BRIDGES
CONNECTIONS TO YOUR FINANCIAL FUTURE
VERMONT WEALTH & RETIREMENT
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From the President's Desk: Knowledge is Power

"An investment in knowledge pays the best interest." - Benjamin Franklin

At Vermont Wealth & Retirement we place a strong emphasis on coaching and education. We practice this in our business, continually refining our approach, staying informed about new tools and techniques, and by studying investment theory – past, present and future. One of the requirements of CFP® certification is 30 hours of continuing education every two years. In addition, we read research and periodicals, attend numerous seminars, interact with industry experts, and participate in coaching programs that help us become better coaches and educators to our clients and students.

We also continue to learn from our clients and students. This is where market theory and daily reality meet. And it's where we learn that, while there are general steps and guidelines to sound financial planning, every individual and family is unique. There are no cookie-cutter formulas. It is both art and science. Our approach to retirement planning is all about increasing knowledge, gaining insight, understanding options, and then making informed decisions... together.

"Risk comes from not knowing what you're doing" - Warren Buffett

This is why Vermont Wealth & Retirement offers a curriculum of educational courses, such as Retirement Planning Today. In addition, we offer a series of continuing education workshops on a wide variety of topics, from the history of investing, to planning for long-term care, to understanding social security, and more.

Coach or Advisor: Which is Right for You?

In addition to our role as financial educator, the second key component to the Vermont Wealth & Retirement approach is that of Coaching.

Today's financial services industry is evolving and dynamic. We have the ability to receive information and often act on that information almost instantly. However, as the speed of information has increased, so does the need for calm and clarity.

Financial coaching is different from traditional financial advice. How is it different? Financial and investment coaching goes beyond typical financial planning and advice to help you identify your investment philosophy, understand your investment strategy, and provide discipline throughout your investment experience. Coaching will not only help you identify the right strategy for you, but help you keep your decisions and behavior regarding your investments on track for achieving the results you want.

So what is the difference between a coach and advisor? The distinction is fairly simple. A financial advisor provides advice on financial products and services. A coach works to help the client set goals, develop plans and take action to reach their goals. Additionally, we provide ongoing coaching, education and guidance.

Some investors prefer the advisor model. These individuals tend to be disciplined, have already accumulated wealth and are confident in their overall knowledge of financial planning tools. They are seeking focused expertise and advice on specific financial products.

The coaching model is more long-term. It's an ongoing collaborative relationship involving exploration of goals, dreams, strengths and weaknesses. Clients who prefer the coaching model are typically very good at making and saving money, but recognize a need for greater knowledge in how to "be retired." Coaches encourage clients to develop greater financial knowledge, and believe an informed client will help assure each decision they make has the maximum possible positive impact on their situation.

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That's the Vermont Wealth approach in a nutshell: A dedication to continuous learning on both sides of the desk, and a belief that successful retirement planning is a team effort built on mutual respect.

I look forward to seeing you at one of upcoming classroom courses or workshops. In the meantime, if you have any questions regarding retirement planning, please give me a call at 802-489-5310 or email tcarney@vermontwealth.com.

Tim Carney
President, Vermont Wealth & Retirement

How Much Annual Retirement Income Will You Need?

How much annual income will you need in retirement? If you aren't able to answer this question, you're not ready to make a decision about retiring. And, if it's been more than a year since you've thought about it, it's time to revisit your calculations. Your whole retirement income plan starts with your target annual income, and there are a significant number of factors to consider; start out with a poor estimate of your needs, and your plan is off-track before you've even begun.

General guidelines

It's common to discuss desired annual retirement income as a percentage of your current income. Depending on who you're talking to, that percentage could be anywhere from 60% to 90%, or even more, of your current income. The appeal of this approach lies in its simplicity, and the fact that there's a fairly common-sense analysis underlying it: Your current income sustains your present lifestyle, so taking that income and reducing it by a specific percentage to reflect the fact that there will be certain expenses you'll no longer be liable for (e.g., payroll taxes) will, theoretically, allow you to sustain your current lifestyle. The problem with this approach is that it doesn't account for your specific situation. If you intend to travel extensively in retirement, for example, you might easily need 100% (or more) of your current income to get by. It's fine to use a percentage of your current income as a benchmark, but it's worth going through all of your current expenses in detail, and really thinking about how those expenses will change over time as you transition into retirement.

