Senior Years

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By the time you retire, your accumulated wealth is probably at its height. The challenge now is to manage your assets so that they last as long as you do. Insurance still plays an important role at this stage of your life.

AUTO

Mature drivers are some of the safest on the road. They have fewer accidents and tend to drive safer cars. Some insurance companies give discounts to drivers between the ages of 50-70. As drivers age, however, their abilities change. Older drivers, those 70 and older, have higher rates of fatal crashes, based on miles driven, than any other group except very young drivers. These older drivers should expect to see their rates begin to rise. Many states mandate discounts for seniors who have successfully completed driver refresher training. The AARP, for example, offers one such state-certified program.

Seniors are the most experienced drivers on the road. And mobility is vitally important to this group, particularly where public transportation is not readily accessible. Yet, as a group, older drivers, particularly after the age of 70, are involved in more serious accidents. Because of their age, they are increasingly vulnerable to serious injury. In most cases, seniors themselves, sensing that their physical skills are not what they once were, begin to restrict their driving ? limiting themselves to daylight hours and familiar roads, for example. And while many states require more frequent vision and, if necessary, driving tests later in life, it appropriately should be an individual and family decision when it is no longer safe to get behind the wheel.

HOME

Unlike auto insurance, where the state sets minimum coverage limits, the bank that holds your mortgage usually requires you to have homeowners insurance. Once you pay off your mortgage, it?s still important to have protection in case of fire, burglary, and natural disasters. Many insurance companies provide discounts for retirees, because they spend more time at home; take the time to properly maintain their property; and are more likely to act promptly to correct small problems before they become big problems.

Some retirees stay active by working part-time. If you work at home, you may need a supplemental liability policy that covers your work-related activity. Consider also an umbrella policy to protect your accumulated assets. Real estate, securities, and savings could be wiped out by one lawsuit. Umbrella coverage adds another layer of protection above what is provided in your standard homeowners and auto policies. Generally, it is relatively inexpensive, and provides an additional million dollars or more in liability insurance.

LIFE

Life insurance is cheaper the earlier in life it is purchased. Retirees can still get life insurance, but should be prepared to pay much more for it. For those who already have coverage, premiums will generally move higher as existing term insurance reaches the end of a set policy period and is up for renewal. Cash value coverage tends to have a set premium that was locked in years earlier. In order to preserve the benefit for a surviving spouse, it is necessary to continue to pay the premium.

HEALTH

Most people under 65 get group health insurance through their or their spouse?s job. Group health insurance costs less than individual health insurance. Most people who are 65 and older get Medicare from the federal government. Medicare has two parts:

1. Hospital Insurance (Medicare Part A) helps pay hospital bills; and
2. Medical Insurance (Medicare Part B) helps pay for doctor bills.

Anyone enrolled in Social Security is automatically signed up for Medicare when turning 65. Anyone not on Social Security can sign up for Medicare at the local Social Security office.

Initially, most people get Medicare Part A coverage when signing up. There is no fee involved. Medicare Part B is optional and has a fee. Generally, individuals who are still working and covered by a employer-provided group health plan not need Medicare. It?s best to keep group coverage for as long as possible. Some employers may continue health care coverage for long-time employees when they retire. But Medicare becomes the primary insurer and the group coverage will pay only when Medicare does not provide coverage. Those on Medicare without such group coverage to fill in health care gaps can buy a Medicare Supplemental or Medigap policy, regardless of health. Anyone who misses this ?open enrollment? period may not be able to subsequently buy the Medigap coverage desired.

LONG-TERM CARE

Long-term care insurance is not part of Medicare and is purchased from private insurers. It is designed to pay for the many services needed by people who suffer from chronic long-lasting illnesses and need regular care, usually in a nursing home, but in some cases in-home care. For those who have this coverage, at least two activities of daily living, such as bathing, eating, dressing, continence and mobility, and/or cognition must be lost in order for the coverage to take effect. While this primarily affects the elderly, a substantial number of cases involve people under the age of 60.

FINANCIAL PLANNING

Married retirees need to review their financial situation and determine how much income a surviving spouse would lose. Such income losses frequently result from reductions in Social Security payments. For example, a husband may receive $1,500 a month in benefits while his wife gets $1,000 a month, for a total of $2,500 a month. If the husband dies, his widow would get his $1,500 payment but she would lose her $1,000 payment. That could be a 40% reduction in family income. A substantial loss of income also can result from reduction in pension or annuity payments. The investment strategy for seniors should emphasize income-producing and liquid instruments that can supplement retirement income and Social Security.

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