



What Seniors Need to Know Today

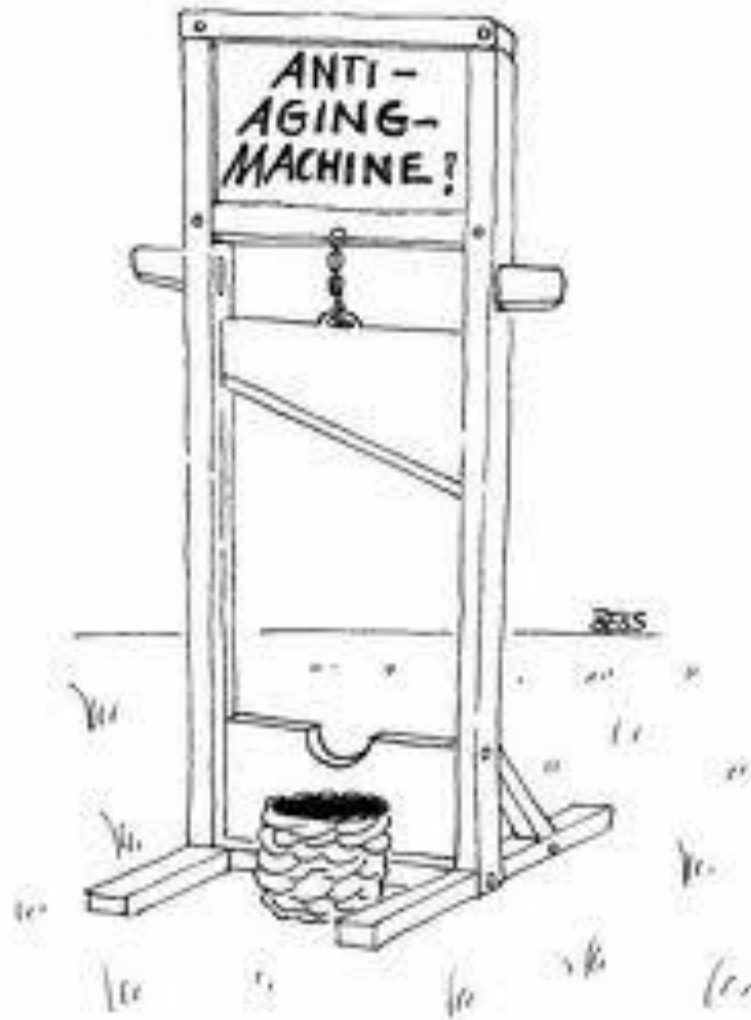
Planning Your Future with Knowledge and Insight



Information is Cheap and Powerful

- What “I” need to know is about “who” I am.
- Understanding the Me, We and Others components.
- Information for “ME” is different than for others.
- Decisions are both made and created for ME and by ME.
- Realism, Unavoidable Events, and Life.

The Search for Certainty



Where to Start

- Dewey: Understanding or knowledge arises out of purposeful activity; the process of studying, inquisition and testing.
- Pertinent Information: Application of the K.I.S.S. axiom.
- Avoiding Disraeli: “Lies, Damn Lies, and Statistics”
- Evolutionary vs. Revolutionary



My Task: Insight into What You Need to Know and Why

- Economics/The Economy
- Health Care
- Financial Realities
- Lifestyle, Choices, Housing

Economics and the Economy



What is Economics

- Economics is a Social Science
- Economics is a Behavioral Science
- It focuses on the production, distribution and consumption of goods and services.
- At its core, the field exists to better understand the behavior of individuals, singular and collective, in the activity of production, distribution and consumption.
- In short, Economics is one part analytical, one part theoretical, and one part philosophical.
- **IT IS FAR FROM AN EXACT SCIENCE!**



Important to Know about Economic Data

- Most reported economic data is homogenized and nationalized (Unemployment, Inflation, Consumer Confidence, Market Returns).
- For the individual, like in politics, the most impactful information is “local”, not national. Few to virtually zero, nationally reported indicators correlate directly to local circumstances, current or future.
- Most data is historical rather than current.
- Verified by a Princeton University study, fully 90% of all economic predictions end up wrong by a margin of error exceeding 25%.