Factors to consider

It all starts with your plans for retirement—the lifestyle that you envision. Do you expect to travel extensively? Take up or rediscover a hobby? Do you plan to take classes? Whatever your plan, try to assign a corresponding dollar cost. Other specific considerations include:

- Housing costs--If your mortgage isn't already paid off, will it be paid soon? Do you plan to relocate to a less (or more) expensive area? Downsize?
- Work-related expenses--You're likely to eliminate some costs associated with your current job (for example, commuting, clothing, dry cleaning, retirement savings contributions), in addition to payroll taxes.
- Health care--Health-care costs can have a significant impact on your retirement finances (this can be particularly true in the early years if you retire before you're eligible for Medicare).
- Long-term care costs--The potential costs involved in an extended nursing home stay can be catastrophic.
- Entertainment--It's not uncommon to see an increase in general entertainment expenses like dining out.
- Children/parents--Are you responsible financially for family members? Could that change in future years?
- Gifting--Do you plan on making gifts to family members or a favorite charity? Do you want to ensure that funds are left to your heirs at your death?

Accounting for inflation

Inflation is the risk that the purchasing power of a dollar will decline over time, due to the rising cost of goods and services. If inflation runs at its historical long term average of about 3%, a given sum of money will lose half its purchasing power in 23 years. Assuming a consistent annual inflation rate of 3%, and excluding taxes and investment returns in general, if $50,000 satisfies your retirement income needs in the first year of retirement, you'll need $51,500 of income the next year to meet the same income needs. In 10 years, you'll need about $67,196. In other words, all other things being equal, inflation means that you'll need more income each year just to keep pace. ■

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Investment Considerations

A well-thought-out asset allocation in retirement is essential. But consideration must also be given to the specific investments that you choose. While it's impossible to discuss every option available, it's worth mentioning investment choices that might have a place in the income-producing portion of your overall investment strategy.

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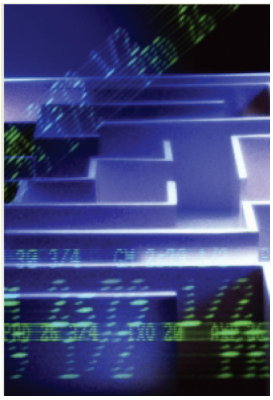
Immediate Annuities



Immediate annuities are a common investment option for retirement income planning primarily because they provide the opportunity to receive a stream of income for the rest of your life, based on the claims-paying ability and financial strength of the annuity issuer. Immediate annuities typically provide the choice of receiving a steady income for a fixed period of time or for the rest of your life, or for the joint lives of you and another. Immediate annuity payments begin within one year from your investment in the annuity and once payments begin, they typically can't be changed, although some exceptions may apply. The amount of each annuity payment is based on a number of factors including the amount of your investment (premium), your age, your gender, whether payments will be made to you or to you and another person, and whether payments will be made for a fixed period of time or for life. Most immediate annuity payments are for a fixed amount, so they may not keep up with cost of living increases or your changing income needs. Also, if you select a life only payment option without a survivor benefit, you may not live long enough to receive payments at least equal to your investment in the annuity.

Bonds

A bond portfolio can help you address investment goals in multiple ways. Buying individual bonds (which are essentially IOUs) at their face values and holding them to maturity can provide a predic table income stream and the assurance that unless a bond issuer defaults, you'll receive the principal when the bond matures. (Bear in mind that if a bond is callable, it may be redeemed early, and you would have to replace that income.) You also can buy bond mutual funds or exchange-traded funds (ETFs). A bond fund has no specific maturity date and therefore behaves differently from an individual bond, though like an individual bond, you should expect the market price of a bond fund share to move in the opposite direction from interest rates.

