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Retirement Planning Myths

Websites and publications geared towards those contemplating retirement ply their readers with articles on the “do’s and don’ts” of retirement planning. Even so, trying to formulate the right retirement strategy can be mind-boggling! Here are some common retirement planning myths:

- 1 “As I near retirement, investments should be more conservative.” Americans are living longer. In fact, it’s not unusual for retirement to last for 25 to 30 years. If you take into consideration the rising costs of goods and services, particularly in the area of healthcare which impacts older Americans, some growth in your investments is mandatory.
- 2 “I can claim Social Security early and still get full benefits later.” Collecting at age 62 means locking in reduced benefits forever. When you collect early, your benefits will be 25 percent less than if you had waited until your full retirement age, and as much as 75 to 80 percent less than if you delay collecting until age 70. Claiming early may make sense if you have an illness that impacts your life expectancy.

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Protect Your Assets, Protect Your Pets

SAVE THE DATE: Thursday, October 9, 2014

Some pet owners have “built-in” caretakers for their pet(s) — a family member or friend who is ready, willing and able to take on this responsibility if we are hospitalized or incapacitated, temporarily or long term. How can we ensure that the care giver will have access to our home and will be legally permitted to remove our pet(s) and/or make decisions concerning care? What if we don’t know someone who will agree to take on this responsibility? Or what if the person we select is not able to provide the care when our pet(s)

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Estate Planning – Essential at Any Age

Most people incorrectly believe that estate planning is important only after you have reached a certain age or acquired some wealth. This is not the case. At Berwitz & DiTata LLP, we like to think of estate planning as “lifetime planning” and believe that it is important for all of us who have reached the age of majority and critical for parents of minor children.

Each person over the age of 18 should have valid and enforceable “advance directives,” a power of attorney, health care proxy and living will. These documents name a decision-maker if we are incapacitated by illness or injury.

More traditional estate planning documents, like a Will or trust, should be created after we have

settled and begun to accumulate some assets. Once we open bank and investment accounts, purchase life insurance or contribute to a qualified retirement account, we need to consider beneficiary designations and how they interact with our estate plan. If we already have a plan in place, we need to review and update the documents after major life events: marriage,

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Use New Technology To Protect Your Critical Records

Though retirees are likely to have the greatest number of critical records - and might need access to many of them on short notice - for instance, if a Medicaid application must be prepared - they are the least likely to understand and know how to take advantage of new tools that are available to secure such records. If this includes you or your parents or grandparents, consider these steps:

TAKE INVENTORY. Compile the documents from wherever they are scattered: file cabinets, boxes in the attic, family members, old computers, new laptops, thumb drives, emails. Segregate the categories. Put estate planning documents like wills, trusts, powers of attorney, and health care proxies together. Another group may include deeds, life-insurance policies and annuity contracts, and pension and retirement-plan documents including beneficiary designations. Collect birth and death certificates, marriage

licenses and even divorce papers. Certificates of title to motor vehicles or other equipment may be grouped with operator licenses and warranty information. Tax returns, bank and brokerage statements and records of when individual retirement accounts were established should be maintained for a minimum of five years. It may be wise to keep records relating to capital improvements on your home, i.e. contracts regarding improvements and renovations together with payment records. Old checks, invoices for utilities, deeds and mortgages for homes you no longer own and credit-card statements can be purged.

MAKE A LIST. Compile a list of all accounts, account numbers, user names and passwords. Include online accounts. This list must be kept in a secure place and, perhaps, in more than one place. It is wise not to identify your name and social security number on this list.

MAKE COPIES. The most practical way to duplicate files is to scan them. It takes little more time than making photocopies, and will save you from ever needing to make or mail a copy again. If you can't scan it yourself, hire a scanning service. Some bank and credit-card statements are available online. Depending on how easy they are to access after the passage of time, these may not need to be scanned.

STORE ELECTRONICALLY. Having duplicates and backups won't help if you keep them all on a single computer and it crashes or is otherwise destroyed. Documents in safe-deposit boxes could be inaccessible if the owner of the box passes away or the bank is destroyed in a natural disaster like a flood. Online storage or storage on a remote server, is crucial.

STORE SECURELY. You can enhance security by encrypting your files before downloading, using commercial or open-source software, or by putting a password on individual PDF or word processing documents.

Estate Planning – Essential at Any Age

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divorce, births and, of course, the death of a loved one.

