Aging in the 21st Century

According to the U.S. Census Bureau, by the year 2050 the nation’s elderly population will more than double to 88 million, and the more frail, over-85 population will quadruple to 19 million.

Currently, Florida ranks first in the United States in the percent of the population who are full-time and seasonal residents over the age of 65. Older Floridians, their families, and communities face many issues related to aging.

Aging in the 21st Century is an eight-topic program that addresses issues such as:

- Health and medical care
- Family relationships
- Economic concerns
- Caregiving
- Home modifications
- Retirement
- Nutrition and diet

Money Solutions

Facts and tips on:

- Cash reserves
- Fixed and equity assets
- Insurance
- Legal documents

What You Will Learn

Money Problems

- What are the seven main financial problems older adults face during retirement?

Figure 1.
Money Problems
The most common financial problems that older adults face are described below.

Not Enough Money
Lack of money is the most common problem among retirees today. Professionals believe an adequate retirement income is approximately 80% of pre-retirement income. Be cautious because this percentage also depends on your expenses. For example, if you own your home you could have a lower percentage than someone who retires while still paying a mortgage or rent. Sources of income include Social Security, retirement accounts such as a defined contribution plan (i.e., 401(k), 403(b)) or an IRA, defined benefit pension plan, investments, and full or part-time employment.

Social Security remains a vital income source for many retirees. However, keep in mind Social Security was never meant to be your sole retirement income source. While Social Security makes up a large share of the typical retiree's income, the amount they are paid is actually fairly small. The average monthly payout to retired workers was $1,230 in 2012 (U.S. Social Security Administration 2012). Additionally, the number of employers who have abandoned the traditional pension plan in favor of a 401(k) has grown exponentially over the years. This means that individual workers are now responsible for financial planning and the longevity risk of outliving one's retirement income.

Too Much Money
Receiving lump sum payouts from pension plans or inheritances can also be a problem for older adults. Professional help is very important in developing an effective plan to deal with large amounts of money.

Inflation
Inflation can significantly affect the financial plans of retirees. A 3% inflation rate, for example, will increase a $2,500 real estate tax bill to $3,360 in 10 years.

Deflation
The flip side of inflation is deflation. If prices are deflated and your retirement fund and investments are in defined contribution plans, you may end up with a severe shortfall.

Living Too Long
Another common problem among older adults is outliving their income. In fact, persons reaching age 65 have an average life expectancy of an additional 18.6 years (19.9 years for females and 17.2 years for males). The average female life expectancy is 85, slightly more than the average life expectancy of males (82 years).

Fraud
At an older age, retirees may become targets to a number of consumer frauds. These include telemarketing scams, phony health products, and insurance/medical fraud.

Preparing yourself financially and legally is the key to an enjoyable retirement.

Money Solutions
Although we cannot foresee unexpected events, planning can help us control some financial issues that may arise. Following are four money solutions that can help you plan and manage your successful retirement.

These solutions are 1) adequate cash reserves, 2) fixed and equity assets, 3) adequate insurance, and 4) proper use of legal documents.

1. Adequate Cash Reserves
After retirement, it is very important that you have money accessible to pay your regular bills. This includes checking accounts with interest, credit union accounts, and money market funds. (Please note that with money market accounts you may be limited on the number of monthly transactions.) You should have emergency funding for six months of your living expenses in reserves that can be easily accessed.

2. Fixed and Equity Assets
A good plan for retirement income includes a balance of both fixed and equity assets. For beginning employees, an appropriate amount of money to save for retirement is 20% of their pre-tax income.

FIXED ASSETS
These are assets that protect against deflation. They include bonds and certificates of deposit that have a fixed rate of return.

EQUITY ASSETS
These are assets that protect against inflation. They include real estate, stocks, and mutual funds.
3. Adequate Insurance
When you retire, you may have a number of different types of insurance. When dealing with insurance, the most important things to remember are:

- Review your policy on a regular basis. Annually is best.
- Keep a list of policy numbers with company name, address, location of policy, and agent's name and telephone number.
- Look for gaps in coverage.
- Think thoroughly before you drop one insurance policy for another policy. You may be uninsurable or the rates may be very expensive.

The types of insurance you will be mostly concerned about during retirement are life, health, property and liability, and long-term care. Following are some important facts and tips on each of them.

LIFE INSURANCE
As you become older, there is less need to carry life insurance. This is especially true if you no longer have dependents.

You should assess your needs and review your life insurance policy annually. Develop a plan to modify your plan if you find that is advisable.