Dividend-paying stocks

Dividend-paying stocks, as well as mutual funds and ETFs that invest in them, also can provide income. Because dividends on common stock are subject to the company's performance and a decision by its board of directors each quarter, they may not be as predictable as income from a bond. Dividends on preferred stock are different; the rate is fixed and they're paid before any dividend is available for common stockholders.

Other options worth noting

- Certificates of deposit (CDs)-- CDs offer a fixed interest rate for a specific time period, and usually pay higher interest than a regular savings account. Typically, you can have interest paid at regularly scheduled intervals. A penalty is generally assessed if you cash them in early.
- Treasury Inflation-Protected Securities (TIPS)-- These government securities pay a slightly lower fixed interest rate than regular Treasuries. However, your principal is automatically adjusted twice a year to match increases in the Consumer Price Index (CPI). Those adjusted amounts are used to calculate your interest payments.
- Distribution funds- Some mutual funds are designed to provide an income stream from year to year. Each fund's annual payment (either a percentage of assets or a specific dollar amount) is divided into equal payments, typically made monthly or quarterly. Some funds are designed to last over a specific time period and plan to distribute all your assets by the end of that time; others focus on capital preservation, make payments only from earnings, and have no end date. You may withdraw money at any time from a distribution fund; however, that may reduce future returns. Also, payments may vary, and there is no guarantee a fund will achieve the desired return. ■

The bottom line is that annuities may be seen as a full or partial solution, since they can offer stable, predictable income payments, but they're not right for everyone.

These are just a few of the options worth considering - there are many more. You should not invest in any of these options without a full understanding of the advantages and disadvantages the option offers, as well as an understanding of how any earnings are taxed.

Before investing in a mutual fund, carefully consider the investment objectives, risks, charges, and expenses of the fund. This information is available in the prospectus, which can be obtained from the fund. Read it carefully before investing. All investing involves risk, including the possible loss of principal.

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Common Factors Affecting Retirement Income

When it comes to planning for your retirement income, it's easy to overlook some of the common factors that can affect how much you'll have available to spend. If you don't consider how your retirement income can be impacted by investment risk, inflation risk, catastrophic illness or long-term care, and taxes, you may not be able to enjoy the retirement you envision.

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Investment risk

Different types of investments carry with them different risks. Sound retirement income planning involves understanding these risks and how they can influence your available income in retirement.

Investment or market risk is the risk that fluctuations in the securities market may result in the reduction and/or depletion of the value of your retirement savings. If you need to withdraw from your investments to supplement your retirement income, two important factors in determining how long your investments will last are the amount of the withdrawals you take and the growth and/or earnings your investments experience. You might base the anticipated rate of return of your investments on the presumption that market fluctuations will average out over time, and estimate how long your savings will last based on an anticipated, average rate of return.

Unfortunately, the market doesn't always generate positive returns. Sometimes there are periods lasting for a few years or longer when the market provides negative returns. During these periods, constant withdrawals from your savings combined with prolonged negative market returns can result in the depletion of your savings far sooner than planned.

Reinvestment risk is the risk that proceeds available for reinvestment must be reinvested at an interest rate that's lower than the rate of the instrument that generated the proceeds. This could mean that you have to reinvest at a lower rate of return, or take on additional risk to achieve the same level of return. This type of risk is often associated with fixed interest savings instruments such as bonds or bank certificates of deposit. When the instrument matures, comparable instruments may not be paying the same return or a better return as the matured investment.

