

NORTHWEST ASSET MANAGEMENT

Chuck Jones & Associates, Inc.

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Investment Updates

A goal with no plan is simply a wish. Do you have a plan?

Saving for an Emergency

According to a recent survey conducted by Bankrate.com, 28% of Americans have no emergency fund, up from 24% a year ago. About 49% of people surveyed said they had no emergency savings or less than three months' expenses.

The traditional prescription for life's financial emergencies is to hold three to six months' worth of living expenses in cash. Only 25% of those surveyed said they had enough to cover six months' or more of expenses. In a low-yielding environment, many are concerned that keeping aside six months' of emergency savings is a lot of money to have sitting in the bank earning next to nothing. While this is a valid concern, customizing your emergency fund to fit your personal situation may serve as a viable solution.

Consider holding a larger emergency fund (six months to a year) if you have a high paying job, are self-

employed, work on a freelance/contract basis, have dependents, have a nonworking spouse, have high fixed expenses (mortgage, auto loan, tuition bills), or have a pre-existing medical condition that could result in hefty health-care bills if you were forced to purchase private health insurance. On the flip side, you may be able to get by with a smaller emergency fund if you:

1. Have a good degree of career flexibility because you are in a lower-paying position and/or haven't yet developed a specialized career path.
2. Have other sources of income that could help defray a large share of household expenses, such as a working spouse.
3. Have a great degree of lifestyle flexibility (for example, you would be willing to relocate).

Source: Bankrate.com Financial Security Index survey, June 25, 2012.

[Give us a call and we'll help you plan.](#)



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CHUCK'S TIPS AND TRICKS:

The Digital Vault: ARRIVE AT THE AIRPORT WITHOUT YOUR ID? – **DON'T!** Don't be caught like I was, I misplaced my driver's license and TSA isn't satisfied with your Costco card as a picture ID. But luckily I had a copy in my 'digital vault' so I was able to download my OR driver's license and make a copy. But that wasn't enough... The TSA at LAX didn't like the copy of the OR driver's license and the Costco Card with my photo. They also wanted my insurance card and to see a bank check (with home address) not carried in my wallet or my passport. We offer to all our clients MAP (My Access Portal) which includes a very secure digital vault which you may access from anywhere in the world. For more info contact us.

Senior discounts! Did you know that many restaurants, retail stores, grocery stores, travel methods, hotels and activities and entertainment offer discounts to Seniors (from 5%-50% off)? But, in most cases you have to ask so we have a list of over 100 – from Albertsons, Marriott, Chick-Fil-A, Arby's, Subway, Kmart, Rite Aid, Alaska Airlines, Greyhound, Avis, AT&T, to SeaWorld and more. Contact our office and we can get you a list.

Don't be one of these: According to Credit Counseling, 24% of us would not tell their spouse if they were experiencing financial difficulties. I have found that the marriages with the least problems are those where both spouses are involved.

Do you use email? If you do use email it helps to learn the new short hand or abbreviations. For instance if it is just a short message, maybe the 'subject' line is all you need. For example if your message is simply: "Can't make dinner." add EOM NNTR, which means 'end of message' and 'no need to respond'. And there are many more shortcuts LOL = laugh out loud, OMG = Oh My God, C U soon, and on and on. If you really want to become proficient try these web sites: www.netlingo.com/acronyms.php or www.netlingo.com/top50/popular-text-terms.php

Have a new child or grandchild? Start your planning now. The New York Times, journalist Nadia Taha, says that it will cost \$1.8 million to raise the child to independence. That includes food, clothing, health care, housing, transportation, entertainment and half of typical college tuition and either daycare or stay-at-home parent's lost wages.

Have an old stock? How much is it worth, is there profit if you sell it? You won't know unless you know the cost basis. There is a way to find out www.netbasis.com will get the answer for you for \$19.50.

Forgiven mortgage? Usually when a debt (mortgage) is forgiven you must count the debt forgiveness amount as income. But, the new tax law extends through 2013 a break that allows up to \$2 million in canceled or forgiven mortgage debt to be excluded from income. Also, if your adjusted gross income is \$110,000 or less you can deduct all or part of any mortgage insurance on a qualified personal residence. (*Kiplinger's Retirement Report Feb. 2012*) And note that FHA mortgage insurance premiums are increasing, a small increase April 1 and nearly double on June 3rd to approximately 22.7% of the entire purchase price of the house.

Five Key Questions About Long-Term Care Insurance

In addition to typical medical expenses in retirement, you should also consider the cost of long-term care arrangements should you need professional care in your later years, either in-home or in an assisted living facility. There's a good chance you'll need assistance, and it won't be cheap.

