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You are never too young to start planning to be old

BY LT. GOV. GLENN McCONNELL

ILLUSTRATIONS BY RALPH BUTLER

It begins with a phone call in the middle of the night.

An emergency room physician informs you that your 78-year-old widowed mother, who has always been in relatively good health, has been rushed to the hospital after suffering a stroke. This independent and active woman, who drives to church each Sunday, mows her own lawn and does her own shopping, now requires institutional care in a skilled-care nursing home.

Your dad, who was always a good provider and worked for the same company for 30 years, didn't have a pension. He thought that a small burial insurance policy, their Social Security checks, Medicare and the \$100,000 home he purchased would be cushion enough to take care of him and your mother after retirement. Your parents always managed to make ends meet, so you never worried about them. They had it all planned, or so you thought—until that call.

What your parents didn't plan for is that, in 2012, a nursing home bed in a skilled-care nursing facility will cost between \$80,000 and \$100,000 a year, depending on the level of care required. Your parents' assets will not go far, and Medicare does not pay for long-term care. While your mother may qualify for Medicaid, sometimes there is a two-year waiting list for a Medicaid bed in this state. Additionally, once you become Medicaid eligible, the law

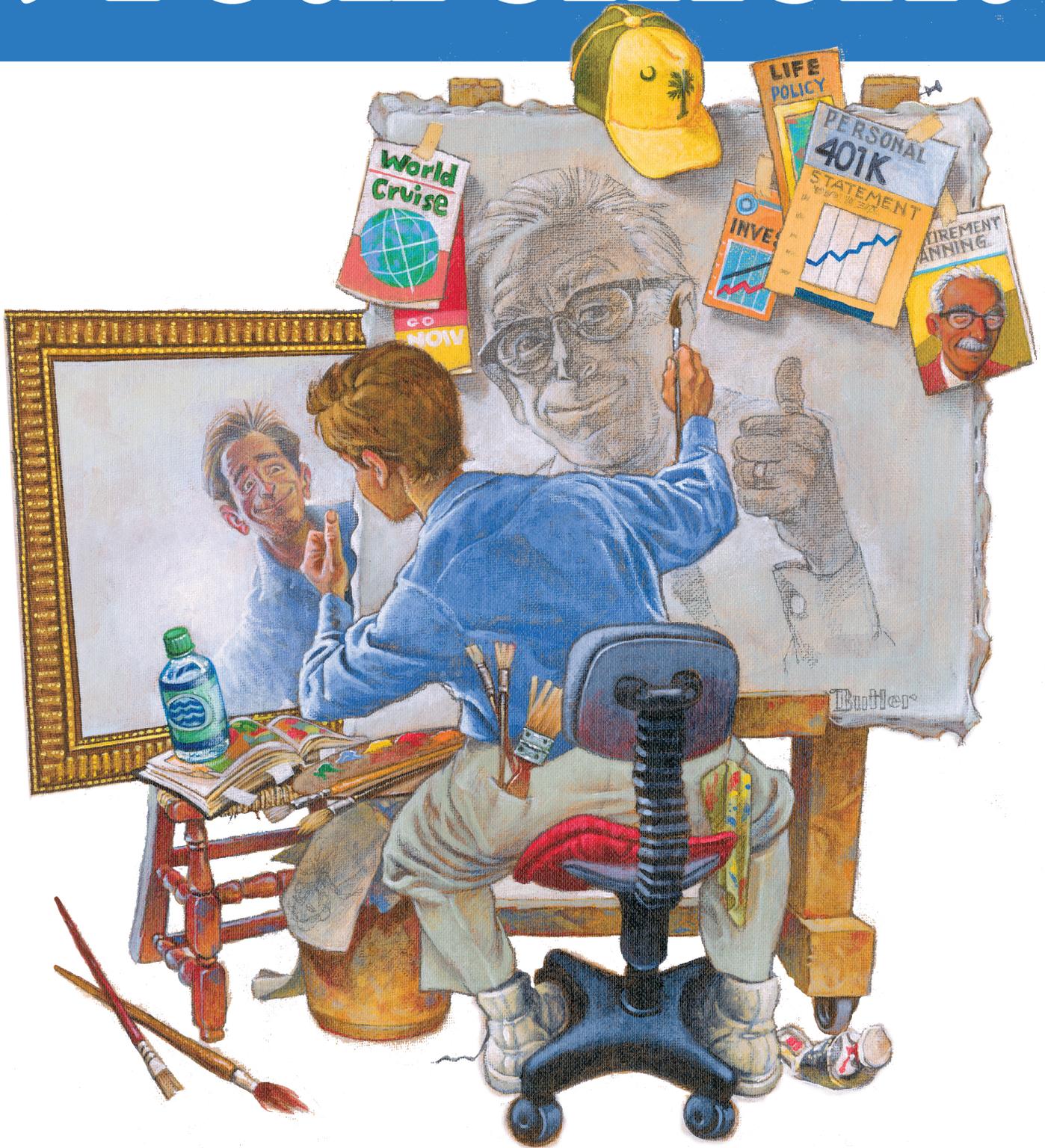
takes away your right to make decisions about the facility where your mother will be placed.