HEALTH INSURANCE
There are a few things you should consider when dealing with health insurance:

1. Explore the need for supplemental policies that fill Medicare gaps.
2. Only purchase insurance with an “A” or higher rating from Best’s insurance report. This shows a company is financially sound and pays claims.
3. If you travel outside your state or the country, be sure your policy is valid for such travel.

PROPERTY AND LIABILITY INSURANCE
For as long as you have assets, you will need to have property and liability insurance. You might even need to increase your policy if you accumulate more assets as you grow older. The important thing to remember, again, is to review your policy annually. Make sure to assess your risks and develop a plan for any needed changes.

LONG-TERM CARE INSURANCE
There are several premium options for long-term care insurance based on length of time and how much money you need daily. Where you live makes a great difference on the amount of money you will spend on nursing home care per day. Currently, in Florida, the average annual cost is more than $78,000 for a semi-private room (Genworth Financial 2012). When considering long-term care insurance, you should first answer these two main questions:

1. Do you need it?
   - **Life expectancy.** The longer you live, the more likely you will need long-term care. Consider whether your family has a tendency for long life expectancy.
   - **Gender.** Women may need long-term care insurance more than men because they generally live longer.
   - **Your family situation.** If you have a spouse, adult children, or other family members who can care for you at home, you might not need some types of long-term care services.
   - **Family health history.** You may have a greater need for long-term care if chronic or debilitating health conditions run in your family.

2. Can you afford it?
   - **Long-term care policies can be very expensive.** Before you purchase it, do the math. Can you afford to pay the premiums now and in the future?

4. Proper Use of Legal Documents
Legal documents can be very important during your older age, especially to avoid problems related to incompetence. The four types of documents you should consider are 1) durable power of attorney, 2) living will, 3) health care power of attorney, and 4) living trust.

DURABLE POWER OF ATTORNEY
This is a legal document that appoints another person (agent) to act on the principal’s (your) behalf.

The key word is **durable.** This means the document is effective even if the principal (you) becomes incompetent. The agent’s power may be broadly or narrowly stated, according to your desire and needs.
LIVING WILL
A living will lets family members know what type of care you do or do not want to receive if you become terminally ill.

Make sure your doctor has a copy of this document. You should also always carry a copy with you during out-of-state trips.

HEALTH CARE POWER OF ATTORNEY
This document may also be called a health care proxy. It allows you to designate individual(s) to make health care decisions on your behalf if you become incapable of making such decisions.

LIVING TRUST
A living trust is a legal arrangement between you (the grantor) and the trustee (person you identify) to control and manage the assets in the trust. If properly set up, a living trust:

- Avoids probate at the death of the grantor;
- Prevents court control of assets at incapacity;
- Provides maximum privacy;
- Provides quick distribution of assets to beneficiaries;
- Prevents unintentional disinheriting; and
- Reduces or eliminates estate taxes.

Publications in This Series
- Designing Educational Programs for Older Adults (http://edis.ifas.ufl.edu/ fy631), Martie Gillen, PhD, Carolyn Wilken, PhD, MPH, and Jenny Jump, M.S.
- Safe Return (http://edis.ifas.ufl.edu/ fy626), Martie Gillen, PhD, and Meredith Rowe, RN, PhD
- Financial Issues (http://edis.ifas.ufl.edu/ fy627), Martie Gillen, PhD, and Christine Forgue, CFP
- Elder Nutrition (http://edis.ifas.ufl.edu/ fy628), Linda Bobroff, PhD, RD, LD/N
- Fall Prevention (http://edis.ifas.ufl.edu/ fy629), Martie Gillen, PhD, Kristen Smith, MPH, and Jenny Jump, M.S.
- Family Relationships in an Aging Society (http://edis.ifas. ufl.edu/ fy625), Martie Gillen, PhD, Terry Mills, PhD, and Jenny Jump, M.S.
- Adapting the Home (http://edis.ifas.ufl.edu/ fy630), Martie Gillen, PhD, Pat Dasler, MA, OTR/L, and Jenny Jump, M.S.
- The Future of Aging is Florida (http://edis.ifas.ufl.edu/ fy624), Martie Gillen, PhD, and Jeffrey Dwyer, PhD

Aging in the 21st Century is co-sponsored by the University of Florida Institute of Food and Agricultural Sciences (UF/IFAS), Department of Family, Youth, and Community Sciences, and the College of Medicine’s Institute on Aging. It was originally published in 2003 and was supported by a grant from the Associate Provost for Distance, Continuing and Executive Education, Dr. William Riffee.

References


