

Top three issues for a financial reality check

Talk to your financial advisor about these

Provided by Scott Sparks

According to 2008 U.S. census data, the average life expectancy in the U.S. is 78 years, five years longer than it was just 30 years ago. The good news is that longer life means more time with loved ones, as well as more time to set and meet personal and professional goals, whether climbing Mt. Everest or starting your own business.

But longer life spans also bring additional financial considerations. The longer you live after retiring, the larger the nest egg you'll need for basic expenses and for unexpected events.

Particularly today, the combination of a longer life span with a weak economy, a volatile stock market, reduced job security, and changing tax and healthcare regulations make it more important than ever to plan carefully with a financial advisor. It's time for a financial reality check.

To plan for the financial realities of living longer in today's world, now is the time to discuss a few critical considerations with an expert to protect your family's finances:

1. Long-term care: Seventy percent of Americans older than 65 need long-term care¹, but many neglect thinking about it until their later years. A qualified advisor will understand the full spectrum of options for covering these costs and will be up-to-date on government regulations. Many long-term care expenses are not covered by private health insurance or Medicare and can destroy an otherwise sound retirement plan. Your financial advisor can help you figure out the financial implications of these expenses and what additional steps you may need to take to protect against potential long-term care costs.

2. Economic trends and regulations: Deflation, inflation, changing tax laws. Since investment markets can fluctuate, it can be hard to determine what investments are appropriate for your financial situation. Although no investment strategy can protect against a loss, a diversified portfolio can help protect you from market swings, and as you approach retirement, your portfolio will likely need to be weighted toward investments that carry less risk, to protect your assets and provide income. Your advisor will be aware of the latest economic trends and regulatory developments affecting your investments, and can help you adjust your strategy as necessary.

3. Legacy: Recently several financial titans such as Bill Gates and Michael Bloomberg have announced plans for their financial legacy. Even if your legacy may be more modest, now is the time to follow their lead and consult a financial advisor about your own legacy. As people age, their desire to leave money to loved ones or to charity often grows, and many assume they will have funds to distribute. In this volatile economic environment, however, where 65 percent of Americans report experiencing a serious financial challenge in the past 18 months², your legacy may not be as robust as desired if not planned carefully.

A qualified advisor can help you plan for the uncertainties in life, so that you can enjoy your retirement years with less stress. Long-term care, economic trends, tax regulations, and legacy issues are all things that should be re-evaluated during your financial reality check with your advisor. Doing so can help you secure a more abundant financial future in America's new financial reality.

1. "Americans Fail to Act on Long-Term Care Protection" American Society on Aging, May 23, 2003

2. "Financial Realities" Northwestern Mutual and Harris Interactive, April 26, 2010
