

Flying Solo with Your Finances

Bonnie Biafore

(c) Bonnie Biafore 2006

1

Who's Gonna Help?

- Your Employer?
 - The demise of pensions
 - Pension bankruptcy
 - More 401(k)s
- The Government?
 - Solvent Social Security – oxymoron?
 - Would it make a dent?
 - Privatization

(c) Bonnie Biafore 2006

2

Who's Gonna Help?

- Your Kids?
 - Top 5 reasons why your kids aren't a good bet
- Your spouse?

(c) Bonnie Biafore 2006

3

Your Spouse?



4

From Portman Entertainment

How About Flying Solo?

- What should you do?
- How much do you need?
- When do you need it?

(c) Bonnie Biafore 2006

5

For the Planophobic

- Get started
- Keep plugging
- Simple works
- What's Next?

(c) Bonnie Biafore 2006

6

Safety First

- Medical directives
- Insurance
- Don't take long to set up
- Make a BIG difference

(c) Bonnie Biafore 2006

7

Medical Directives

- Medical power of attorney
- Living will
 - How long to maintain life support
- Do Not Resuscitate
 - Whether to start life support

- Some are state-specific
- Cost – minimal

(c) Bonnie Biafore 2006

8

Insurance

- Health
- Disability
- Life
- Liability
- Long-term care
- ...

(c) Bonnie Biafore 2006

9

Health Insurance

- While employed
- Self-employed
- Pre-existing conditions
- After retirement
- \$



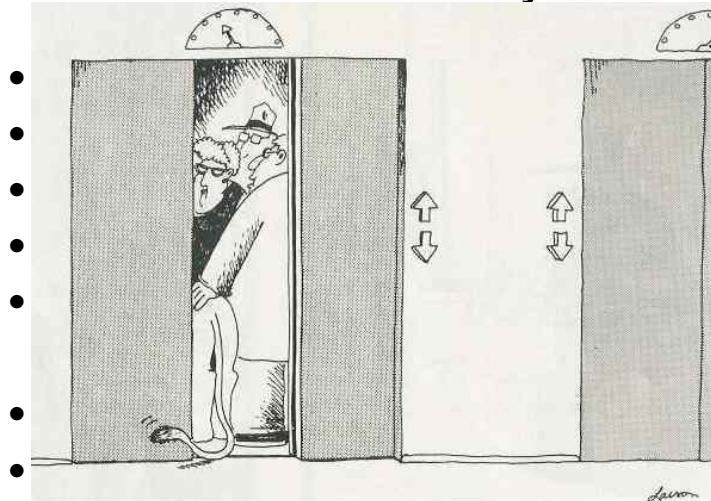
I'm afraid you've got cows, Mr. Farnsworth.

© Gary Larsen

(c) Bonnie Biafore 2006

10

Disability



Don't be alarmed folks. He's fine unless something startles him.

11

Life Insurance

- OK, you're dead,
- But your family isn't...
- Most people don't have enough
- Many have the wrong kind
- A few have too much

(c) Bonnie Biafore 2006

12

Life Insurance Amounts

- Mortgage and other debts?
- College education?
- Ongoing support for spouse and kids?
- Funeral expenses?

- One bright spot: lump-sum payoff has compounding in its favor

(c) Bonnie Biafore 2006

13

Life insurance example

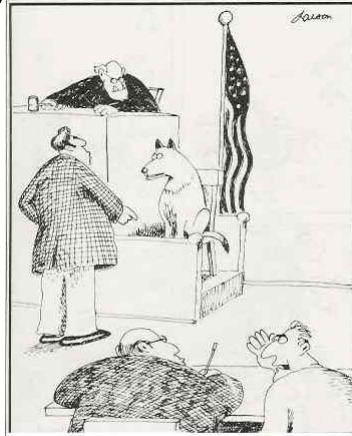
Costs at death	\$15,000
Pay-off mortgage and debts	\$200,000
College fund	\$100,000
Living expense annual shortfall	\$20,000
Years needed	20
Income-producing assets	\$100,000
Insurance needed	\$435,000

(c) Bonnie Biafore 2006

14

Liability

- Welcome to the litigious society
- Jury awards
- Umbrella liability policies



I could have guessed...my friends all warned me that this breed will sometimes turn on you.

