

A personal letter

Dear Valued Client,

I sincerely hope you had an enjoyable holiday season and that all is well with you and your family.

1996 was a fantastic year for my firm and for myself personally and we are working hard for an even better year in 1997. The firm celebrated it's 25th year in business and my son Patrick's fifth year of working with me. We continue to upgrade our computer systems and staff training programs with the aim of improving the quality and speed of service you receive. It is amazing how quickly the computer industry changes, but also how far it will go in the future. The stock markets experienced another year of stellar growth. We all hope this will continue and I remain confident that the long term investor should have stock market investments as part of a diversified portfolio. As always, I feel you are best served by investing in well managed mutual funds run by the top fund managers.

This issue's cover article is the first in a two-part series dealing with estate planning. Estate planning is a large part of the complete financial planning service I offer to you. In many ways it represents the culmination of our efforts while at the same time a continuation of the results into the future. It can be some of the most technically challenging work we do together, but also the most gratifying. Also included, on the back page, is a worksheet to help you calculate your net worth. This will give you an idea of the current size and scope of your estate. A complete fact-finding update will show us all exactly where things stand. If you haven't been in recently, please call for an appointment and we'll fully review your financial plan.

On a more personal note, Betsy and I celebrated our 30th year of marriage and enjoyed the happiness of seeing Patrick and his wife Christa start their first. What could be better than that? I hope I'll see you soon. Have a great new year. ☺☺☺

Estate Planning and Long Term Care Continued

*H*ome health care, or non-confined care, is becoming a more and more popular option. People would often much rather remain in their own home as long as possible. The home health care provision helps to make this possible. The Long Term Care Insurance coverage available in today's market will cover up to eighty percent of the cost of home health care or care in an assisted living facility up to a predetermined daily limit.

The cost of long term care insurance is determined by a variety of factors. Included in the list are one's age, present health condition, the length of coverage one will be purchasing in terms of years and the amount of coverage as offered in a daily dollar amount.

The length of time that one can receive benefits for is called the benefit period. The options available are usually three years, five years and an unlimited number of years, called a lifetime benefit period. Cost increases as the benefit period is increased.

Daily dollar amounts of coverage range from \$50.00 per day to \$300.00 per day. To put this in some sort of perspective, a nursing home that costs \$60,000.00 per year, would require \$165.00 per day of coverage to handle the entire cost.

Another factor in determining the cost of coverage is called the elimination period. Normally a person will opt to cover the initial part of their stay in a nursing home from their own funds. The length of time they chose to cover themselves, usually twenty to one hundred days is called the policy's elimination period.

The consumer is responsible for the expense of those days before the policy starts covering the cost of their care.

To summarize briefly, these three main features, benefit period, daily benefit and elimination period: the longer the number of years of coverage (benefit period) the greater the amount of coverage per day (daily benefit) and the sooner coverage starts (elimination period) the more the policy will cost. There are several other options and features available that **H. Joseph Sgroi and Associates** will explain and advise you on, but this covers most of the basics.

The Health Insurance Portability and Accountability Act of 1996 emphasizes the importance of private long term care insurance. You may now include the cost of premiums as part of your medical expense deductions on your income tax. There is a formula involved, of course, and your tax adviser can help you figure it out. The new law makes it more difficult to legally impoverish ones self to become eligible for Medicaid. This has been a somewhat common practice in the past, which the federal and state governments are now discouraging heavily, even making it a criminal offense in some cases. The various levels of government seem to have realized they can no longer afford it, if they ever could. Medicare, for all intents and purposes, does not cover long term care.

For all these reasons, now may be the time to discuss long-term care insurance and how it fits into your financial and estate plan. As with all your financial planning needs, please call our offices and

<u><i>1996 By The Numbers</i></u>	<u><i>Start</i></u>	<u><i>Finish</i></u>	<u><i>Change</i></u>	<u><i>Percentage Change</i></u>
Dow Jones Industrial Average	5,117.12	6,448.27	+ 1,331.15	+ 26.01%
Standard and Poors 500	615.93	740.74	+ 124.81	+ 20.26%
NASDAQ Composite	1,058.13	1,291.03	+ 238.90	+ 22.71%
Gold (per ounce)	391.20	370.30	- 20.90	-5.35%
Oil (per barrel)	19.83	25.93	+ 6.10	+30.76%
Prime Interest Rate	8.25%	8.50%	+.25%	NA

Do you know your Net Worth?

Calculating your net worth is a worthwhile activity at the start of the new year. One that we recommend you take a little time to do. Your net worth is defined as the total value of your assets minus the total amount you owe. Comparing this year's net worth to previous year end values gives an indication of the progress you are making toward your long-term financial goals.