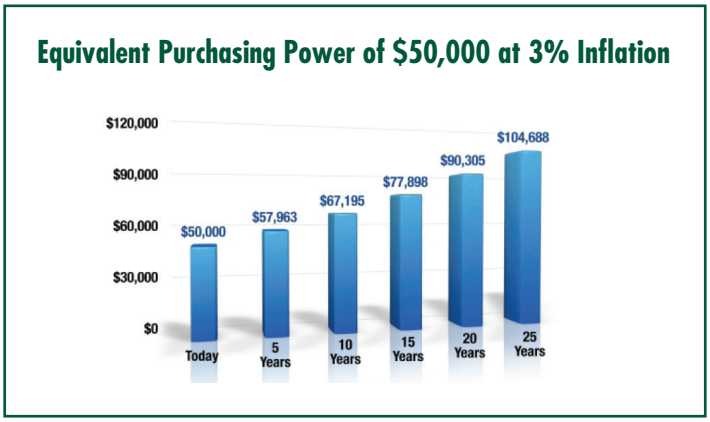
Interest rate risk occurs when interest rates rise and the prices of some existing investments drop. For example, during periods of rising interest rates, newer bond issues will likely yield higher coupon rates than older bonds issued during periods of lower interest rates, thus decreasing the market value of the older bonds. You also might see the market value of some stocks and mutual funds drop due to interest rate hikes because some investors will shift their money from these stocks and mutual funds to lower-risk fixed investments paying higher interest rates compared to prior years.

Inflation risk

Inflation is the risk that the purchasing power of a dollar will decline over time, due to the rising cost of goods and services. If inflation runs at its historical long term average of about 3%, the purchasing power of a given sum of money will be cut in half in 23 years. If it jumps to 4%, the purchasing power is cut in half in 18 years.

A simple example illustrates the impact of inflation on retirement income. Assuming a consistent annual inflation rate of 3%, and excluding taxes and investment returns in general, if $50,000 satisfies your retirement income needs this year, you'll need $51,500 of income next year to meet the same income needs. In 10 years, you'll need about $67,195 to equal the purchasing power of $50,000 this year. Therefore, to outpace inflation, you should try to have some strategy in place that allows your income stream to grow throughout retirement.

(The following hypothetical example is for illustrative purposes only and assumes a 3% annual rate of inflation without considering fees, expenses, and taxes. It does not reflect the performance of any particular investment.)



Long-term care expenses

Long-term care may be needed when physical or mental disabilities impair your capacity to perform everyday basic tasks. As life expectancies increase, so does the potential need for long-term care.

Paying for long-term care can have a significant impact on retirement income and savings, especially for the healthy spouse. While not everyone needs long-term care during their lives, ignoring the possibility of such care and failing to plan for it can leave you or your spouse with little or no income or savings if such care is needed. Even if you decide to buy long-term care insurance, don't forget to factor the premium cost into your retirement income needs.

The costs of catastrophic care

As the number of employers providing retirement health-care benefits dwindles and the cost of medical care continues to spiral upward, planning for catastrophic health-care

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costs in retirement is becoming more important. If you recently retired from a job that provided health insurance, you may not fully appreciate how much health care really costs.

Despite the availability of Medicare coverage, you'll likely have to pay for additional health-related expenses out-of-pocket. You may have to pay the rising premium costs of Medicare optional Part B coverage (which helps pay for outpatient services) and/or Part D prescription drug coverage. You may also want to buy supplemental Medigap insurance, which is used to pay Medicare deductibles and co-payments and to provide protection against catastrophic expenses that either exceed Medicare benefits or are not covered by Medicare at all. Otherwise, you may need to cover Medicare deductibles, co-payments, and other costs out-of-pocket.

Taxes

The effect of taxes on your retirement savings and income is an often overlooked but significant aspect of retirement income planning. Taxes can eat into your income, significantly reducing the amount you have available to spend in retirement.

It's important to understand how your investments are taxed. Some income, like interest, is taxed at ordinary income tax rates. Other income, like long-term capital gains and qualifying dividends, currently benefit from special--generally lower--maximum tax rates. Some specific investments, like certain municipal bonds, generate income that is exempt from federal income tax altogether. You should understand how the income generated by your investments is taxed, so that you can factor the tax into your overall projection.