© Gary Larsen

(c) Bonnie Biafore 2006

15

Last Will and Testament

- Writing a will: \$500
- Copy for executor: \$2
- Writing your good-for-nothing son out of it: Priceless

(c) Bonnie Biafore 2006

16

Estate Planning Challenges



Eulogy Productions LLC

17

Updating Your Legacy

- Have circumstances changed?
 - Update the will
- Old wills and trusts often are out of date
 - Executor
 - Beneficiaries

(c) Bonnie Biafore 2006

18

Trusts

- Past use: reducing estate taxes for estates larger than \$2 million exemption
- Today:
 - Provide for heirs with special needs
 - Contribute to charity
 - Delineate inheritance
 - Protect assets from creditors
 - Avoid probate

(c) Bonnie Biafore 2006

19

Help Your Heirs

- Or at least the executor
- Keep your information organized

(c) Bonnie Biafore 2006

20

Letter of Instructions

- Location of papers
 - Wills, trusts, powers of attorney, medical docs
 - Marriage, divorce, Social Security certificates
 - Financial papers
- Legal and financial contacts
 - Attorney, accountant, fin. Advisors, insurance agents
- Doctors
- People to notify
- Every insurance policy with contact info
- Every bank or investment account with contact info
- Assets
- Funeral instructions
- Contents of safety deposit box
 - Location of key

(c) Bonnie Biafore 2006

21

Safety Deposit Boxes

- Some states seal upon death
- DNR? No.
- Funeral preferences? No.
- Things you don't want the government to know about? No.
- So, what does go in it?
 - Deeds, titles, title insurance, surveys, paid-off debts, contracts, stocks certificates, securities, precious metals, trust documents, gift records, computer backups

(c) Bonnie Biafore 2006

22

The Saga of a Comfortable Retirement

- 50% of workers have less than \$25,000 saved
- 50% of workers 45 to 54 have less than \$50,000 saved
- Average baby boomer will replace 57% of pre-retirement income
- More than 80% of baby boomers don't know how to plan for retirement

(c) Bonnie Biafore 2006

23

Retirement

- When and how much?
- Rule of thumb: 20 to 25 times estimated annual expenses in retirement
 - Estimated annual return of 8%
 - 4% to counteract inflation
 - 4% to produce retirement income
- Retirement estimator (Ballpark E\$timate)
 - <http://www.asec.org/ballpark/ballpark.htm>

(c) Bonnie Biafore 2006

24

Annual Expenses

- What are your retirement expenses?
- Depends on retirement lifestyle
 - Today's income minus taxes
 - Deduct work-related expenses
 - Add in retirement expenses

(c) Bonnie Biafore 2006

25

Retirement Example (using Ballpark)

Years to retirement	15
Current annual gross income	\$100,000
Percentage of income	100%
Social Security	\$14,500
Part-time income	\$10,000
Annual income gap	\$75,500
Retirement savings needed	\$1,200,000
Current savings	\$550,000
Annual savings until retirement	\$18,600

(c) Bonnie Biafore 2006

26

For Women (and the people who love them)

- Longer life span (seven years)
- Lower salaries (75% on average)
- Interrupted careers
- Lower Social Security benefits
- Less retirement savings
- Often more risk-averse
- Result? Median income in old age of \$11K vs. \$20K for men

(c) Bonnie Biafore 2006

27

Other Issues for Women

- Sometimes:
 - Less involved with finances
 - Don't have credit in own name

(c) Bonnie Biafore 2006

28

What's a Woman to Do?

- Establish separate credit
 - Credit card in your name, car loan
- Get involved with family finances
- Learn about finance and investing
 - You're likely to be better at it than your spouse
- Communicate
- Plan
- Build a relationship with a trustworthy financial advisor

(c) Bonnie Biafore 2006

29

Resources for Women

- Wife.org
 - Womens' Institute for Financial Education
- What Every Woman Should Know About Her Husband's Finances
 - Shelby White

(c) Bonnie Biafore 2006

30

Questions?

www.bonniebiafore.com

(c) Bonnie Biafore 2006

31