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Hi All,

I am happy to announce some major changes with our investment advisory services. I have purchased portfolio reporting software that will allow me to customize performance reporting to advisory clients as well as financial planning software that will allow me to present all your financial assets and liabilities on one page – trying to keep it simple.

Examples of these reports will be put on my web page next month and I will be ready to begin using these tools by January.

Investing in this software allows me to give you the latest technology, while still offering you the personal service you appreciate.

If you have any comments or questions, I am always glad to hear from you.

Best regards,

Brian

**November 2019**

Five Times in Your Life When You Might Need Help with Your Finances

Tips for Managing Your Holiday Spending

What are continuing care retirement communities?

Do independent living communities differ from CCRCs?



# Live Your Ideal Life

## *By Gaining Financial Independence*

### Three Regrets of Retirees



A recent survey found that more than half of retirees have retirement planning regrets. Unfortunately, many of these retirees had to cut back on their lifestyles to compensate for financial shortfalls.<sup>1</sup>

Considering their most common regrets may help you avoid making the same mistakes.

#### Not saving enough

More than one-third of retirees wish they had saved more.<sup>2</sup> How much is enough? The amount you need depends on your other sources of income and your anticipated retirement lifestyle.

It might be helpful to consider the 4% rule, a traditional guideline for the percentage of savings that you may be able to withdraw each year without depleting your nest egg over a 30-year retirement. For example, \$100,000 in savings would provide only \$4,000 in annual income. If you will need \$20,000 from your savings each year, you should have \$500,000 socked away by the time you retire. Withdrawing \$40,000 annually might require \$1 million in savings.

The longer you have before retirement, the more time you have to take advantage of long-term savings and compounding of potential returns.

If you have a workplace plan, you might start by saving enough to receive any employer match and then increase your savings percentage by 1% each year until you reach 15% or more. You may need to target a higher percentage if you get a late start. Even if retirement is coming soon, you might be surprised by how much you can save if you focus on that goal.

#### Relying too much on Social Security

Social Security was never meant to meet all your retirement income needs. The average 2019 monthly benefit of \$1,461 for a retired worker and \$2,448 for a couple would hardly provide a comfortable retirement. The 2019 maximum worker benefit of \$2,861 at full retirement age would be better, but that would require maximum taxable Social Security earnings for at least 35 years. If you postpone claiming Social Security after reaching full retirement age, your benefit increases by 8% annually. For example, if you were born in 1960 or later, your full retirement age will be 67 under current law, so working until age 70 would increase your benefit by 24%.<sup>3</sup>

According to the most recent trustees report, Social Security may be able to pay out only 77% of scheduled retirement benefits beginning in 2034, unless Congress takes action to strengthen the program.<sup>4</sup> Considering the importance of Social Security, it seems unlikely that benefits will be reduced to that level, but this is another reason not to count too much on Social Security benefits for retirement income.

#### Not paying off debts

Carrying heavy debt can be a strain at any stage of life, but it can be especially difficult for retirees living on a fixed income. Paying off your home before you retire not only reduces your monthly expenses but also provides equity that could be tapped if necessary for future needs. Before paying off your mortgage, however, it might be wise to pay off credit cards and other high-interest loans.

The road to retirement can be challenging, but avoiding the mistakes made by those who have traveled before you may help you reach your destination with fewer regrets.

<sup>1-2</sup> National Association of Plan Advisors, December 8, 2018

<sup>3-4</sup> Social Security Administration, 2019



## Five Times in Your Life When You Might Need Help with Your Finances



*The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.*

*All investing involves risk, including the possible loss of principal, and there can be no assurance that any investment strategy will be successful.*

*Taxable distributions from retirement plans and IRAs prior to age 59½ may be subject to a 10% penalty tax unless an exception applies.*

*Disability premiums are based on your age, gender, occupation, and the amount of potential lost income you are trying to protect, as well as the specifics of the policy and what additional benefits are added.*

As you move through different stages of life, you will face new and unique financial situations. Did you just get engaged? Perhaps you are wondering how you and your partner are going to manage your money together. Do you have children? Maybe you are looking for ways to pay for their college education.

When you navigate through these various life events, you might seek professional guidance to help you make sound financial choices.

### 1. Getting married

Getting married is an exciting time in one's life, but it also brings about many challenges. One challenge that you and your spouse will face is how to merge your finances. Careful planning and communication are important, since the financial decisions you make now can have a lasting impact on your future.

You'll want to discuss your financial goals and determine which are most important to both of you. You should also prepare a budget to make sure you are spending less than you earn. Other issues to consider as a couple include combining financial accounts, integrating insurance coverage, and increasing retirement plan contributions.

### 2. Buying a home

Buying a home can be stressful, especially for first-time homebuyers. Since most people finance their home purchases, buying a house usually means getting a mortgage. As a result, you'll need to determine how large a mortgage you can afford by taking into account your gross monthly income, housing expenses, and long-term debt.

