30s

40s

50s

60s

Aging Through the Decades

BY GUY FIORITA

Aging. No matter how hard we try — and we've seen people try really hard — there's just no stopping it. As we age, things inevitably change, and when it comes to financial and legal planning, each new decade brings its own unique challenges. Experts say the best way to age gracefully is knowing what to expect and then planning accordingly. From your 30s to your 60s, here is a decade-by-decade guide to the financial and legal issues you will need to consider.

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According to Jean Range, CFP and financial adviser at Ellenbecker Investment Group, the first thing we should do in our 30s is establish a relationship with a certified financial planner. "It is best to start early on this. In a perfect world, this relationship will develop over many meetings. So at retirement when you are making lifelong decisions, your adviser understands you, your family and your goals," she says.

Range also says some very simple and common sense steps should be taken in this decade. "Start with the basics," she explains. "Check your job benefits to make sure you are taking advantage of all the company has to offer, especially in the way of insurance and savings. You should also create a personal filing system to get your financial documents organized. If possible, create an emergency fund that is typically six months of your living expenses."

It may seem like a long time away, but Range also says that this is the right time to make a habit of saving for retirement. "There is a cost of waiting to save. If you want to accumulate $500,000 at the time of retirement given a 5 percent rate of return, you would need to save $611 a month over a 30-year period, but that number jumps to $1,880 a month given only 15 years," she says. "That's over three times as much in half the time." For Range, the key is to set a specific retirement savings goal. "Ask yourself what you will need to live on at retirement to enjoy the quality of life you dream about and then work toward that goal."

One mistake people make in their 30s is being overly ambitious about their 401(k) and trying to put more into it than they can afford. Sometimes the amounts are unrealistic, and when a problem comes up like needing a new car, they stop contributing all together. Most experts say the best option at this age is contributing regularly and at least enough to get the employer match, which is typically 50 percent of up to 6 percent of one's salary.

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According to Eido Walny, founder and managing attorney at the Walny Legal Group, the most important documents to consider in your 30s are power of attorney and HIPPA documents. "Until you are married and have children, it is probably too early to worry about wills. If you are single, have no children and die without a will, in Wisconsin your assets will automatically go to your closest relatives under the state's intestate succession laws. In this case, that would probably be your parents," he says.

Even for those who don't have a spouse or children, Walny says there are things you have to consider. "First of all, power of attorney. In the case of an emergency, you need someone to help you with medical decisions, financial decisions and get health care information for you, which is what HIPPA does," he explains. "These are by far the most important documents, and we recommend them for anyone over the age of 18."

Once you have a family, it is time to get more serious about your estate plan. "Now it is time to make a will and to make sure your spouse is your agent," Walny says. "You also may want to set up a revocable trust so that if your children are left alone, they won't inherit the entire estate when they are 18, which can end up ruining their lives. It may be early and hopefully you won't need the will for a long time, but now is the moment to protect the assets you are accumulating to make sure they go where and how you want them to."

Paul Bucher of Bucher Law Group, LLC agrees that it is never too soon to think about what he calls the "big three:" a living will, power of attorney and a will/trust. Bucher adds that it is of vital importance to get help doing so. "Don't try to do it on your own or online. There are too many variables like whether you are married, have kids, are single or divorced, and it is wise to find a good attorney to help with your specific case before you need one. Also, a huge hole people find themselves in is to review all three of these documents every year. Do it at tax time just as a reminder, since taxes should be done every year," he says.

THE "BIG THREE"

A LIVING WILL	POWER OF ATTORNEY	A WILL/ TRUST

– Paul Bucher of Bucher Law Group, LLC

FINANCIAL PLANNING

The 40s decade is a time to get serious about saving. Range says that everyone should review their 401(k) and IRA investments. "These accounts are typically a client's largest pool of investments, yet very little time is spent managing them," she says. As you move through this decade, be sure to contribute up to the full match. Anything else is leaving money on the table. In other words, if the plan requires a 6 percent contribution of your pay to get the full match, then defer at least that much. Better yet, contribute even more — many financial planners recommend you save anywhere from 10 to 20 percent of your income throughout your career.