Sorting Through the Numbers

- Economic information “today” in its delivered form is like weather information – wait a few hours and it will change.
- CPI, Unemployment data, GDP growth, and housing data as presented are virtually irrelevant. The data as presented is based on flawed methodology to a large extent and when nationalized, very diluted and highly subject to post-period corrections.
- Short-term, short-range results and reports such as employment information and inflation data while market-movers should not be construed as true indicators of economic activity – good or bad. Current economic cycles, while shorter than historical, are still far longer.

Economics and the Economy: The Basics

- The United States economy is a consumption based economy effectively meaning that the primary engine for economic growth is the ability of individuals to consume steadily increasing amounts of goods and services. Key to sustaining growth in a consumption economy is high employment, modest to low inflation, and accessible capital attainable via reasonable credit access. Debatable in actual levels, approximately 64% of U.S. economic growth is tied to consumer activity (consumption and related spending).
- Because the U.S. economy is so consumer driven, government policy decisions and activity highly correlate with consumer activity (increases and decreases).

Where the Economy is and Why

- Because of the inter-relationships among the various world economies, equilibrium (necessary for normative market behavior) is difficult to achieve.
- Aging demographics and health/welfare spending and commitments rising faster than global production and economic growth.
- Energy supply, while currently adequate for global demand predominantly exists in unstable economies/countries. Government instability magnifies the inherent volatility in commodities.



What to Expect – Hope, Change, and Uncertainty (Still)

- The U.S. is still “rebounding” but sure-footing won’t occur until major policy questions are clear.
- Mid-U.S. regions are faring better – broader economies, more conservative, less debt.
- Employment is slowly rebounding but the key here is “slow”. Real issue is wage inflation and none exists now or will soon for most labor categories.

What to Expect: Hope

- Inflation is low and will remain low – good for consumers, somewhat poor for investors in fixed income.
- Housing is recovering and in some mid-U.S. markets, almost normal in terms of net realized values vs. market pricing. Good time to sell!
- Investment markets have recovered although volatility is certain going forward but general trend is stable to up.

