HAISMAN WEALTH MANAGEMENT
Values Based Asset Management

Volume XXXII Number 2 www.HaismanWM.com July 2011

# Is Long-Term Care Insurance a Good Idea?

There is a good possibility that you or your spouse will eventually require some form of long-term care. According to the U.S. Department of Health and Human Services, about 40% of people aged 65 or older will enter a nursing home for some period of time during their lifetimes.[1]

**Cost of Care**

Perhaps the first consideration is determining the potential cost of long-term care. Below is a summary of current costs according to the U.S. Department of Health and Human Services National Clearinghouse for Long-Term Care.

Average costs in the United States (in 2009):[1]

- $198/day for a semi-private room in a nursing home
- $219/day for a private room in a nursing home
- $3,131/month for care in an assisted living facility (for a one-bedroom unit)
- $21/hour for a home health aide
- $19/hour for homemaker services
- $67/day for care in an adult day health care center

With health care costs rising every year, these expenses can be expected to grow substantially over time. Furthermore, neither Medicare nor Medicare supplemental coverage, also known as Medigap insurance, typically cover long-term care. Medicaid will cover a large share of such services but only if you meet stringent financial and functional criteria. What's more, most employer-sponsored or private health insurance plans follow the same general rules as Medicare. Therefore, most people who need long-term care must pay for some or all of it on their own.

**Cost of Insurance**

Like life insurance, long-term care insurance policy premiums largely

*(Continued on page 4)*

# Get Better Gas Mileage

If your family has started to rethink your travels because of fuel prices, you may be looking for ways to save a few dollars at the gas pump when you fill up your car. And if purchasing a new, more fuel-efficient car isn't an option for your family, here are some ways you can save gas money now.

* Fuel choice: Choose the fuel with the lowest octane level possible for your vehicle. Once your tank is filled, make sure you tighten your gas cap to prevent fuel from evaporating.

* Driving style: Stop and start gently, use cruise control when possible and reduce the amount of trips you make each day to reduce your gas consumption.

* Reduce drag – Keep your trunk and the interior of your car free of unneeded items that could add excess weight.

* Maintenance Check and change your oil. Also make sure the oil, air and fuel filters are clean as well. Check your tires to see if they have the proper air pressure as recommended by your car manufacturer. Proper inflation can improve your gas mileage by up to 3 percent.

# How Are ETFs Different From Mutual Funds?

You've probably heard of exchange-traded funds (ETFs), but you may not have a clear idea of how they work, how they differ from mutual funds, or how they might fit in your investment portfolio. Here's your chance to take a closer look at ETFs and examine the characteristics they share with mutual funds as well as those that set them apart.

### Mutual Funds That Trade Like Stocks

Although ETFs and mutual funds both register with the SEC as investment companies, they are structured and operate quite differently.

Mutual funds pool investors' money to purchase a portfolio of securities. Each investor owns shares, which represent a portion of the holdings of the fund. Shareholders buy and sell shares based on the fund's NAV -- net asset value -- which is calculated daily and fluctuates as fund holdings and shares outstanding change. Some mutual fund shares can be purchased from fund companies directly, while others are sold through brokers, banks, financial planners, or insurance agents. If you purchase mutual fund shares through a third party, there is a good chance you will pay a sales commission, or load. Increasingly, funds can be purchased through no-transaction-fee fund supermarkets that let you buy funds from many different companies.

When describing ETFs, it may help to think of them as mutual funds that trade like single stocks. ETF shares are created when an institutional investor or "authorized participant" deposits a specified block of securities with the fund. This "basket" of stocks reflects the composition of an index, such as the S&P 500 or the Nasdaq 100. Individual investors can buy and sell ETF shares only after they are listed on an exchange such the American Stock Exchange (AMEX) or the New York Stock Exchange (NYSE). Unlike mutual funds that must be purchased or sold at their end-of-day NAV, ETFs can be bought and sold in real time at prices that change throughout the day. Although ETFs still calculate an end-of-day NAV, intraday prices are based on investor demand. ETFs can thus be used for certain hedging strategies typically associated with stocks, such as buying on margin and selling short.