Taxes can impact your available retirement income, especially if a significant portion of your savings and/or income comes from tax-qualified accounts such as pensions, 401(k)s, and traditional IRAs, since most, if not all, of the income from these accounts is subject to income taxes. Understanding the tax consequences of these investments is important when making retirement income projections.

Have you planned for these factors?

When planning for your retirement, consider these common factors that can affect your income and savings. While many of these same issues can affect your income during your working years, you may not notice their influence because you're not depending on your savings as a major source of income. However, investment risk, inflation, taxes, and health-related expenses can greatly affect your retirement income. ■

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Estate Planning and Your Retirement Plan Accounts

When you die, what will happen to your retirement plan benefits? In general, your retirement plan benefits pass to the beneficiaries you designate on the plan beneficiary designation form. Your benefits will generally be subject to estate tax at your death and to income tax when benefits are distributed from the plan to your beneficiaries.

Who receives your retirement plan benefits after your death?

You can designate who will receive your retirement plan benefits at your death by designating a beneficiary on the plan form for naming beneficiaries. (Your spouse may have certain rights in the retirement benefits.) It is generally recommended that you designate beneficiaries, their shares, and any backup beneficiaries on the plan beneficiary form.

If you do not have a named beneficiary (or the designated beneficiary predeceases you and you do not have a backup beneficiary), benefits will be distributed according to the terms of your retirement plans (which may specify certain default beneficiaries, such as a spouse). If retirement plan benefits end up distributed to your estate, the plan benefits will be distributed according to the terms in your will. However, if you do not have a will or if the benefits cannot be distributed under the terms of your will, the benefits will be distributed under your state's intestate succession laws. A typical intestate succession law might give one-half or one-third to your spouse with the balance divided equally among your children.

Estate taxation of your retirement plan benefits at your death

At your death, your retirement plan benefits will generally be included in your gross estate for federal estate tax purposes. However, if your retirement benefits consist of annuity payments for life that end at your death, there is nothing remaining to include in your gross estate. There is an unlimited marital deduction for property you leave to your surviving spouse, and an unlimited charitable deduction for property you leave to charity. You have an applicable exclusion amount that can protect some or all of your taxable estate from estate tax. If your retirement benefits pass to someone who is two or more generations younger than you, such as your grandchild, there may also be

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generation-skipping transfer (GST) tax. You have a GST exemption that can protect some or all of your GSTs from GST tax.

The applicable exclusion amount and the GST exemption are both equal to $5,430,000 in 2015. They are adjusted for inflation and may increase in future years.

Income taxation of retirement plan distributions after your death

After your death, your beneficiaries will generally be required to take distributions from your retirement plans over their life expectancies. The rules may be more favorable if your surviving spouse is the beneficiary of your retirement plan.

Generally, property that is included in your gross estate receives an income tax basis that is stepped-up (or stepped-down) to fair market value at your death. However, your retirement plan benefits do not receive such a step-up (or step-down) in basis. In general, for income tax purposes, your beneficiaries will include distributions from the retirement plan in income when received. Your beneficiaries can take an income tax deduction for estate tax attributable to the retirement plan benefits; the deduction is apportioned and taken into account as distributions are received and included in taxable income.

If you have made any nondeductible contributions, your beneficiaries can generally exclude a portion of the distributions from taxable income. However, if you have not made any nondeductible contributions, the entire distribution will generally be included in the beneficiary's taxable income.

On the other hand, distributions made after your death from a Roth 401(k) plan or a Roth IRA will generally be qualified distributions that are not taxable income to your beneficiaries (as long as certain five-year holding periods are met). A nonqualified distribution from a Roth IRA is treated as first coming from your contributions (which are nontaxable), and then from earnings (which are taxable). A nonqualified distribution from a Roth 401(k) plan, however, is treated as consisting of a pro-rata share of Roth contributions (nontaxable) and investment earnings on those contributions (taxable).