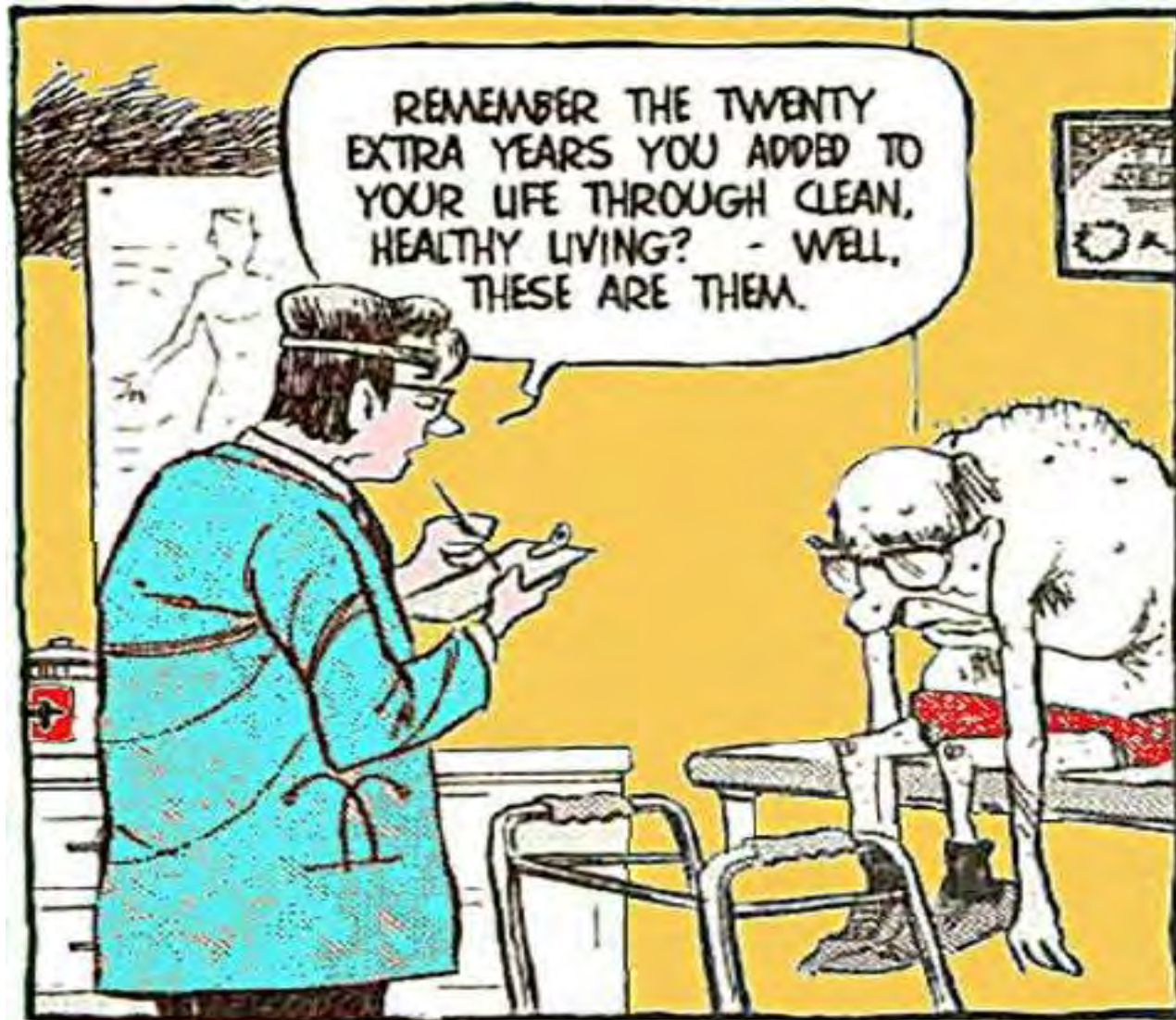
What to Expect: Change

- New Economic Conditions are in Play: Healthcare, Banking, Energy/Environment, Immigration, etc. Not all outcomes are known.
- Certain: Banking rules have tightened credit for home borrowers – changes the real estate dynamics.
- Healthcare: Additional phase-in steps under the PPACA dramatically impact Medicare and Medicaid.

What to Expect: Uncertainty

- Much of the uncertainty today is “policy” driven (debt ceiling, entitlement spending, taxation, etc.) in addition to world economic uncertainty.
- Structural Economic Challenges Remain: Stubborn unemployment levels, weaker currency basis, low GDP growth, consumer outlook/confidence.
- Social/Political Challenges