That fateful call changes everything. What decisions will you be forced to make for your mother's care? How will you pay for her care, support your family and educate your two young children—not to mention plan for your own retirement?

Hopefully, you will not be faced with this grim scenario—one that illustrates why I believe relying on government is no longer a safe option. Planning for your retirement and the health-related issues you may face as you age is the best way to ensure that you will have the quality of life you want when you can no longer care for yourself. It also will lessen the burden on loved ones.

"Where and how do I begin to plan?" you might ask. While it is never too late to start, I suggest that everyone begin this process as a young adult.

retirement



In your 20s

This is a vital time to learn how to organize and manage your finances. What you do now can vastly impact your financial future. If you have any debt from credit cards or student loans, determine a strategy to pay it off. Research the Public Service Loan Forgiveness Program and see how it might apply to you.

The better able you are to manage debt, the higher

your credit score will be. Start monitoring your credit score annually. The Fair Credit Reporting Act requires each of the nationwide consumer reporting companies to provide you with a free copy of your credit report once every 12 months at your request. For more information about your credit report, contact the Federal Trade Commission or visit AnnualCreditReport.com.

Although retirement might seem far away, now is the

Senior care in the 21st century

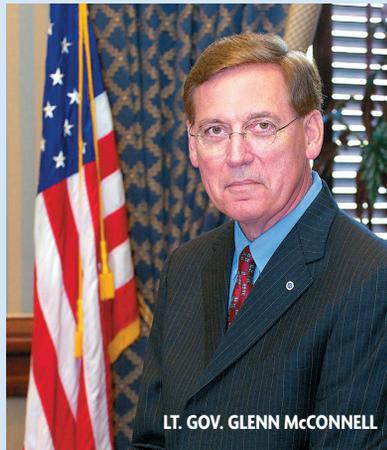
ONE THING IS FOR CERTAIN IN THIS LIFE—we begin aging the moment we are born. Whether we like it or not, there's no escape. We are dependent on our parents when we are small children, and at the end of our lives, most of us become dependent on our families, caregivers or strangers employed by long-term care facilities.

In between, most of us spend our time living—becoming educated, planning our careers, finding a suitable spouse, buying a home, having children, planning for our children's education. More often than not, we spend the time between our youth and our retirement years not thinking much about that time when we will once again become dependent on others for our daily survival.

You might think it strange that as your lieutenant governor I am writing about aging and what occurs at the end of one's life. However, as head of the Lieutenant Governor's Office on Aging and the state's chief advocate for seniors, I have committed myself to learning about these issues so I can ensure that elderly and vulnerable adults maintain the quality of life and dignity they deserve.

If we are to be successful in meeting the needs of seniors in the 21st century, we must first look at the facts. According to U.S. census data and statistics from the National Association of States United for Aging and Disabilities:

- ▶ More than half of Americans (51 percent) age 55 or older have less than \$50,000 saved for retirement.
- ▶ South Carolina has 912,429 seniors age 60 and over, and 11.5 percent of them



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live in poverty. More than one-third of seniors in South Carolina live on Social Security income alone. One in 11 South Carolina seniors are at risk for hunger.

