized I was on the floor. I called for Laura, who was in the living room adjacent to the bedroom, and she called for an ambulance.

At Duke University Hospital in Durham, N.C., I underwent numerous tests, including an MRI that showed bleeding in my brain. I now know I experienced a thalamic stroke on the right side of my brain. I lost the use of and feeling in my left arm and leg. However, I was still able to process information and speak fairly well, and I had control of my right-side motor skills.

I was transferred from the intensive care unit to the regular medical floor of the hospital after six days. I was interviewed by the medical management team from Durham Rehabilitation Institute. To become a rehab patient, I was told I would have to undergo a rigorous regimen of at least two types of skilled therapies and be able to tolerate at least three hours a day of active participation. I had to agree to the terms before DRI would accept me.

I have three therapists. Occupational therapy consists of practical points of day-to-day living, including dressing, grooming and personal care. Physical therapy deals with strengthening muscles and teaching the patient how to regain balance and sit correctly.

Because my speech and language were not affected, my speech therapist and I have been focusing on my concentration, ability to put thoughts on paper and expressing ideas cogently. This article is a product of that. I dictated part of it and wrote part of it long hand. My therapist typed it into the computer.

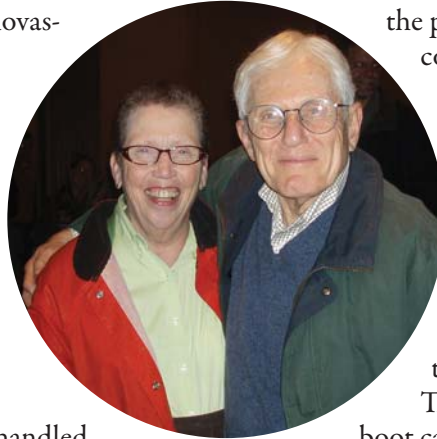
The entire therapy process is a kind of boot camp. At times, I find it rather arduous because I am working on functions that I was once able to perform automatically.

Now I have to focus on learning how to turn in bed, put on my clothes and attend to tasks that were routine for me only a couple of months ago.

In the first weeks of the program, I realized the importance of setting goals. I feel somewhat like the baby who wins the adulation of parents when he or she turns over or sits up for the first time. I remember when Laura was about four months old and how excited Susan and I were when she began to crawl to us.

You would think that the death of my wife would make my recovery more difficult. But I went into mourning when I first heard that Susan had terminal cancer in March 2010. I knew that our anniversary on April 14 would be our last and that our trip to the North Carolina coast we loved would be our final one. By the time she died, I already had done my grieving.

I think many people throw pity parties for themselves after these types of life-changing events, but that attitude doesn't solve anything. Thanks to my therapists, my balance and my attention span have been improving, and I can do more things with less assistance. Although I am impatient to get better, I do take pleasure in small gains. Before she died, Susan picked out my apartment in a retirement community. I am determined to get there. **K**



Robert Otterbourg and his wife, Susan

Robert K. Otterbourg is a regular contributor to Kiplinger's Retirement Report.

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