When doing the calculations remember that the value of something is essentially what it can be sold for now, not what you originally paid for it. Many assets, especially cars, depreciate rapidly over time. Others, such as investment products should increase, especially those you get through H. Joseph Sgroi and Associates.

If you have any questions, *please call to schedule in for your full annual factfinding review.* 😊😊😊

ASSETS

Cash
 Checking Accounts _____
 Savings Accounts _____
 Credit Union Accounts _____
 Certificates of Deposit _____
 Money Market Accounts _____
 Sub Total _____

Non-Qualified Investments
 Mutual Funds _____
 Non-Qualified Annuities _____
 Stocks _____
 Bonds _____
 Treasury Securities _____
 Limited Partnerships _____
 Other _____
 Sub Total _____

Qualified Investments
 IRAs _____
 401 Ks _____
 Employee Stock Plans _____
 Qualified Annuities (TSAs) _____
 Sub Total _____

Life Insurance
 Cash Values _____
 Sub Total _____

Real Estate
 Home _____

Others _____
 Sub Total _____

Business Investments
 Sole Proprietorships _____
 Partnerships _____
 Private Corporations _____
 Sub Total _____

Total Assets _____

LIABILITIES

Mortgages _____
 Auto Loans _____
 Home Equity _____
 Life Insurance Loans _____
 Annuity Loans _____
 Credit Card _____
 Unpaid Bills _____
 Other _____

Total Liabilities _____

NET WORTH

Total Assets _____
 Total Liabilities _____

**Assets LESS Liabilities
 Equals Net Worth** _____

New Year's Note: Now is a great time to get your financial and tax records in order.

😊😊 **Have a Fantastic 1997** 😊😊

The Sgroi

Estate Planning, Nursing Home Care and Long Term Care Insurance. How Your Financial Plan Addresses These Issues.

This article is the first in a two part series dealing with estate planning. This part focuses primarily on the nursing home planning aspect of your estate plan.

The financial planning service you receive from **H. Joseph Sgroi and Associates** is designed and intended to comprehensively handle all of your financial planning and investment needs. We will help you protect your family and business associates with life insurance and invest for your children's education. We want to make sure your retirement is well planned and provided for. Every client receives our in-depth fact-finding interview to determine their financial condition and provide us with the needed information to formulate the best financial plan for them. As time goes by and your assets grow, the fact-finder is kept up-to-date and your plan is kept moving forward.

An estate is defined as the sum of all assets one possesses. This would include your home and other property, investment securities, annuity contracts, business interests, bank accounts, cash and other personal possessions. Life insurance contracts, which one owns or controls, are includable in one's estate. In fact, the creation of an estate upon the demise of the insured is the function of life insurance.

Effective estate planning is a major component of the total financial planning service offered by **H. Joseph Sgroi and Associates**. You will want your hard earned assets to be protected and ultimately go where you desire. Trusts, the transfer of assets, gifting, ensuring needed liquidity, reducing tax liability, caring for dependents and maintaining quality of life are all vastly important factors. Coordinating the activities of attorneys, accountants and even family members can be a major job that requires knowledge and integrity.

Caring for the elderly is an important concern of today's society. People are living longer and the degree of care available to help you in the latter years grows more sophisticated by the day. These benefits can lead to a greatly improved standard of living for all of us. Like anything though, there is a financial cost. Preparing you to meet those obligations is an important task that **H.**

Joseph Sgroi and Associates is dedicated to helping you with. Careful estate planning, including nursing home planning, can help you maintain your lifestyle, independence and dignity while protecting your financial assets.

Long Term Care Insurance is insurance coverage for the costs that can be incurred in staying at a Skilled Nursing Facility, an Assisted Living Facility or for care in the home. The cost of these services can be very high. In Erie County the average cost for a year's stay in a nursing home now ranges from \$50,000.00 to \$70,000.00 and is rising. Typically these costs have been borne by the consumer. Their high costs can rapidly deplete an estate.

Nursing home care is generally categorized under three different levels: skilled, intermediate and custodial. *Skilled nursing* care is nursing and rehabilitative care that is required *daily* and can be performed only by skilled medical professionals under the direction of a doctor. *Intermediate care* is nursing and rehabilitative care that is required *occasionally*. It too must be performed under a physician's orders by skilled medical professionals. *Custodial care* is help in performing the *activities of daily living*. It must be provided under a doctor's orders but may not require a skilled medical professional. Activities of daily living include dressing, feeding, washing, walking and using the bathroom. Custodial care is the type most elderly people will require at some point in time. Long Term Care Insurance as recommended by **H. Joseph Sgroi and Associates** will cover 100% of these costs up to a certain daily limit.

The level of long term care needed by an individual is often a matter of degree. *Assisted living facilities* are institutions that provide professional long term care needs, for the less restricted, at a lower cost. *Home health care* is professional level care provided for the individual in one's home. (Continued on page two).