State taxation of retirement benefits

Your retirement benefits may also be subject to state estate, inheritance, GST, or income taxes. ■

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Health Insurance in Retirement

At any age, health care is a priority. When you retire, however, you will probably focus more on health care than ever before. Staying healthy is your goal, and this can mean more visits to the doctor for preventive tests and routine checkups. There's also a chance that your health will decline as you grow older, increasing your need for costly prescription drugs or medical treatments. That's why having health insurance is extremely important.

Retirement--your changing health insurance needs

If you are 65 or older when you retire, your worries may lessen when it comes to paying for health care--you are most likely eligible for certain health benefits from Medicare, a federal health insurance program, upon your 65th birthday. But if you retire before age 65, you'll need some way to pay for your health care until Medicare kicks in. Generous employers may offer extensive health insurance coverage to their retiring employees, but this is the exception rather than the rule. If your employer doesn't extend health benefits to you, you may need to buy a private health insurance policy (which will be costly) or extend your employer-sponsored coverage through COBRA.

But remember, Medicare won't pay for long-term care if you ever need it. You'll need to pay for that out of pocket or rely on benefits from long-term care insurance (LTCI) or, if your assets and/or income are low enough to allow you to qualify, Medicaid.

More about Medicare

As mentioned, most Americans automatically become entitled to Medicare when they turn 65. In fact, if you're already receiving Social Security benefits, you won't even have to apply--you'll be automatically enrolled in Medicare. However, you will have to decide whether you need only Part A coverage (which is premium-free for most retirees) or if you want to also purchase Part B coverage. Part A, commonly referred to as the hospital insurance portion of Medicare, can help pay for your home health care, hospice care, and inpatient hospital care. Part B helps cover other medical care such as physician care, laboratory tests, and physical therapy. You may also choose to enroll in a

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managed care plan or private fee-for-service plan under Medicare Part C (Medicare Advantage) if you want to pay fewer out-of-pocket health-care costs. If you don't already have adequate prescription drug coverage, you should also consider joining a Medicare prescription drug plan offered in your area by a private company or insurer that has been approved by Medicare.

Unfortunately, Medicare won't cover all of your health-care expenses. For some types of care, you'll have to satisfy a deductible and make co-payments. That's why many retirees purchase a Medigap policy.

What is Medigap?

Unless you can afford to pay for the things that Medicare doesn't cover, including the annual co-payments and deductibles that apply to certain types of care, you may want to buy some type of Medigap policy when you sign up for Medicare Part B. There are 10 standard Medigap policies available. Each of these policies offers certain basic core benefits, and all but the most basic policy (Plan A) offer various combinations of additional benefits designed to cover what Medicare does not. Although not all Medigap plans are available in every state, you should be able to find a plan that best meets your needs and your budget.

When you first enroll in Medicare Part B at age 65 or older, you have a six-month Medigap open enrollment period. During that time, you have a right to buy the Medigap policy of your choice from a private insurance company, regardless of any health problems you may have. The company cannot refuse you a policy or charge you more than other open enrollment applicants.

Thinking about the future--long-term care insurance and Medicaid

The possibility of a prolonged stay in a nursing home weighs heavily on the minds of many older Americans and their families. That's hardly surprising, especially considering the high cost of long-term care.

Many people in their 50s and 60s look into purchasing LTCI. A good LTCI policy can cover the cost of care in a nursing home, an assisted-living facility, or even your own home. But if you're interested, don't wait too long to buy it--you'll need to be in good health. In addition, the older you are, the higher the premium you'll pay.

You may also be able to rely on Medicaid to pay for long-term care if your assets and/or income are low enough to allow you to qualify. But check first with a financial professional or an attorney experienced in Medicaid planning. The rules surrounding this issue are numerous and complicated and can affect you, your spouse, and your beneficiaries and/or heirs.