According to the 2012 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs, the average annual cost for a private room at a nursing home in 2012 was \$90,520. The national average for a semi-private room was \$81,030. The national average for an individual living in an assisted living community was \$42,600.

In most cases, long-term care health insurance coverage provides benefits for nursing homes, assisted living facilities, and home care. If you can afford the premiums, you may want to consider purchasing long-term care insurance. Here are some of the key questions to keep in mind.

How Likely Are You to Need It? This depends on your general health, family history, and expected longevity. For example, if your family has a history of serious medical conditions, dementia, or Alzheimer's disease, you may have a stronger reason to consider this type of insurance.

What's Your Asset Level? Those who come into retirement with less than \$250,000 in assets will probably have better uses for their money than paying premiums for long-term care insurance; they may also be eligible for Medicaid if they should need long-term care. Those with more than \$2 million in assets may be able to pay for this type of care out of pocket. If your portfolio falls in the middle of this range, however, you may be a good candidate for this type of coverage.

What Kind of Coverage Do You Need/Want? The key differentiator in the pricing of long-term care insurance policies is the amount of daily benefit you're buying; you'll obviously pay more for a policy that pays \$150 of your long-term care costs per day versus one that pays just \$100. You'll also be able to specify whether you'd like your daily benefit to step up with

inflation; even though such a feature will cost you, it's highly advisable given that health-care inflation rates have been far outstripping inflation as a whole during the past few decades.

Another factor to evaluate is the total lifetime benefit. For example, a policy may cover \$250,000 in lifetime long-term care benefits, or the lifetime benefit may be unlimited. Some policies are comprehensive, meaning the patient can obtain care in a variety of settings, from a traditional nursing home to care at home. Cheaper policies, however, will only pay for care in a traditional setting, usually a nursing home. Policy costs can also vary based on the length of your elimination period, which is similar in concept to an insurance deductible. If your policy has an elimination period of 30 days, for example, that means you'll have to pay for any long-term care costs you incur in the first 30 days of your illness; after that period has elapsed, your insurer will pick up all or part of the tab, up to your daily benefit amount.

How Would You Like to Pay for That? Under a traditional long-term care policy, you make regular payments during the life of that policy. But you can also customize your payment program, paying for your policy in a single payment, over 10 or 20 years, or until you hit age 65. Such payment options allow you to front-load your payments and reduce your fixed costs in retirement.

How Likely Is the Company to Pay? It probably is a good idea to check up on the insurer's financial strength. Also ask your agent about the insurer's history of raising client long-term care premiums. Although such maneuvers can improve a firm's financial health, they can also present a financial hardship to the insured, a lesson many long-term care policyholders learned the hard way during the past few years.

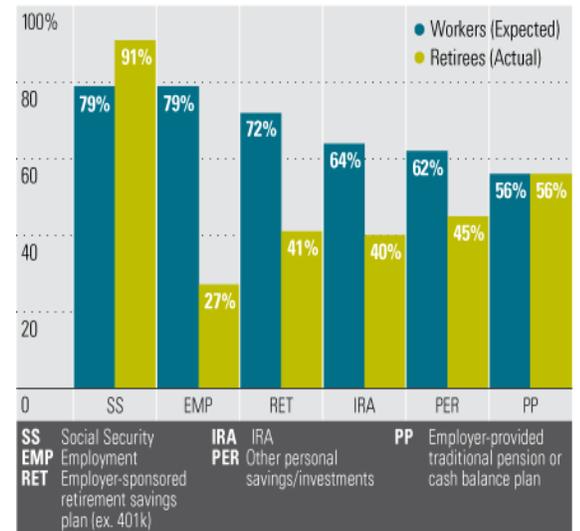
[Call us for more information.](#)

Retirement Income Sources

Concerns about shortfalls in traditional retirement income sources like Social Security and pension plans have caused people to expect to rely more heavily on personal savings to fund their retirement. The graph illustrates that while only 45% of current retirees utilize their personal savings for retirement income, 62% of current workers anticipate personal savings to play a role during retirement. Further, 72% of workers expect to receive retirement income from an employer-sponsored retirement savings plan, while only 41% of those already retired actually receive income from such a source.

It may be a good idea to plan for a diminished reliance on Social Security or a pension plan. Whatever extra funds you save by taking this more conservative view will make retirement all the more enjoyable.

Times are Changing: Sources of Retirement Income are Shifting



Source: Employee Benefit Research Institute, 2012 Retirement Confidence Survey.

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