Another thing to keep an eye on is your life insurance checkup. Range says that based on your financial commitments (mortgage, kids, college, etc.), you will want to make certain you have sufficient coverage. Peter Gramoll, owner of the Peter Gramoll Agency Inc. within American Family Insurance, says that one rule of thumb is that each spouse should have life insurance equal to roughly eight times their annual income if they have two children, 8 to 10 times for three children and 10 to 12 times for four children. "Of course you want to have enough to cover college, stay in your home and maybe allow the surviving spouse to cut back on their hours to raise the children," he says.

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"Estate plans are not set it and forget it instruments. They require maintenance to keep up with the law and your life. We recommend that you revisit your plan every three to five years or immediately if there is any life changing event like divorce, death or birth in the family," says Walny. Seeing your planner regularly allows you to update the relationships you have in your documents, cover any changes in the law and make sure you are keeping up with your financial situation.

One thing a lot of us don't think about until it is too late is funeral planning. Maybe not for ourselves, but in our 40s, many of us have aging parents. Bob Schmidt of Schmidt & Bartelt Funeral & Cremation Services says that it is the parents who should be thinking about it, but sometimes they are unwilling to talk about it because of a fear of death. They often let it go, and the kids have to step in and bring it up. Once the subject is broached, Schmidt says the process is actually very simple. "Most people wait to do this until they are in their 70s or 80s, and then sometimes health issues mean they can't decide for themselves. I wish more people would do it earlier. It often saves money and a lot of burden on the family. Picking a casket, writing the notice, finding a plot — without planning, a lot of decisions have to be made in a stressful time. It's too bad because if it is talked about beforehand with an hour and a half or two hours of planning, the person will not only be able to have their wishes met, but they will also take a lot of stress off their loved ones," says Schmidt.

Like most funeral homes, Schmidt & Bartelt offers a single premium insurance policy whereby the money to pay for the funeral is set aside in an irrevocable funeral trust. This means that a person will have sufficient assets to pay the expenses even if all of his or her assets have been exhausted by paying for long-term care. "Otherwise it is often a family member that has to pay the fee. It is also important to note that although we set up the policy, it is fully portable," says Schmidt. "Yes, we would like them to use our services, but they don't have to. They can go wherever they want."

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For many people, the 50s are their highest earning years. Many have put college expenses behind them and can go full bore on their retirement accounts. Often times those extra expenses in the 40s meant neglecting the 401(k). The good news? In the year you turn 50, the IRS allows you to play a little catch up by way of a provision that increases the maximum you can contribute to your 401(k). In 2015, that maximum contribution was $18,000 a year if you are under age 50. At 50, you can save an additional $6,000, bringing the total to $24,000. And there's more good news. If you have a traditional IRA, you can save an extra $1,000 when you are age 50 and older, bringing the total up to $6,500.

If you haven't opened a health savings account (HSA), now is a good time to do so. For someone in their 50s, the future almost certainly holds a lot of out-of-pocket medical expenses in retirement — some of which can be covered with a health savings account. To qualify, you cannot be enrolled in Medicare, covered under a high deductible health plan (HDHP), have other health coverage or be claimed as a dependent. In 2015, the maximum contribution was $3,350 for individual coverage and $6,650 for a family. The 401(k) participants who are age 55 and over can make catch-up contributions of an additional $1,000.

Range also recommends reviewing all of your investments. "As you near retirement, you want to limit or reduce your risk or volatility of your portfolio," she says. "Schedule a life insurance checkup. You may no longer have a need for life insurance to fund a mortgage or college expense, but you may have a need for life insurance to provide

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income to replace a pension or to replace assets in the event a long-term care situation arises." She also says this is a good time to contact Social Security to review your income history and to generate an estimate of benefits that will be coming in the next decade.