Healthcare and Seniors



Healthcare at Medicare Age

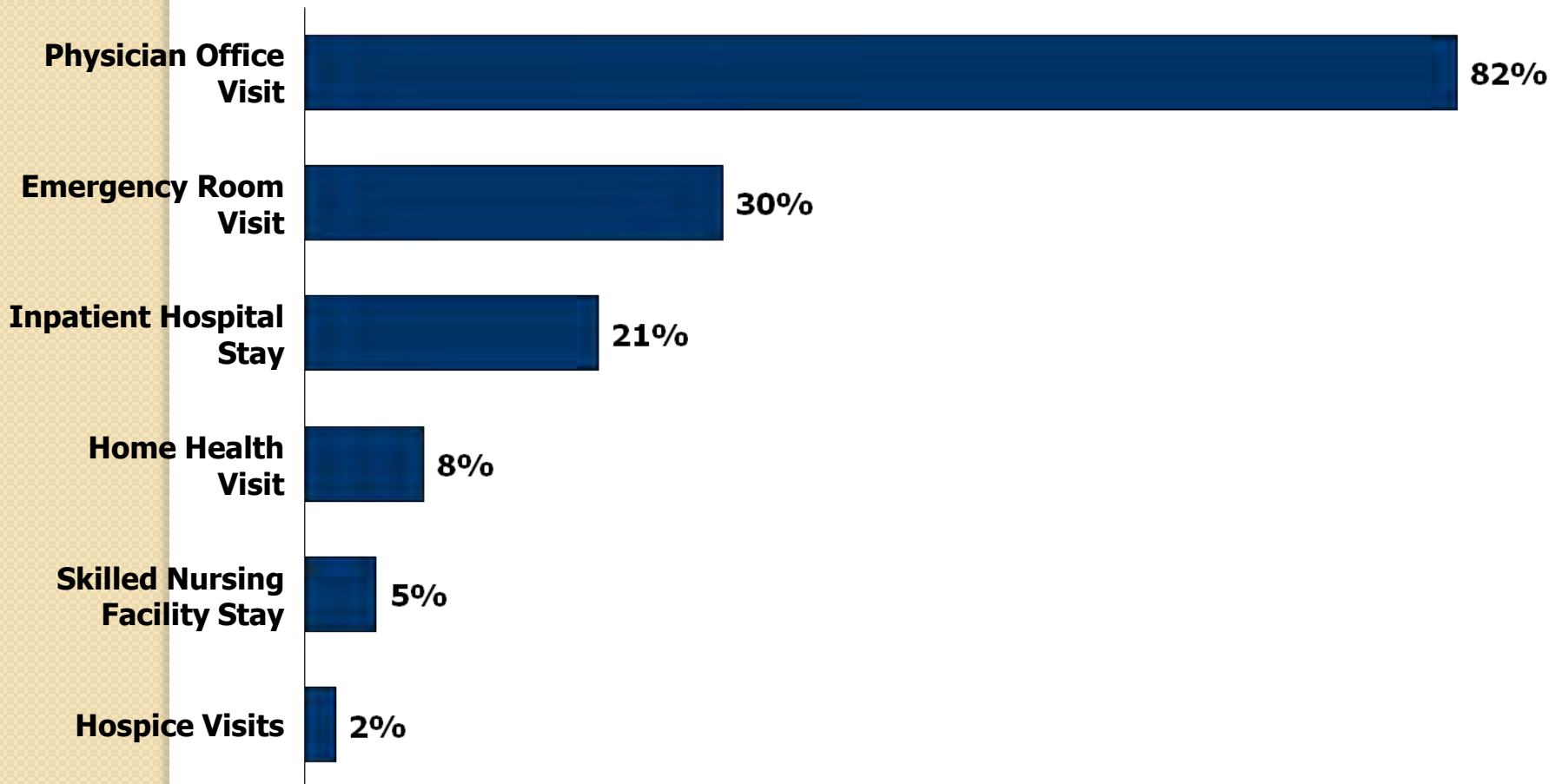
- Our life expectancy has steadily increased (good), though our incidents of disability also increased (yuk).
- No anti-aging solution exists though we do know more each day about aging with “quality”.
- Number one driver of utilization of healthcare – all types – is chronic disease/chronic conditions.

Aging: What are the Risks?

- Chronic Conditions: Currently, 80% of all older adults live with one chronic condition, 50% live with two.
- More than 2/3rds of current healthcare costs are tied to treating chronic conditions.
- Falls are the leading cause of injury deaths for seniors with hip fractures being the most costly fall related injury – 29% of all elderly hip fractures lead to death within one year.

Medicare Beneficiaries' Utilization of Selected Medical and Long-Term Care Services

Percent of All Medicare Beneficiaries Reporting Use:



What are the Healthcare Risks?