Possibly the most overlooked reason for estate planning is that the only way in which parents of minor children can name a guardian for the children is by executing a Last Will and Testament that contains an appropriate designation. Not only do parents want to have the final say as to who should raise their children

but, if something terrible happens, it is best *for the children* if this issue is resolved in advance. At Berwitz & DiTata LLP we encourage our clients to speak with the proposed guardian to ensure that he or she is prepared to assume this grave responsibility. We also suggest that they designate a second or successor guardian against the possibility that something prohibits the named guardian from

accepting responsibility. Leaving it up to your loved ones to resolve often leads to fighting among family members and chaos and confusion for the children, who have already suffered a monumental loss and need their remaining family members united to help in healing.

It is important to know that a little bit of planning can go a very long way in ensuring your wishes are carried out and unnecessary confusion, disagreement and heartache are avoided.

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Generally, to maximize your Social Security benefits, defer collecting them for as long as possible.

- 3 “*Medicare will fully cover my medical expenses.*” Medicare is not intended to cover all of your healthcare costs once your retire. Research shows that only about half of healthcare expenses of older Americans are covered by the government program. Dental, vision care, and hearing aids have historically been paid for privately. Most importantly, prescription costs are rising and only some of them are covered under Medicare’s prescription drug coverage (Part D) benefit.
- 4 “*Once I retire, I’ll sell my house, pay off the mortgage and buy a smaller house with cash to cut my expenses.*” Firstly, finding the smaller house is only the first issue. You have to consider the moving expenses and, possibly, repairs and renovations to make the new home comfortable for you. Many of our clients are surprised by the costs.

Secondly, holding a mortgage can help maximize resources, particularly in today’s low interest-rate environment. Finally, bear in mind that many retirees lack the discipline to actually reduce their lifestyle costs. Thus, money saved by not having to make monthly mortgage payments may just be used to pay other expenses.

- 5 “*The customer service representative at the bank suggested this investment.*” The selection of a qualified financial professional is one of the most important decisions you can make at any time in your life. If the bank’s representative is suggesting that you purchase an annuity or make another investment with your cash or the proceeds of your certificate of deposit as it matures, understand that the way you invest your money, particularly as you approach retirement, requires careful consideration of a multitude of factors including your health, lifestyle, retirement income, expenses, marital status, proximity of loved ones and anticipated longevity. This is not something that should be decided on the run. You should understand the investment



that is being offered and how it fits into your overall investment strategy.

- 6 “*I can rely on the rule of thumb that I should ‘own my age in bonds’ or ‘retire when I have one million dollars.’*” Don’t believe everything you read. A rule of thumb is a generality. Taking overly general financial advice is one of the more common mistakes retirees make. Your needs will vary greatly from those of your neighbor. Rely on personalized projections from a qualified professional.

Protect Your Assets, Protect Your Pets

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needs them? What if we become permanently disabled and can no longer care for them? How will our pet(s) survive when we die?

These important questions and more will be addressed at a special presentation sponsored by the North Shore Animal League America, the world’s largest no-kill

rescue and adoption organization. Berwitz & DiTata LLP’s own Maureen Rothschild DiTata will speak about protecting your pets and protecting your assets. She will talk about “pet-friendly powers of attorney,” pet trusts, alternatives to pet trusts and the funding of a program that will guarantee placement in a loving home.

There is no cost to attend the program and North Shore Animal League America plans to serve a light

dinner. Seating is limited, so please respond as soon as possible to reserve a seat. We look forward to seeing you there!

October 9, 2014 from 6 to 8 p.m.

**Milleridge Inn
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Jericho, New York**

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Health Care Proxies

The New York Health Care Proxy Law allows you to appoint an agent, a family member or trusted friend, to ensure that doctors and other health care providers follow your wishes if you lose the ability to communicate your wishes on your own. If you have a valid and enforceable Health Care Proxy, your agent is empowered to make health care decisions on your behalf when you are unable to do so.

Some people believe that they will only need a Health Care Proxy at life's end. Without a crystal ball, this makes things difficult! Also, at any age, you may need to have an agent make medical decisions on your behalf if, for instance, you are under anesthesia or in case of an accident or other

medical emergency. Under these circumstances, your agent's authority might be temporary and will end once you regain your ability to make decisions independently.

Sometimes the agent is required to act on a more permanent basis. If you have a stroke or suffer the symptoms of dementia or Alzheimer's Disease, or if you are comatose due to an injury or illness, the agent may be required to make all of your health and medical decisions on an on-going basis.

In either case, the job of the health care agent is to act as your voice and make health care decisions in accordance with your wishes or in your best interests. Hospitals, doctors and other health care providers are required, by law, to follow your agent's decisions as if you had communicated them.

Once you have appointed your agent, it is important to discuss your health care proxy with the agent and to advise your agent of your wishes.

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