

■ KEEPING UP WITH THE JONESES

Illness can shape re

People are living longer, in part because of medical advances. But that doesn't mean Americans are not getting sick. In fact, as diseases become more manageable, people are faced with new dilemmas. Can they stay in their homes and still receive the care they need? If not, what type of facility is best-suited for the type of care they require? To illustrate some of the issues involved, InvestmentNews created a hypothetical family and asked financial planners David Morganstern and Susan M. Steel to review their situation and make recommendations.

The Jones family: John, 82, and Jenny, 81, live in the Midwest. They have two children, Jenna, 49, a widow who lives nearby with her son, Jonathan, 18. James, 47, is married and has two children, Jack, 16, and Josie, 12. They live on the West Coast.

Income: The Joneses retired when John, a former human resources director, was 63 and Jenny, a former accountant, was 62. They started taking their Social Security benefits right away. Both have pensions. Their annual income from Social Security, pensions and savings is about \$65,000.

Major assets: The Joneses live in a two-story, four-bedroom single-family home that they have owned for 40 years. The house is paid off and is valued at about \$475,000, down from a peak of \$575,000 three years ago. They also have a vacation home on a nearby lake, also paid off, that is valued at about \$300,000, down from \$400,000 a few years ago. When they retired, they had a nest egg of \$500,000, which is now about \$250,000.

Major liabilities: None. Their biggest single bill is their property taxes, about \$7,000 a year.

Investments: John's brother was an insurance agent/financial adviser. When the Joneses retired, he helped them set up a retirement portfolio in which their savings were invested in a diversified portfolio of mutual funds. He has since passed away and John has taken over the investment chores through a large, national discount broker. Their nest egg is still in mutual funds: 30% domestic equities (large, mid- and small cap), 10% international equities, 40% bonds (Treasury and corporate) and 20% in a money market account.

Challenges: Until they reached their 80s, the Joneses had an active retirement. They took at least two major trips a year and spent summers at their vacation home. They were active volunteers in their community. They also helped out their daughter after her husband died in a car accident, watching their grandson through his teenage years while Jenna was at work. Now that he is getting ready to go to college, the Joneses plan to pay \$10,000 a year of his college costs.

But things are changing. Jenny has emphysema and is having trouble climbing the stairs of their home. John has been

diagnosed with Alzheimer's, though it is still considered to be in the early stages. Jenna is close to her parents and is willing to take care of them, but she still works and is a single mother. She has taken her parents to visit a nearby assisted-living community and believes they should move soon, before her father gets too much worse. Her parents would like to stay in their home, but also realize it may be more practical to move to an assisted-living community. However, they aren't in a rush.

Jenna is also concerned about whether her father still is able to take care of her parents' investment portfolio. She has noticed

Retirement planning



some financial statements piling up on his desk, unopened.

Jenna doesn't know much about how assisted-living communities work, how much they typically cost and even whether her parents could afford living in one. She's hoping the proceeds from the sale of her parents' house would be enough to get them into such a facility. She would like to hold on to the vacation home if she can

because it has been in the family for three generations and her parents often said they would like it to stay in the family once they're gone. Her brother wants to help out, but he lives on the West Coast and gets back to visit only once or twice a year.

The bottom line is that Jenna needs help getting her parents situated in a new setting and squared away financially — for their security and her peace of mind.