ARMY BENEFITS CENTER - CIVILIAN (ABC-C)

At Fort Riley, Kansas

ABC-C News

Volume 9, Issue 2 May 2011

To reach the ABC-C: https://www.abc.army.mil or 1-877-276-9287 (TDD: 1-877-276-9833)
303 Marshall Avenue, Fort Riley, KS 66442-5004

Peggy Sholtz, Director, Army Benefits Center-Civilian

Build Long Term Care into Your Financial Plan

You know that planning for your financial future is important. You work hard to ensure you have enough income and assets to support your lifestyle. You insure against events that could derail your planning, including risks to health and home. There is one risk that often goes unconsidered, and it can jeopardize even the most carefully considered plans: the unpleasant but real possibility that some day you may need long term care.

Long term care is ongoing help with the most basic activities of daily living such as eating, bathing, dressing, or getting in and out of bed or a chair. Disability, chronic illness, diseases such as Alzheimer's can affect your ability to perform these activities. Unfortunately, health insurance plans, including Medicare, do not typically cover this type of ongoing care, creating a large gap in your financial planning.

Today, there are numerous care options, from having a home health aide assist within your home, to community care such as adult day care, to an assisted living facility or nursing home. Care can be expensive and, if you don't have a plan for paying for it, your options may be limited. For example:

- The average cost of a home health aide has risen to $19 an hour, costing about $1,900 a month for 5 hours of care for 5 days each week.
- The national average for assisted living is $2,962 per month or $35,544 per year.
- The national average for a semiprivate room in a nursing home is approximately $5,566 a month or $66,795 a year.

Having family and friends provide care can ease your financial burden, this type of care still has costs. Without support or assistance, these caregivers can suffer from depression, lost wages, physical injury, and disrupted lives. Many are pulled in two directions, caring for both children and parents, which can be an incredible challenge.

How can you protect against this risk? How can you pay for long term care if the need arises? Self-funding may be an option for the very wealthy. If you meet your state's poverty criteria you can rely on Medicaid. It is the vast majority of Americans whose incomes fall somewhere in the middle who may be at the greatest risk.

You may consider setting up a separate savings account for future long term care costs. How much will you need? Just 3 years of care at home with a home health aide, in an assisted living facility, or in a nursing home can range from $68,000 to well over $200,000. Long term care costs are on the rise, so savings based on today's costs may not be enough in the future. Also, long term care can be needed at any time due to unexpected illness or injury, so savings you are counting on for the future may not be there if you need them earlier.

Considering the high cost of care, it is no wonder many people look to long term care insurance as a solution. Including long term care insurance in your financial planning today allows you to face the future with confidence, knowing you have taken steps to protect yourself and your family if you should ever need care.

BRAC Buzz

If you are a CSRS employee under the age of 55 and retire under a Discontinued Service Retirement (DSR) or a Voluntary Early Retirement Authority (VERA), your annuity will be reduced 2% for every year under the age of 55. This is a permanent reduction. There is no reduction for FERS employee.

Financial Focus

Feed the Pig! features Benjamin Bankes, the "spokespig" who reminds you to feed your piggy bank. On the website http://www.feedthepig.org you will find fun tools, a quiz, tips and other resources.

This website is part of a national campaign sponsored by the American Institute of Certified Public Accountants (AICPA) and The Advertising Council. The goal of the campaign is to encourage and help Americans aged 25 to 34 take control of their personal finances.

What's Your Excuse?

As a new employee, you have lots to think about. You're learning a new job, maybe considering starting a family and buying a house. Saving for retirement may be very far from your mind. It's easy to think of reasons for putting off retirement planning. Here are responses to some common excuses:

It's too difficult. If you are a new federal employee, it has been made very easy. For those who started working or were rehired after July 31, 2010, you were automatically enrolled in TSP and 3% of your basic pay is deducted from your paycheck each pay period and deposited into your TSP account. If FERS, you also get agency contributions, so a total of 7% of your basic pay goes into your TSP account each pay period, without any action on your part. As far as deciding how to allocate your TSP contributions, even that has been made easier since the creation of the Lifecycle Funds. Just choose the L Fund that is closest to your expected date of retirement. The L Funds make the investing process easy for you because you do not have to figure out how to diversify your account or how and when to rebalance.

I can't save enough to make a difference. If you are FERS, every dollar put into your TSP account matters, because TSP **WILL BE** the largest part of your total retirement compensation (FERS annuity and Social Security are the other parts). If you save as little as $100 per pay period for 30 years, you could have close to half a million dollars in your TSP account.

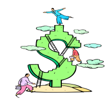
Retirement is too far in the future. The money you save in your TSP account when you are in your 20s has more time to grow than money you contribute later in your career. For example, $100 you invest in TSP at age 25 (assuming 6% rate of return on your investment) would be worth $1,028.57 at retirement; that same $100 invested at age 35 would only be worth $574.35 when you retire. Saving for the first 10 years of your career effectively doubles the money you will have in your TSP account.

I need to pay off my debt first. This is one area where financial planning experts often disagree. It is important to stay current on your payments, especially if you are repaying a government student loan. But you can see from the paragraph above that even contributing a small amount to your TSP each pay period will result in a huge payoff when you finally reach retirement age.

Social Security Scoop

Not ready to retire yet? Start planning early, use the Retirement Estimator to obtain immediate and personalized estimates of your future social security retirement benefits. Visit the Social Security website at http://www.socialsecurity.gov/estimator/.

The DFAS Corner



According to the Defense Finance and Accounting Service (DFAS), about 275,000 Department of Defense federal civilian employees receive their Leave and Earnings Statement (LES) in the mail. This costs the defense funds approximately $2.6 million annually. Resources that can be used for a number of other needs as well as decreasing your exposure to identity theft.

To change your LES delivery method, follow these steps:

1. Log on to myPay at https://mypay.dfas.mil.
2. Locate "Pay changes." Select "Turn on/off Hard Copy of LES."
3. The screen will display your current delivery method.
4. Select "Yes" to choose Electronic Only delivery.
5. Log off myPay.

From the Editor:

If you ask my husband, he will tell you I am a master at the art of procrastination. There are times when it does pay to procrastinate: wait long enough to shovel the sidewalk and the snow will melt; leave dishes sitting in the sink and someone (usually my husband) will load the dishwasher.

There is one time when it does not pay to procrastinate, and that is when it comes to retirement planning.

"When should you start planning for retirement?" is a question I always ask when giving retirement briefings. Some will answer five or ten years before retirement. There is usually one person that answers "the day you are hired" and that IS the correct answer. Unfortunately, most of us, myself included, don't give retirement a thought until we are too close to retirement to have much time to plan.

A lot of us would rather do almost anything else rather than plan for retirement. I recently ran across a survey of Americans, ages 45 to 75, and 31% of those surveyed would rather clean bathrooms or pay bills than plan for retirement.

Unfortunately, most of us put off even thinking about retirement until the last few years, and then panic starts to set in when we realize we should have done more planning, put more in TSP, made wiser financial decisions.

"As in all successful ventures, the foundation of a good retirement is planning." ~Earl Nightingale

Send comments or suggestions to:

mailto:rile.NewsletterINQ@conus.army.mil