### Comparing Costs

One of the key selling points of exchange-traded funds is cost. ETF expense ratios are generally lower than no-load index mutual funds and are significantly lower than actively managed mutual funds.[1] For instance, the average expense ratio is 0.56% for ETFs, 0.76% for index funds, and 1.17% for actively managed funds.[2]

These cost savings can be significant, especially for long-term investors. Although ETF investors will pay a brokerage commission on a per-trade basis to buy or sell shares, the savings from lower expenses can help offset these transaction costs.

### Tax Consequences

One major tax advantage that sets

ETFs apart from mutual funds is that ETF shareholders are not affected by the trading activity of fellow investors. For instance, mutual fund managers may be forced to sell portfolio holdings to meet the redemption demands of certain fund investors, resulting in an unexpected capital gain or loss to all shareholders. With ETFs, since trading takes place on an exchange between investors, the fund doesn't need to sell stock to meet redemptions, thereby avoiding unforeseen tax events. In addition, the generally low portfolio turnover rate of ETFs contributes to their lower operating costs.

It should be noted that mutual funds and ETFs are required to make annual capital gains distributions to investors, which may be caused by index rebalancing. But as noted above, for ETF investors capital gains distributions are never caused by redemptions in the fund.

### Fund Transparency

Today, investors are increasingly demanding more transparency with

*(Continued on page 4)*

# Do You Need Disability Income Insurance?

*The key to determining your needs is to assess how much you would be required to spend during each week or month that you would be unable to earn your normal pay.*

Your best defense against a financial catastrophe brought on by long-term illness or injury may be the purchase of a disability income insurance policy with enough coverage to compensate for your lost wages. Disability insurance provides you with cash that you can use for paying your mortgage or rent, buying groceries and meeting other ongoing living expenses.

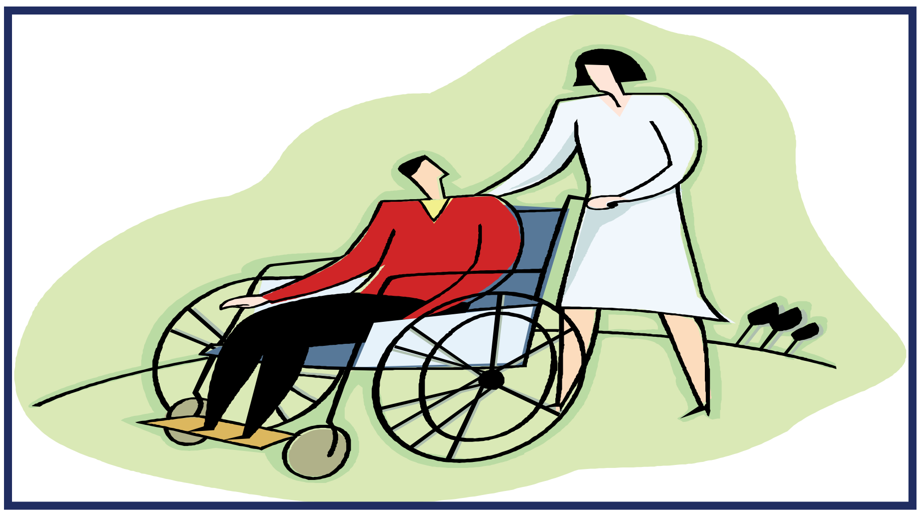
### Putting Policies in Perspective

For most people, there are two main forms of disability income insurance to consider: employer-sponsored policies (called "group" policies) and private insurance policies. Group policies are relatively inexpensive and generally remain in effect for as long as the individual remains with the employer. But there are often significant limits on the benefits provided by these policies, so it's important to determine whether coverage is adequate for your needs.