- ▶ South Carolina has nearly 1.3 million baby boomers set to retire soon. Nationally, 10,000 boomers retire every day.
- ▶ More than 25 percent of seniors 85 years or older require institutional care.
- ▶ South Carolina's senior population is projected to double by 2030 to at least 1.8 million people.
- ▶ The federal government recently reported that the Medicare Trust Fund will run out of money by 2033.

What these facts tell me is that our society is aging more rapidly than anyone ever anticipated or cared to admit. More importantly, as a society, we are not prepared. Government programs once relied upon as a safety net may no longer exist when we need them. We have allowed our government

leaders (on the state and federal levels) to ignore the signs, borrow money from trust funds designated for senior benefits and offer no stable plan to provide adequate care for seniors at a time in their lives when they are most vulnerable. They have continued to kick the proverbial "can" down the road to the next legislative session or past the next presidential election.

We can no longer wait for government to act. I encourage you to start planning for your retirement as early as possible. It is also important to have discussions with your parents to make sure they are adequately prepared with proper documents and have made decisions about the care they want if and when they become ill or incapacitated.

I urge you to check with credible experts who deal with retirement and related issues—an accountant, attorney or insurance agent—before making important decisions that may impact your rights or your assets. Another valuable resource for you or your parents in planning a smooth transition into the next stage of life is the Lieutenant Governor's Office on Aging. Our website offers a wide range of information related to a variety of aging issues and adults with disabilities. Visit aging.sc.gov or call 1-800-868-9095.

One of the mottos featured on our state seal is "Animis opibusque parati," which, in English, translates to "prepared in mind and resources." None of us knows what our future holds, but I ask each of you to incorporate the motto into your own lives and always make an attempt to prepare for what situations may lie ahead.

Lieutenant Governor's Office on Aging | aging.sc.gov | 1-800-868-9095

If you dream of retiring with thousands or even millions of dollars, your best chance at achieving this goal is by starting in your 20s to take advantage of compounding interest.

time to start saving every little bit you can each month. If you dream of retiring with thousands or even millions of dollars, your best chance at achieving this goal is by starting in your 20s to take advantage of compounding interest.

Consider twin brothers, Don and Ron. At age 25, Don starts saving \$100 per month in a retirement account that pays a compounding interest rate of 6 percent per year. By the time Don is ready to retire at age 65, he will have a nest egg of nearly \$200,000. On the other hand, Ron spends that extra \$100 per month on new electronics, bar tabs and music downloads. Ron begins saving for retirement when he turns 40 by contributing \$200 per month into a retirement account that pays a compounding interest rate of 6 percent per year. When Ron is ready to retire at 65, he will have saved \$140,000—even though he contributed twice the amount of Don every month.

In your 30s and 40s

These are your peak earning years and an excellent time to reassess your retirement and any investments or savings you may have. Perhaps you are able to contribute

a greater amount every month. You may want to consider seeking professional financial help to maximize your retirement investments.

A core component of the financial planning process is life insurance. By this stage in your life, you are likely to have a family, and the proper coverage will take care of those you will eventually leave behind. Just like medical insurance, it is best to buy life insurance when you are healthy and younger.

