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SENIORFINANCES

SPECIALIZING IN INVESTMENT MANAGEMENT AND ASSET PRESERVATION

FOR MATURE INVESTORS

JANUARY 2007

Who Will Coordinate Your LTC Needs?

Seniors often buy long-term care insurance to feel comfortable knowing that there can be an additional source of income available for special care in their residence or a nursing home. But who will make sure that you will get the type of care you need and when you need it?

A care coordinator can become your advocate to find and set up your long-term care treatment. Usually registered nurses or social workers with broad experience in senior health medicine are used. They understand the issues, know your insurance benefits, and are familiar with local resources. Their job is to meet with you and your families, assess your needs, and develop a plan of care. They will then monitor your progress and update the plan as your needs change. Long-term care insurance policies frequently include some form of care management. The four most common versions are:

1. The policy pays for an independent care coordinator's on-site assessment
2. The policy pays for an on-site assessment by a firm that has a claims processing contract with your insurance company
3. After you file a claim, the insurance company hires a coordinator to meet with you and assess your eligibility for benefits
4. Care coordination services are conducted at a central location and your needs might be evaluated over a toll-free number

When reviewing your long-term care policy or looking at a new one, it is important to understand the language for care coordination and any restrictions that may apply. Is it a separate benefit, or will the company make you go through an evaluation to get the benefits? And some are not as meaningful as others. Care coordination should be made to enhance your benefits, not limit them. Review your LTC

policy or call your insurance carrier to better understand this benefit.

¹ <http://www.irs.gov/pub/irs-pdf/p590.pdf>, page 21

² <http://www.irs.gov/pub/irs-pdf/p590.pdf>, page 22

³ <http://www.irs.gov/pub/irs-pdf/p590.pdf>, page 17

What Should You Do With The Company Stock In Your Retirement Plan

Do you own company stock in your former employer's retirement plan that the company paid for (as in a matching plan)? If so, you are faced with a choice when it's time to move the stock: either roll the stock into your IRA, or take it out and pay income tax on the amount your company originally paid for the shares.

By rolling the stock into your IRA, you will defer paying the tax. When you die, your spouse could roll the account into his or her IRA, thereby possibly deferring the tax even longer. Furthermore, after he or she dies, the beneficiaries may be able to take advantage of additional tax deferral. Note that the money anyone withdraws from an IRA is taxed at ordinary income-tax rates, not the more-favorable capital-gains rates.

On the other hand, if you take the stock out of the company plan, you'll face ordinary income tax on the shares' basis. Yet the amount of gain over the basis on the date you withdraw the shares will be taxed at the long-term capital-gains rate when you sell the stock. If you keep the shares for a least one year after you remove them from the plan, any additional growth will also benefit from the lower, long-term capital-gains rate. But there is a hitch; company stock removed from a retirement plan does not qualify for the favorable step-up in basis tax treatment. Therefore, your beneficiaries will receive the shares based on your employer's original cost rather than at the value on your date of death.

Which is the best method? It depends on many factors, including your tax bracket, stock cost-basis, portfolio

balance, and financial needs. So it's a good idea to look carefully at both options.

Together, we can review the numbers so you can decide which way is best for you. Check off and send the enclosed coupon for more information.

Are You Losing Money Because of Tax-Inefficiency?

Do you own an asset that you wished paid more income, yet you don't want to sell because you'll face a hefty capital gains tax? For example, maybe you have a piece of raw land or stocks that don't pay the dividends you are looking for. In such a case, you might be able to convert them into another investment that provides more income while avoiding the capital gains tax. This could be accomplished through a Charitable Remainder Trust (CRT).

Through a CRT, highly appreciated and/or low-income producing assets are transferred to a trust that will pay you an ongoing income for your life or for a specified time period. Here is a basic summary of how it works:

Your attorney draws up the trust;

You transfer assets that have appreciated significantly to the trust but are producing an income that is lower than your current expectations or needs;

The trust sells the asset and pays no capital gains tax;

The trust then reinvests the proceeds in investments that could possibly pay a higher income (e.g., bonds or preferred stock) Please note that investments in preferred stocks and bonds involve risks, including the possible loss of principal invested.

Some people overlook this technique because they believe that they must leave the trust's entire principal to the charity. That, however, is not always the case. As a practical matter, the present value of the remainder interest to the charity must equal at least 10% of value of the donor's income interest. This calculation is largely based upon the age of the income beneficiaries, trust duration, value of the contributed assets and the Applicable Federal Rate (AFR) published by the Treasury Department. Although the trust must be irrevocable, the donor can serve as the trustee of the trust, which can allow you some discretion over the trust investments.

Furthermore, the trust can be designed, in some cases, to provide children and grandchildren with some benefits.

In some cases, these trusts have been drafted to provide children, grandchildren, and other relatives with the benefits associated with the income interest. In other cases, the income from these trusts has also been used to fund the premiums of a life insurance policy to support the younger relatives at the donor's death.

In addition to the potentially higher income payments, the donor is usually entitled to an income tax deduction, which is tied to the value of the charities' remainder interest. Also, when the trust is properly created, the assets remaining in the trust at the end of the donor's life (or predetermined term of years) can pass to the charity free of federal estate taxes. Of course, certain income limitations and deduction restrictions will often apply to the amount and timing of the income-tax deduction. For this reason, careful planning is required to determine the extent of the donor's income and estate tax benefits. As these benefits are subject to several federal tax rules, professional assistance from an established estate-planning attorney is highly recommended.

Please call for a review of how this strategy could potentially benefit you from an income and tax perspective. Additionally, a list of established estate planning attorneys can also be provided if you need it. Please check off and return the enclosed coupon to schedule an appointment.

◆As federal and state tax rules are subject to frequent changes, you should consult with a qualified tax advisor prior to making any investment purchase decisions.

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Please contact me about the information on these items mentioned in your newsletter:

- I or a family member has shares of company stock in a retirement plan and want to take advantage of minimizing the taxes
- I am very interested in turning my assets into income

I would like to have a copy of these booklets (enclose \$1 for each)

- Avoid Mistakes in Buying Long-Term Care Insurance
- Annuity Owner Opportunities (a must read if you own an annuity)
- Mistakes in Selecting Mutual Funds
- Six Ways Retirees Can Cut Taxes
- IRA Distribution Mistakes
- CD Shoppers' Guide

I think these people would like to receive your newsletter and an invitation to your next public presentation:

Name _____

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Address _____

(Please provide names and addresses with zip codes.)