



Evelyn Preston

Senior Financials. Nothing's Set In Stone

By Evelyn Preston



“Wisdom comes with age” and “Experience counts!” go the old adages.

Even my children tell me I have a good idea once in a while. However, accumulated knowledge may not be enough when dealing with senior financial issues.

Even if we've smartly saved and planned ahead, the ever-changing rules and regulations that govern our “golden years” will continue to require our attention. Market mania, IRS mandates, Medicare machinations and Congress' craziness plus our own shifting status can confound the best laid plans. For seniors, wisdom equals “Nothing's set in stone!”

Question: *Conventional advice says it's best to stay in our homes as long as possible to avoid the heavy costs and taxes of a sale. Do you agree?*

Answer: “Financial benefits of downsizing earlier rather than later can make a meaningful difference in extending the life of a nest egg,” says Tom Lauricella of the WSJ. Besides the positive lifestyle changes of a retirement community and sparing children from the huge task of emptying a lifetime trove, financial experts point out the hidden and psychological costs of home maintenance (roofs, landscaping,

repairs.) Also consider home-alone isolation vs. built in services, new friends and the comfort of knowing the fixed monthly fees. Factor in the stress and physical factors of moving when older and possibly sicker. After 10% costs, the remaining proceeds and new lower expenses after selling a home can add many thousands to a retiree's savings.

Question: *I'm over 70 ½ but still working as an Independent Contractor. Wouldn't it be easier to roll over my Simplified Employee Pension plan and consolidate it with an old IRA?*

Answer: Having all your retirement assets in one place works well **after** retirement to calculate the Required Minimum Distribution, to systematically withdraw income and to pass these proceeds on to heirs. However, even if you are still earning money, you cannot contribute to an IRA after 70 ½ but you can contribute to other pension vehicles. While still working, keep the tax deferral option open.

Question: *I want to leave as much as possible to my heirs but am so confused re Congress's changing rules on estate taxes.*

Answer: I rely on updates from Linda Silveria, a San Jose, CA specialist in Probate, Estate Planning and trust law for over 30 years. She confirms that the BIG news is: the federal exclusion amount in 2011 was increased to \$5 million and is being indexed for inflation each year. (For individuals passing away in 2014, the exclusion is \$5,340,000.) This law is “permanent” and does not automatically expire...for now. Linda emphasizes that for people

with less than these amounts, “The estate planning focus has now shifted from **estate tax savings** to **income tax savings** in order for a spouse or children to receive a stepped up basis of assets at time of a first spouse's or parent's death.” It's time for the many seniors with the more usual AB trusts to review their estate planning documents given the new tax law.

Question: *All I see are ads to rollover my 401K company plan to an IRA with well-known mutual fund companies or financial firms. Now that I'm retired, is it best to stay put or go?*

Answer: Consider all the angles when contemplating this very important change. Compare all fees, any front and back end charges; the type and diversification range of investment choices; distribution flexibility; your total asset mix; your future needs/timing. Congressional Regulators (Congress' GAO) are paying more attention to the possible conflicts of interest and lack of detail in sales and marketing of rollovers. G. Walsh, FINRA Sr. VP, emphasized that workers and retirees must understand that they don't have to act immediately upon switching jobs or retiring. He says, “Taking the time to compare costs and investment options can help you keep your nest egg from suffering unnecessary cracks.”

Evie Preston has worked as a financial advisor for over 25 years. Her latest book, “Memoirs of the Money Lady” is available at www.eviepreston.com. She can be reached at 650.494.7443.