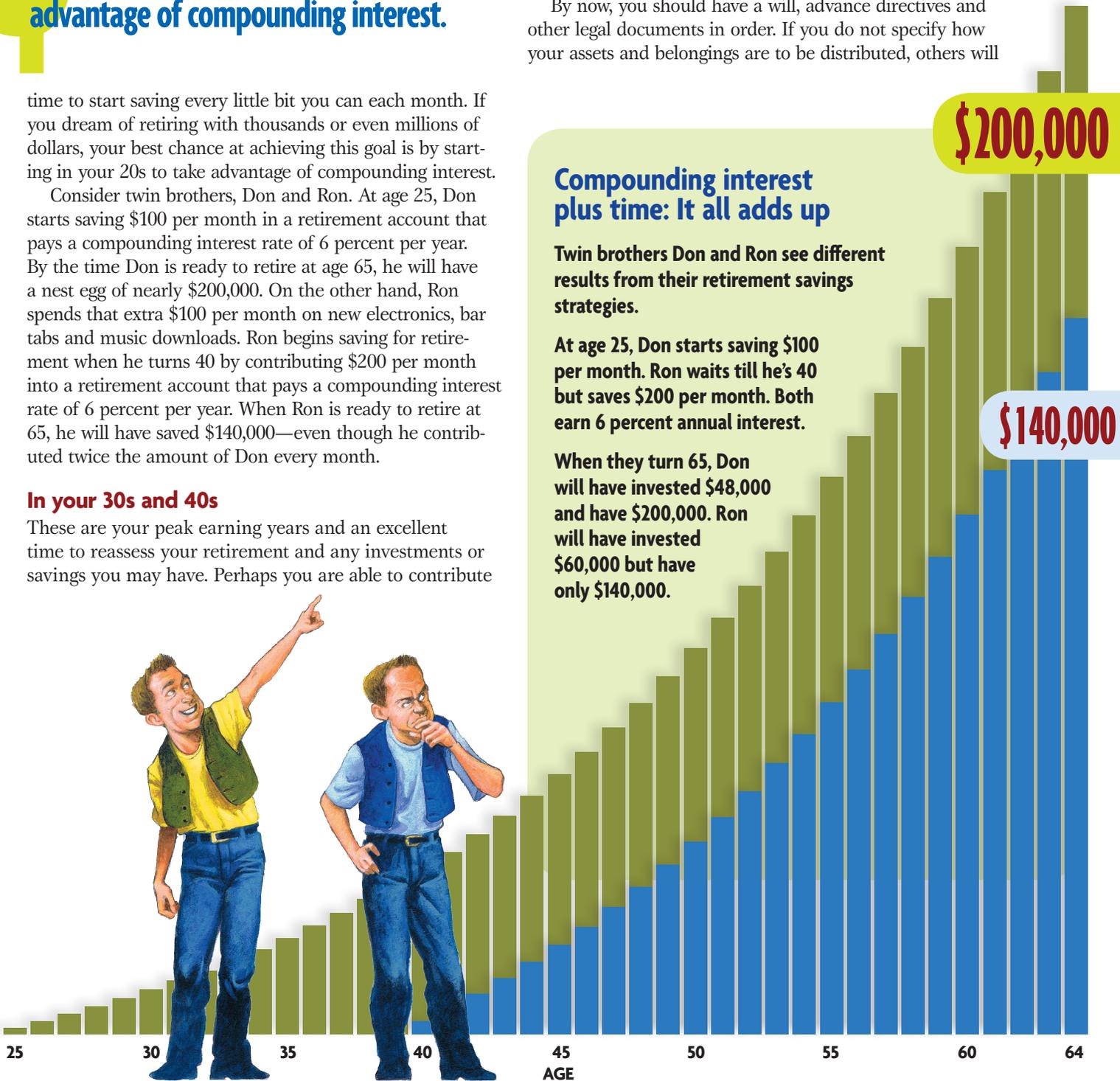
By now, you should have a will, advance directives and other legal documents in order. If you do not specify how your assets and belongings are to be distributed, others will

Compounding interest plus time: It all adds up

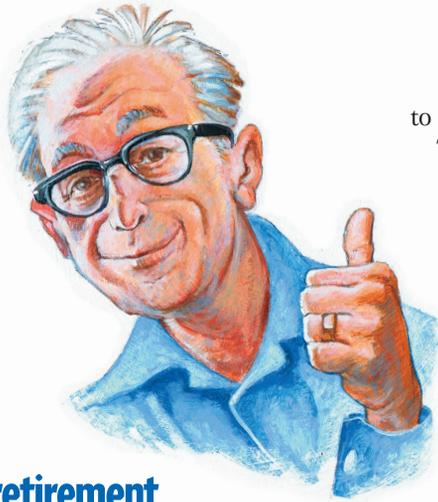
Twin brothers Don and Ron see different results from their retirement savings strategies.

