

Test your financial literacy

BY LARRY KALLEVIG

When it comes to personal finances, do you *think* you're in good shape or do you *know* it?

April is Financial Literacy Month, which means it's time to put your financial knowledge to the test.

Can you answer the following four questions about retirement planning?

- 1** How much should the average couple expect to **spend on health care** in retirement?
 - a. \$200,000
 - b. \$250,000
 - c. \$275,000
 - d. \$350,000
- 2** **True or false:** Age 65 is the full retirement age (FRA) to claim Social Security benefits.
- 3** If you retire at age 65, how many years should you **be prepared to live in retirement?**
 - a. 15
 - b. 20
 - c. 30
 - d. 50
- 4** **True or false:** If I have a will, my finances will be covered after I pass away.

How do you think you did?

Let's go through the answers:

1: Health care is one of the biggest expenses for retirees, not to mention one of the most unpredictable, yet people often overlook it. According to research from Fidelity, the average 65-year-old couple

should expect to pay \$275,000 out of pocket for medical expenses throughout retirement. That doesn't include longterm care, which is also getting more expensive. I recommend couples consider long-term care insurance to help them pay for expenses such as assisted living facilities, nursing homes and hospice.

2: This was a trick question! The answer is: It depends. Your full retirement age (FRA) is calculated based on the year you were born. For many years, it was age 65. However, FRA gradually increases for people born in 1938 or later. FRA continues increasing until it reaches age 67 for anyone born after 1959. You can file for Social Security benefits as early as age 62, but your benefit will be permanently reduced by as much as 25 percent. There's a big bonus for delaying your claim beyond your full retirement age: Your benefit will grow by as much as 8 percent each year from your full retirement age up until age 70. There's no benefit to waiting past age 70 to file.

3: Life expectancy for American men is 78.6 years, and it's 81.1 years for women, according to the Centers for Disease Control and Prevention. However, many people who are 65 today will live to be age 95 or older. That means you could spend 30 years in retirement! I recommend planning to live longer than you expect. It's better to leave money to family or charity than to realize you will outlive your savings.

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4: A will is the cornerstone of your estate plan, but you're not covered with a will alone. Consider creating a living will, which outlines what medical procedures you do and don't want to have, like when to resuscitate or discontinue life support, as well as what happens after you die. You may also want to name a financial power of attorney, who you can appoint to pay bills and make financial decisions if you're unable to do so, and a health-care power of attorney, which would come into play if you're incapacitated and unable to make medical decisions.

A lot of people just stick with what they know when it comes to financial planning, but that can cost you. That's why I'm passionate about educating my clients on how smart financial decisions can help them live comfortably during their retirement years. I hope you learned something today!

Larry Kallevig is the owner of Haven Financial Group in Burnsville. For more than 15 years, Larry has been helping his clients create financial plans that ensure a dependable and comfortable retirement income. Learn more at havenfinancialgroup.com.