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***DON'T SHORT CHANGE
YOURSELF: CONSIDER
PRUDENT PLANNING***

By Dana E. Bookbinder, Esquire

Stone Harbor, NJ
Princeton, NJ
Huntington Valley, PA

Having devoted a large portion of our practice to seniors and their legal issues, our office is aware that many seniors are reluctant to use financial planners because they feel safer keeping their liquid assets in the bank. Over the years, we have come across many instances where a client has as much as \$50,000 in a checking account. Very often a client will have the vast majority of his or her liquid assets in CD's, losing the opportunity to increase the value of the assets beyond what the bank would pay and giving up the right to access the assets when needed without penalty.

Maintaining an emergency fund and a conservative investment strategy is generally prudent for an individual who has retired; yet, if a senior foregoes financial planning because he is clinging to suspicions regarding financial advisers and securities, he short changes himself. His assets may stagnate while his expenses continue to increase.

Those who have always regarded the financial planning field with suspicion and angst will probably find it reassuring to know that this profession is very tightly regulated. Generally, securities that are traded, the financial companies issuing the securities, and the financial planner advising the clients are all subjected to stringent rules requiring multiple disclosures to clients. Certainly, there are many individuals who tempt seniors with free lunches and prey on fears to sell financial products while circumventing the legal safeguards in place to protect seniors who wish to invest. However, a senior citizen with a little knowledge who meets with a

reputable planner to discuss asset preservation stands to gain far more than an individual who fails to educate himself on planning and simply chooses to leave his assets in a bank account or CD with minimal interest payments.

Most of us live in fear of outliving our money. Given the risk that approximately 70% of Americans require some form of long term care after age 65 and the fact that long term care facilities cost anywhere from \$5,000 to \$10,000 per month in our area, this fear is a realistic prospect. A couple with no advance planning may find themselves strapped when trying to maintain their house in the event one of them becomes sick. Couples or individuals who are proactive, on the other hand, may choose to purchase long term care insurance with some IRA assets, for example, or they may have created a trust through legal Asset Protection Planning to safeguard assets. Another elderly individual worried that his children may be financially exploiting him may be wise to place certain assets in a life annuity that will guarantee him an income stream for the duration of his life. On the other hand, the family that leaves all assets in a bank account or CD is generally not keeping up with inflation, let alone growing assets for future needs.

When armed with knowledge, a senior can grow assets successfully while maintaining control of and access to his money. For example, whenever meeting with an advisor to discuss an annuity, see if the advisor discloses surrender or withdrawal charges and the term during which these charges apply. (If the advisor fails to emphasize these points to you, switch advisors.) If

you intend to create an annuity, determine how much you can afford to lock up for a certain time period. Have a diversified asset plan for your remaining savings so that you can access a lump sum at any given time if necessary. Minimize your risk of catastrophic loss by purchasing an "umbrella" insurance policy to supplement your auto insurance. When investing in stocks, consider a "stop loss" order, which establishes a predetermined level at which your investment will automatically be sold so that you do not have to withstand significant losses. Financial advisors have programs to track trends in stock values and can advise you on how to structure the "stop loss" order to minimize your risk. Ask your financial advisor about products such as long term care insurance that converts into a life insurance death benefit if it is unused. Consider investments such as inflation protected bonds, interests in commercial real estate, closed-end funds, Canadian trusts, or preferred (as opposed to common) stocks.

Remember, financial advisors are bound by regulations with stiff penalties to be sensitive and responsive to their clients' needs, risk tolerance, and need for liquidity. Never tolerate a financial advisor who is unresponsive to your needs or coercing you into a particular investment without your complete understanding and agreement. Beware of widespread troubling tactics where financial advisors artificially inflate their own credentials. Armed with the right questions, you can save substantial taxes for both you and your beneficiaries, find appropriately safe

investments, and guard against financial catastrophes such as long term illness, financial exploitation, or liability suits.

Begley, Begley & Bookbinder, P.C. seeks to enhance the lives of our clients by developing solutions and strategies to resolve their problems, preserve their assets and perpetuate their successes and values. Dana E. Bookbinder, Esq. is a Registered Investment Advisor by virtue of passing the Series 65 exam.

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509 South Lenola, Building 7, Moorestown, NJ 08057

800-533-7227

www.begleylawyer.com

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