At age 25, Don starts saving \$100 per month. Ron waits till he's 40 but saves \$200 per month. Both earn 6 percent annual interest.

When they turn 65, Don will have invested \$48,000 and have \$200,000. Ron will have invested \$60,000 but have only \$140,000.



Above all else, at this point in life, you need to remain vigilant about your health, stay as active as possible and enjoy your hard-earned retirement.



do it for you. This can often lead to family feuds and hardships. Preparing for your death will give you and your loved ones peace of mind.

The South Carolina Bar Association periodically offers free legal clinics on various estate-planning issues. To find out when a clinic is available in your area, call (803) 799-6653. A valuable resource to help you and your parents understand the legal documents you need is the *Senior Citizens' Handbook*, a joint project of the Lieutenant Governor's Office on Aging and the bar association. It is available as a free download at aging.sc.gov.

The personal habits you form during this time may greatly impact your future health. It's time to start managing your eating habits and incorporating an exercise routine into your schedule. Forming healthful habits now has been proved to prevent such diseases as type 2 diabetes, heart disease and certain types of cancer.

In your 50s and early 60s

Retirement is on the horizon, and these decades are a time of reassessment and planning. Review your insurance needs, investments and savings. This is also a good time to evaluate private supplemental insurance and optional long-term care insurance policies.

You should ensure that all of your legal documents (such as power of attorney, advance medical directive and will) are up to date, as your situation or relationships may have changed since last reviewed. Having these documents in order helps your family if you are unable to care for yourself as a result of an accident or illness, and ensures that your intentions are acknowledged regarding health-care, finances and your estate. Advance directive forms and additional information are available on the website of the Lieutenant Governor's Office on Aging (aging.sc.gov) under the "Legal Information" tab.

It may be time to downsize your living situation. Your children are likely out on their own, possibly in a different part of the state or country, and you simply do not have the housing needs you previously had. If so, it may make sense to find a smaller place to live or even relocate

to be closer to the people and things you like. Though your children may not be as dependent on you as they once were, your parents may especially need your assistance. Talk with your parents' siblings and any other interested parties on how to best care for your parents.

65 and beyond

Turning 65 is a major milestone. While you may look forward to perks such as discounted admission to state parks, special days at the grocery store and senior coffee savings, there are several important topics you should research for this stage of life.

During the seven-month period beginning three months before you turn 65, you are eligible to enroll in Medicare. If you want your coverage to begin the month you turn 65, be sure to sign up during the months leading up to your 65th birthday. Since Medicare is not a "one size fits all" program, be sure to research your options early in order to relieve the stress associated with last-minute decision making.

If you were born between 1943 and 1954, the age for receiving full retirement benefits is 66. Receiving Social Security retiree payments before the age of 66 is possible but will result in a reduced benefit. Use free calculators online at ssa.gov/estimator to estimate your benefits and plan accordingly.

If you are 65 or older and have been a resident of South Carolina for at least one year, the first \$50,000 of the fair market value of your primary residence is exempt from municipal, county, school and special assessment real property taxes. Applications should be accepted at most county auditor offices before July 16. South Carolina also allows a \$15,000 deduction from taxable income for taxpayers age 65 and older.

It's time, once again, to assess your insurance needs. Policies such as Medigap plans ensure that the difference in covered expenses between Medicare and your private insurance is paid. Make sure your estate plan and any beneficiary designations remain current.

Above all else, at this point in life, you need to remain vigilant about your health, stay as active as possible and enjoy your hard-earned retirement.

In the end, the quality of your "golden years" is all about the choices you make and the consequences of those choices. Take a minute to think about what's in store for your future. I think you will agree with me—you are never too young to start planning to be old. ☺

GLENN McCONNELL represented District 41 (Charleston) in the S.C. Senate from 1981 to 2012. He was chairman of the Senate Judiciary Committee and president pro tempore of the Senate from 2001 until he became lieutenant governor on March 13, 2012.