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Again, maintenance is fundamental. When you were in your 30s and 40s and your kids were young, you probably (or hopefully) had guardianship provisions in your documents that you may not need any more. "Things change in life. We see it all the time, and you need to keep the documents current. Sometimes the people given powers have passed away or are no longer your friends," says Walny. "The 50s is also a high-earning decade for many people, and it may be time to start introducing more sophisticated estate planning. This is when we update or modify durable powers of attorney most often because they cover financial related issues that have a tendency to change very quickly."

Unfortunately, the 50s are prime real estate for divorce. Walny says they see more every year. "Divorce makes a total mess of things. Normally the spouse is named in every single document, and all of them need to be changed. The law in Wisconsin says that divorce invalidates certain beneficiary designations. But you have to stay on top of it," he stresses. "For example, we had a case a few years back where a life insurance policy named an ex-spouse as beneficiary. The insured died in an accident without changing the beneficiary. The law clearly states that the money should go to the family, but before they claimed it, the ex-husband stepped in, claimed the insurance and ran off with the money. Legally the family had the right to the money, but the onus is on them to tell the insurance company there has been a divorce. Now the family is faced with the difficult task of tracking down the man and trying to extract the money from him."

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Range says the 60s are a time to carefully consider your spending habits. "Remember, any big distributions early in retirement have a huge negative impact on one's long-term wealth," she cautions. "Other things to consider are pension options and survivor benefits. These are decisions that should be based on your financials as well as the health of each person. Have a conversation with a tax professional and review your options to determine the best age to start collecting Social Security, and of course work with a financial adviser to lay out your cash flow distribution strategy."

One of the biggest financial burdens will come when it is time to choose a senior living facility. According to Allison Katula, vice president and COO at Harwood Place, the time to consider retirement and senior living plans is when you are at your healthiest and able to make your own decisions. "Waiting for a crisis to occur, like the untimely death of a spouse or a major illness, may limit your options and force the decision into the hands of your children or other family members. You will genuinely be happier and more invested in the move if you are calling the shots," says Katula.

Before deciding, you will need to evaluate your financial resources and understand your budget and know all the costs. "Some communities require a partially refundable entrance or endowment fee as well as monthly fees, and some senior apartment complexes simply require a deposit," Katula explains. "Finding the community that fits your lifestyle is key. The biggest misconception about retirement living is that life stops once you cross that threshold. The right community should support your independence with services and amenities as well as enrich your life with new opportunities. Too many adults are entering retirement communities late and often miss the opportunity to experience what the community offers in full. The biggest mistake is not taking action soon enough."

Katula recommends beginning the search in your 60s. "Think of it as a discovery process," she says. "Take time to educate yourself on the options available to you. Think about the type of support you would like when the time comes. Being proactive in your 60s is smarter than being reactive later in life. Explore your options on the Internet and then schedule tours. Visiting communities in no way obligates you and will only help to demystify retirement living and give you confidence in future decision making."

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"At this point, the kids are probably adults so you want to make sure that they are also starting into the process of creating an estate plan. Even if they continue to live at home once they are 18, they are legally adults, and they need to be protected by their own set of documents," says Walny.

This is the time to reassess your estate plan because things like the need for term life insurance may no longer be necessary. "In their 60s, people often begin to introduce charitable planning to their estate plans," Walny notes. "When they are younger, most people say to us that their kids are their charity. But often at this point the kids are grown and doing well themselves so it is a good point to begin charitable endeavors, and they will want to introduce provisions in their plan to match their desires."

Also, as the time to seek nursing home care gets closer, some steps need to be taken. Walny says that many of his clients leave this decision until it's too late and they are close to entering a facility. "Title 19 is very strict, and the government has taken many steps to make sure you are not getting rid of your assets just to qualify for assistance," he explains. "Generally there is a five-year divestiture period where if you get rid of assets, you will be disqualified for assistance for a period of five years. So there is certain planning that can be done if we talk to a client early enough about exempt assets or how to structure things in a way that benefits you the most and still qualifies you for assistance." **M**

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