And if you haven't already done so, you'll need to save for a down payment. Traditionally, lenders have required a 20% down payment on the purchase of a home, however many lenders now offer loans with lower down payments.

### 3. Starting a family

Starting a family is an important — and expensive — commitment. As your family grows, you will likely need to reassess and make changes to your budget. Many of your living expenses will increase (e.g., grocery, health-care, and housing costs). In addition, you'll need to account for new expenses such as child care and building a college fund.

Having a family also means you should review your insurance coverage needs. Life insurance can help protect your family from financial uncertainty if you die, while disability insurance will help replace your income if you become injured or sick.

### 4. Paying for college

Paying for college is a major financial undertaking and usually involves a combination of strategies to help cover costs — savings, financial aid, income during the college years, and potentially other creative cost-cutting measures. Hopefully, you've been saving money on a regular basis to amass a healthy sum when your child is ready for college. But as college costs continue to rise each year, what you've saved may not be enough.

For this reason, many families supplement their savings at college time with federal or college financial aid. Federal aid can include student and parent loans (need-based and non-need-based), grants and work-study (both need-based), while college aid consists primarily of grants and scholarships (need-based and merit-based). In fact, college grants and scholarships can make up a significant portion of the college funding puzzle, so exploring the availability of college aid is probably the single biggest thing you can do after saving regularly to optimize your bottom line. In addition to financial aid, you might take out a private college loan or borrow against your home equity. Or you might pay college expenses using your current income or other savings or investments.

### 5. Saving for retirement

You know that saving for retirement is important. However, sometimes it's easy to delay saving while you're still young and retirement seems too far off in the future. Proper planning is important, and the sooner you get started, the easier it will be to meet your retirement income needs. Depending on your desired retirement lifestyle, experts suggest that you may need 80% to 100% of your pre-retirement income to maintain your standard of living. However, this is only a general guideline. To determine your specific needs, you'll need to estimate all your potential sources of retirement income and retirement expenses, taking taxes and inflation into account.

Once you've estimated how much money you'll need for retirement, your next goal is to save that amount. Employer-sponsored retirement plans like 401(k)s and 403(b)s are powerful savings tools because you can make pre-tax contributions (reducing your current taxable income), and any investment earnings grow tax deferred until withdrawn, when they are taxed as ordinary income. You may be able to enhance your savings even more if your employer matches contributions. IRAs also offer tax-deferred growth of earnings.



## Tips for Managing Your Holiday Spending



### How much will you spend this year?

*In October 2018, the National Retail Federation projected that consumers were planning to spend more than \$1,000 on holiday-related purchases over the entire season, which was a 4% increase over 2017. For 2019 figures, typically released in late October, please visit the [organization's website](#).*

### There's an app for that, too?

*You can even find an app that will help you locate your car in the shopping mall parking lot.*

Like almost everything else these days, the holidays have become a barrage of options and choices, with nearly limitless opportunities to overspend. Here are some tips to help you make sure your family's spending remains in check this holiday season.

### Develop a spending strategy

First and foremost, **develop a budget.**

Involving family members will help you establish and maintain realistic expectations at the outset. Remember to include not just gifts, but also holiday meals and parties, travel, greeting cards and stamps, gift wrap, decorations, and any other category you deem necessary. This is also a good time to commit to using cash or charging no more than you can pay off in one month.

Next, **devise a method of tracking all your purchases**, receipts, gift recipients, and the locations of hidden gifts that you might otherwise forget about. This will make life easier as the chaos ramps up.

**Review your credit cards** to see if you have any perks. Could you use earned points for travel, or cash-back and gift card rewards to help defray costs?

**Track down old gift cards** and put them to use now. If you think you'll never use them, trade them in for cash on a discounted gift card website. There, you can sell your old cards and even buy new e-gift cards at a discounted rate, which you can then give as gifts or use for your own purchases.

**Put technology to work for you.** You can find apps that offer cash back if you shop online; alert you to online coupons available at nearby stores; round up your purchases to the nearest dollar and put the difference into a savings account; and track your online purchases, scan other stores for better prices, and then automatically email the original stores on your behalf to take advantage of the price-match guarantees. There are myriad options available, so be sure to check reviews and privacy/security measures before downloading.

### Think creatively

**Gifts.** Take time to carefully scan all promotional materials before you head out the door or open a browser, because great deals are often available for limited periods of time. For example, some stores have offered generous gift cards in exchange for buying certain products on Black Friday.

Consider giving experiences rather than gifts, which happiness experts say could lead to more sustained levels of well-being. In fact, you

may find that you'll spend less overall by giving one or two memorable experiences instead of the usual pile of items.

Create meaningful yet inexpensive gifts, such as photo books, calendars, and family recipe books, using online apps and services. This idea is especially appropriate for gifts from children to older family members.