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Long-Term Care Insurance: *How Does It Work?*

Whether you've had a long-term care insurance (LTCI) policy for years or you're thinking of buying one, it's critical to understand exactly what set of conditions will trigger coverage. This information is the bread and butter of any LTCI policy. In addition, you should know how to file a claim, preferably before you're on the verge of needing care.

What determines if you're entitled to benefits?

LTCI policies differ on how benefits are triggered, so it's crucial to examine your individual policy. Here are some typical ways you can become eligible for benefits:

- You're unable to perform a certain number of activities of daily living (ADLs) without assistance, such as eating, bathing, dressing, continence, toileting (moving on and off the toilet), and transferring (moving in and out of bed). Look in your policy to see what ADLs are included, the number you must be unable to perform, and how your policy defines "unable to perform" for each ADL, as criteria can vary from one company to another (e.g., does the definition require someone to physically assist with the activity or simply to supervise the activity?).
- Your doctor has ordered specific care.
- Your care is medically necessary.
- Your mental or cognitive function is impaired.
- You've had a prior hospitalization of at least three days (this is rare with newer policies).

An LTCI policy may contain one or more of these provisions. The more specific the language in the provision, the less room for disagreements about coverage.

Who determines if you're entitled to benefits?

Just as important as what triggers benefits is the question of who decides if you've triggered them. These gatekeepers are an integral part of any LTCI policy--after all, they're the ones whom insurance companies rely on before paying out claims. In some cases, a policy may have more than one gatekeeper.

The best policies let you qualify for benefits if your own doctor orders specific care, rather than require that you be

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examined by an insurance company physician. Similarly, it's insurance companies that define performance criteria for ADLs, as well as create and administer tests to see if you satisfy the mental impairment threshold. Make sure you know who the ultimate decision maker is under your policy.

When will benefits start?

Most LTCI policies have a waiting period, commonly known as an elimination period, before you can start receiving benefits after you're judged medically eligible. Common waiting periods are 20, 30, 60, 90, or 100 days. During any waiting period, you're responsible for paying for your care, whether it's in a nursing home, an assisted-living facility, or in your home.

Some LTCI policies have no waiting period--you can start receiving benefits on the first day you need care. However, this type of policy is more expensive than a policy with a waiting period. Generally speaking, the longer the waiting period, the less expensive the policy.

Keep in mind that the calculation of the waiting period can vary from company to company. Some companies may count the days cumulatively (e.g., adding up the total number of days you spend in a nursing home, even with gaps), while others may count the days consecutively (e.g., adding the total number of days you spend in a nursing home without interruption). Also, some companies require only one waiting period for the life of the policy, while others require a waiting period every time you apply for benefits (unless you become eligible for benefits again within a certain period of time, such as six months or a year, in which case only one waiting period will need to be satisfied).

The mechanics of filing a claim

Ideally, you should know how to file a claim before you actually need benefits--you don't want to lose coverage on a technicality. Typically, filing a claim means submitting a written notice to the insurance company, along with a proof-of-loss form (supplied by the insurance company) and relevant medical records.

Most policies require you to give written notice of a claim within a specific time after needing care (e.g., 30 or 60 days). In addition, you may need to verify your condition in writing every 30 to 90 days. The company may also require you to submit to an independent medical evaluation by a physician of its choosing to verify your claim.

Follow the instructions in your policy carefully. If you don't, your insurance company can deny you benefits, in which case your only recourse will be to make a complaint with your state insurance department or file a lawsuit (and most companies limit the period of time in which you can file a lawsuit). Don't let all those premium payments go to waste--take the time now to understand the claims-filing process for your policy.

Your asset allocation strategy in retirement will probably be different than the one you used when saving for retirement. During your accumulation years, your asset allocation decisions may have been focused primarily on long-term growth. But as you transition into retirement, your priorities for and demands on your portfolio are likely to be different. For example, when you were saving, as long as your overall portfolio was earning an acceptable average annual return, you may have been happy. However, now that you're planning to rely on your savings to produce a regular income, the consistency of year-to-year returns and your portfolio's volatility may assume much greater importance.

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