Private insurance policies, paid for by individuals, typically are more expensive than group policies but may also provide a higher level of coverage. In certain instances, those with a group policy may want to consider purchasing a private policy to fill in the income gaps frequently associated with group-only coverage.

### How Much Disability Income Insurance Do You Need?

The key to determining your needs is to assess how much you would be required to spend during each week or month that you would be unable to earn your normal pay. For example, if you would need 80% of your pretax earnings but your group policy would only pay an amount equal to 60%, then you may need additional coverage.



### Disability Defined

The way in which an insurance policy defines disability can determine your eligibility to receive benefits. The following is a quick overview of three basic definitions:

**Own-occupation.** The most comprehensive definition of disability, it states that you are unable to perform the duties of the occupation you were performing at the time of the disability.

**Income replacement.** Policies with income replacement coverage define disability as sickness or injury that doesn't allow you to perform the duties of your occupation and typically stipulates that you are not currently engaged in any other occupation.

**Gainful occupation.** These policies define disability as the inability to perform the duties of your occupation or any occupation that you are considered to be reasonably qualified for by way of your education, skills or training.

HWM can assist you in finding a qualified insurance professional that can help you assess your need for disability income insurance and find a policy that is most appropriate for you.

## LTC Insurance

(Continued from page 1)

depend on your age and health. If you take out a policy when you are young, you can expect to pay comparatively low premiums during the life of the plan, while starting a new policy when you are older will entail significantly higher monthly premiums. A 65-year-old in good health can expect to pay between $2,000 and $3,000 a year for a policy that covers nursing home care and home care, with premiums adjusted for inflation.[2]

Most long-term care policies sold today are federally tax-qualified, which means the premiums paid and out-of-pocket expenses for long-term care may be applied to the medical expense deduction of the federal tax code. (Typically, taxpayers may deduct the portion of medical and dental expenses that exceed 7.5% of adjusted gross income.) Additionally, long-term care benefits received are not taxed as income up to certain limits. Consult with a tax advisor to learn more about the tax implications of long-term care insurance.

### Coverage

Long-term care policies are complex and vary widely. But in general, long-term care insurance typically covers the following:

- Nursing home care
- Adult day care
- Visiting nurses
- Assisted living
- In-home assistance with daily activities

LTC includes a range of nursing, social, and rehabilitative services for people who need ongoing assistance due to a chronic illness or disability. LTC insurance can be used by anyone at any age who suffers an accident or debilitating illness, but it most frequently is used by older adults who need assistance with essential physical needs, such as bathing, dressing, or eating.

### Other Considerations

Deciding whether to purchase long-term care insurance will depend on your personal situation. You may want to consider your family health history, your level of assets to potentially pay for long-term care, and your feelings about relying on family members for support. Probing these and other individual circumstance can help you make a well-informed decision.

*[1] U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care, 2009 (latest available).*

*[2] AARP.org*

## ETF’s Vs. Mutual Funds

(Continued from page 2)

regard to fees, portfolio holdings, and other operational features. By design, ETFs and index mutual funds deliver greater transparency than actively managed mutual funds because their composition and performance are tied directly to the indexes they mimic. Individuals can easily gauge the performance of their investment by referring to the index it follows. By comparison, the holdings in actively managed funds are subject to change and are less easy to monitor.

*[1]An expense ratio represents the percentage of fund assets paid for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund except brokerage and trading costs.*

*[2]Source: Morningstar, December 2010. Expense ratios are calculated from the actual expenses paid if available; otherwise, they are calculated from the stated expense ratio in the fund's prospectus.*


***Material in this newsletter is written or produced by Haisman Wealth Management, Inc., other local professionals and the Financial Planning Association, the membership organization for the financial planning community.***

**Haisman Wealth Management, Inc. 6830 Porto Fino Circle, Suite One Fort Myers, FL 33912**

**Phone.239.939.3235 Fax.239.939.5484 www.HaismanWM.com**