For larger or extended families, make a game out of gift giving. Consider a "Yankee swap," or implement a gift exchange, where everyone is randomly assigned a person for whom they buy one special gift. Or consider having the entire family chip in a certain amount per person and donating to a favorite charity or sponsoring another family in need.

**Food.** Nonperishable holiday-related goods typically go on sale in late fall, so plan ahead and stock up. Also keep an eye out for specials; for example, some grocery stores offer a free turkey around Thanksgiving when you spend a certain amount on groceries.

### Party planning, decorations, gift wrap.

Consider buying the bulk of these supplies at deep-discount stores and splurging on a few special highlight items, such as napkins with an elaborate design, centerpieces of fresh flowers, or fancy bows. If you live in an area where evergreens, autumn berries, and pine cones are plentiful, take advantage of this potentially sophisticated, yet *completely free*, decor. Or create even more memories by hosting an ornament-making party. Use old costume jewelry or other items to make ornaments and decorations with sentimental value.

**Travel.** During one of the busiest travel times of the year, deals can be hard to find. Here are some tips:

- Be flexible. If you can postpone your celebration until after the holidays, you may be able to save substantially on travel costs. (You can also shop the post-holiday sales for gifts!)
- Avoid airline baggage fees by using carry-on luggage.
- Use fare-tracking apps to find the best deals.
- Cost-compare alternative modes of travel, such as train and ridesharing.

### It's never too early to start saving

Finally, get a jump on next year's festivities by stocking up on supplies during post-holiday sales, opening a savings account with a goal of saving at least as much as you spend this year, and shopping as early as possible to spread spending throughout the year.





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The information in this newsletter constitutes general tax and financial information. It may not apply to your specific situation, so you are advised to consult a tax and/or financial advisor before taking specific action based on this information.



## What are continuing care retirement communities?

Continuing care retirement communities (CCRCs) are living arrangements that combine independent living, assisted living, and nursing home care on a single campus. CCRCs offer residents a continuum of care throughout their lives.

Typically, you enter a CCRC as a resident of an independent housing unit, which may be a condominium, apartment, or single-family home. When you need more care or are unable to live independently, you can move to the assisted living facility on campus. Should you need the next level of care, you can move into the on-site nursing home.

While specific services and benefits may differ, communities generally offer dining facilities, transportation, lawn care, housekeeping, social activities, laundry, emergency call monitoring, and security. As needs arise, additional services may include preparation of meals, health services such as medical care, and personal care such as assistance with toileting, bathing, and personal hygiene.

The fee arrangements for CCRCs vary and generally include both a monthly fee and an

entrance fee. These fees can be quite substantial depending on the location of the community, the services offered and chosen, and the living arrangements desired. The entry fee may be fully or partially refundable, and monthly fees may increase over time. Medicare and/or health insurance may pay for some of the services provided.

There are three basic types of residential arrangements for CCRCs:

- **Life care or extended contract.** This option offers unlimited assisted living, medical treatment, and skilled nursing care. This alternative is often the priciest because there are typically no additional fees or charges.
- **Modified contract.** This contract is similar to the life care option, except that only certain defined services are included for a predetermined price and/or for a specified length of time. Extra charges will apply if you need additional services or are able to extend the contract's time frame.
- **Fee-for-service contract.** While the initial enrollment fee may be lower, assisted-living and skilled-care services are paid for at their market rates.



## Do independent living communities differ from CCRCs?

Independent living communities, also known as rental retirement communities, offer housing options for active seniors and retirees who require little or no assistance with daily activities. Most independent living residents desire an environment where they don't have to be concerned about safety, maintenance, and homeownership responsibilities.

One of the major offshoots of the burgeoning number of baby boomers retiring every day is the growing retirement living industry. More and more communities dedicated to senior living are opening each year. Two popular options are continuing care retirement communities (CCRCs) and independent living communities. While there are similarities between the two, there are important differences as well.

Both CCRCs and independent living communities may offer amenities such as a clubhouse, lounge, dining rooms, fitness centers, swimming pools, housekeeping services, and transportation. CCRCs usually offer a higher level of amenities and services than independent living communities.

The main difference between CCRCs and

independent living communities is the extent of health-related, or continuing care, services offered by CCRCs, which include assisted living services, memory care, and long-term care. Independent living communities typically do not offer continuing care services. Instead, the resident may arrange for such services through an outside agency. Generally, independent living communities do not offer assisted living services or long-term care.

Another difference between CCRCs and independent living communities relates to the costs. Most CCRCs require a substantial entry fee plus a monthly fee. Typically, independent living communities charge a monthly fee, similar to rent. Independent living fees are usually not covered by any type of insurance, including Medicare and long-term care insurance. However, health-related services and care that a resident receives (which are not offered by the independent resident community) may be covered by insurance or Medicare.

Determining which type of community is the best choice depends on a number of factors including the services needed or desired and the costs associated with each type of residential community.