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SEVEN DEADLY MISTAKES SENIORS MAKE AND HOW TO AVOID THEM

In 49 years as a financial advisor I have noticed a number of errors often made by "senior citizens." I list them in the order most frequently observed.

1.) Procrastination. Most people fail to organize their financial affairs, often before it is too late to take advantage of the available preferred options. This applies to retirement and estate planning, as well as insuring risks and determining investment options and allocations. If you have not already done this, TODAY is the day to begin. If you have, then today is a good day to begin a review of them in light of any financial, economic, tax, legal and family changes in your life.

2.) Ill-founded financial decisions. People make decisions on the basis of misinformation, or unreliable or inaccurate information. A large part this comes from listening to or seeking advice from inappropriate friends and relatives. Our American public school system does a very poor job educating students in financial matters. Most of our high school graduates do not know how to balance a checkbook. People often turn to equally ignorant others who do not have a clue what they are talking about. A good example of this features Bill O'Reilly of Fox News, who has an masters from Harvard, and who sometimes demonstrates his complete ignorance as to how the international oil and gas markets work. His mind is made up; he thinks the huge oil companies manipulate the price of oil and gasoline. If ever there was a case of supply and demand working in a capitalistic system, this is it! As the result of a significant decrease in supply due to the loss of 30% of refining capacity in the 2005 hurricanes, the price of gasoline spiked sharply to well over $3 per gallon and the news was full of this "awful" situation. In six weeks the refineries got back on line and I filled my tank at $1.97 per gallon. The market worked exactly as it is supposed to. Supply suddenly dropped, the price the jumped to the level necessary to restrict demand to match up with the available supply. I cut back on my driving, I suspect most did. The capitalistic system of supply and demand worked exactly as it should. A similar situation is building now with citizen protests in Islamic countries in the Middle East

3.) Failure to match ones goals with the correct financial instruments. I see this most with certificates of deposit where investors load up a high percentage of their portfolio in these inflexible and relatively low paying taxable instruments which offer NO inflation protection. Depending on your tax bracket, there is nothing wrong with putting your emergency reserves or interim cash in CDs, but they are not particularly attractive beyond these uses. With inflation historically at

three percent, a taxable four percent CD guarantees a loss in an individual account. Other risks include investment allocation and diversification, market fluctuations, and liquidity of one's entire portfolio. Are your risks in keeping with your personality and are you comfortable taking these risks? Do you even know them?

4.) Failure to minimize costs, fees, and taxes in order to keep more of your money. In today's financial world there are many options available to do this. Are you familiar with the following five tax efficient personal tax methods? Do you use retirement accounts and/or annuities to defer your income? Did you know you can divert taxable income to your children and grandchildren? Are you converting some investment income to tax free municipal bonds? Or are you using qualified retirement plans or oil and gas investments or real estate to lower taxable income? Are you reducing your tax liabilities with tax credits? Do you use discount stock brokerage commissions and free accounts; index and exchange traded funds; money market funds; or professional money management in place of mutual funds in larger accounts. If you are withdrawing money from your retirement accounts, are you doing so in an appropriate manner, including taxes owed and the tax impact of these withdrawals on your Social Security? Lastly, do you have a Living Trust to save your heirs 4-10% in probate and other estate costs at your death?

5.) Failure to own your assets in the correct form to protect them. Living trusts, irrevocable trusts, credit protection trusts, annuities, and most retirement accounts can usually be protected from creditors. In contrast, property held jointly with children or others exposes both parties to the creditors of the other.

6.) Failing to prepare for the possibility of the need for extended health care. This is often overlooked until it is too late, either because of failing health or premiums too expensive later in life. Close attention to this possibility in one's fifties or sixties is appropriate. Do you know your own choices when it comes to long term care? Can you afford to self insure, and are you willing to use your existing assets and income to do so? Is any existing coverage inadequate or outdated? Do you know and have you taken the steps to protect your assets if Medicaid is an option?

7.) Failure to protect assets from unforeseen risks. These risks include health, personal and property liability, litigation, business failures, interest rates, investments, and inflation. Insurance exists to cover nearly most eventualities. Credit protection trusts and other available options can be utilized where needed.

Awareness of a problem is the first step needed in order to correct it. I trust these cautions will be helpful to the reader in their financial affairs