- For most seniors, biggest risk(s) lie in the LTC area – not acute access or insurance. Medicare transfers insurable acute and outpatient risk but not LTC.
- Provider and access risks – location and accessibility of services.
- Longer life expectancy with disability = greater utilization and thus, greater expenditures.



5 Common and Easy Ways to Reduced Healthcare Risks

- See a physician regularly.
- Stay functionally active – physically and mentally.
- Be social and involved/engaged – have a circle of friends and family with commitments
- Keep common vaccinations current – flu, pneumonia, shingles, etc.
- Have a current advanced directive/DPOA for healthcare.

Financial Realities



Age + Life Expectancy + Lifestyle + Health = \$\$\$

- Most retirees today will spend as many years not working as they did employed at their highest career point.
- Income replacement is all about lifestyle.
- As one ages, spending becomes less discretionary, more health related.
- Insuring against LTC is complicated and expensive – on all FRONTS!



Expansion, Investment and Protection

- Most seniors tend to shy away from the expansion concept (move to protection or conservation)
- Investment is key – concept of equal parts expansion and protection.
- Protection is about securitizing risk – the insurance philosophy applies.
- Expansion, Investment and Protection are balanced by lifestyle desires in later years.

Myths, Facts and Fables: Myths

- Myth: When I retire, my estate is all I have left. Not true and hence the need for expansion elements.
- Myth: Medicare and other government programs will take care of my retirement and healthcare needs. Not true unless your needs are meager.
- Myth: The cheapest place for me to live is in my own home – its paid for. No mortgage doesn't = no cost!



Facts

- Your lifestyle in retirement is all about how you invest and protect – no one single rule fits all people.
- Biggest exposed risk for seniors is LTC – not other elements of healthcare.
- Failing to plan equals fewer options as you age.
- Maintaining control over one's destiny is about planning for loss of control.

Fables

- My kids don't want to talk about my care and my aging. Typically, it's the senior that is reluctant.
- My neighbor moved to "such and such" and loves it – we should do the same. What is good for the Goose is rarely as good for the Gander.
- My spouse won't even consider doing "such and such".



Lifestyle, Choices and Housing: Lifestyle

- Your current lifestyle and expectations for the future are the drivers of what to do “next”.
- Self-imprisonment = flawed assumptions and beliefs of “independence”. The more we age, the more limited we become and facilitation of functionality = more freedom.
- Traps: The rear view mirror, cultural expectations, familial obligations.



Choices

- Time Factor of Money
- How we Age, How we use Healthcare, How we Die
- Where we Live, What we Live In, and What we Value
- Independence vs. Dependence – Not What we Think
- How we Communicate and with Who



Housing

- My Current Home vs. Elsewhere?
- Why Retirement Communities or Senior Housing Make Sense
- The “I’m Not Ready” Trap
- Understanding Your Values and the Value of Where you Live (The mind-set paradigm).
- Being Trapped Where you Live

Why CCRCs Exist – And Make Sense

- CCRC is a Continuing Care Retirement Community
- There are various models and types.
 - Type A: Entry Fee and Monthly Fee effectively buy various elements of future care – becoming rare and buyer must beware.
 - Type B: Entry fee secures future care and access but is typically refundable.
 - Type C: Completely ala carte – rental with minimal to no guarantees.



CCRCs Make Sense

- CCRCs exist to securitize a normal retirement horizon.
- They make sense for those that;
 - Want real estate security
 - Want financial security
 - Want certainty and access to various LTC and other health services
 - Want flexibility in what they do, where they go, and how they live.



I'm Not Ready Yet!

- Economic Paralysis
- Stuck in the Past
- Views of Varied Disability
- Loss of Independence Fallacy
- The Paradox of Time and Aging
- Can't Afford It?
- Loss of Identity
- My Spouse, My Kids, My Friends, etc.

The End!



"Well, dear, we finally finished
reading all the manuals to life.
Shall we go out and do some living now?"