REINVENTING MiRETIREMENT

tools and resources to achieve financial security

Financial Toolkit

Retirement is a term that means something different to everyone, with the definition largely dependent on a person's age, career status, bank account, family makeup, and other factors. While the means by which we prepare for and live throughout retirement may vary from person to person, opportunities and strategies exist for all Michiganders to live comfortably in our later years. Many of the old truisms have changed throughout the years, requiring us to adapt, to better plan for our future…to reinvent retirement.

Reinventing Mi Retirement: Tools and Resources to Achieve Financial Security is a comprehensive, easy-to-read reference guide designed to help Michiganders of all ages plan for a secure financial future. As you thumb through sections of this toolkit, you will find resources such as tools and products to help make sound financial decisions, strategies for organizing finances, information on preparing for unexpected life events, and guidance on how to avoid identify theft and other forms of investment and financial fraud.

The information provided in this toolkit was created through the efforts of government and private sector experts who worked together in its development. This project would not have been possible without the support and expertise of **AARP**, the **Michigan Association of Certified Public Accountants**, **Michigan Bankers Association**, **Michigan Credit Union League & Affiliates**, **Community Bankers of Michigan**, **Huntington Bank**, **Bank of America**, **LifeGuide 360**, and our state government colleagues at the **Office of Services to the Aging**, **Military and Veterans Affairs**, and the **Department of Licensing and Regulatory Affairs**.

From information on how to organize your finances, making sound financial decisions, protecting your money, to preparing for retirement, we hope you will find this guide useful as you plan for a secure financial future.

Additional copies of *Reinventing Mi Retirement: Tools and Resources to Achieve Financial Security* are available from:

Michigan Department of Insurance and Financial Services
Office of Consumer Services
P.O. Box 30220
Lansing, MI 48909-7720
877-999-6442

This publication is also available electronically at www.michigan.gov/difs.

Financial Education

Financial Tools

Financial Products

Investment Knowledge*

Financial Decisions

Financial Organization

**Disclaimer:* The information, analysis and opinions contained herein: (1) do not constitute professional investment, tax or legal advice; (2) are provided solely for informational or illustrative purposes and therefore do not constitute an offer to buy or sell any security or pursue a specific investment strategy; (3) are not warranted or represented to be correct, complete or accurate.

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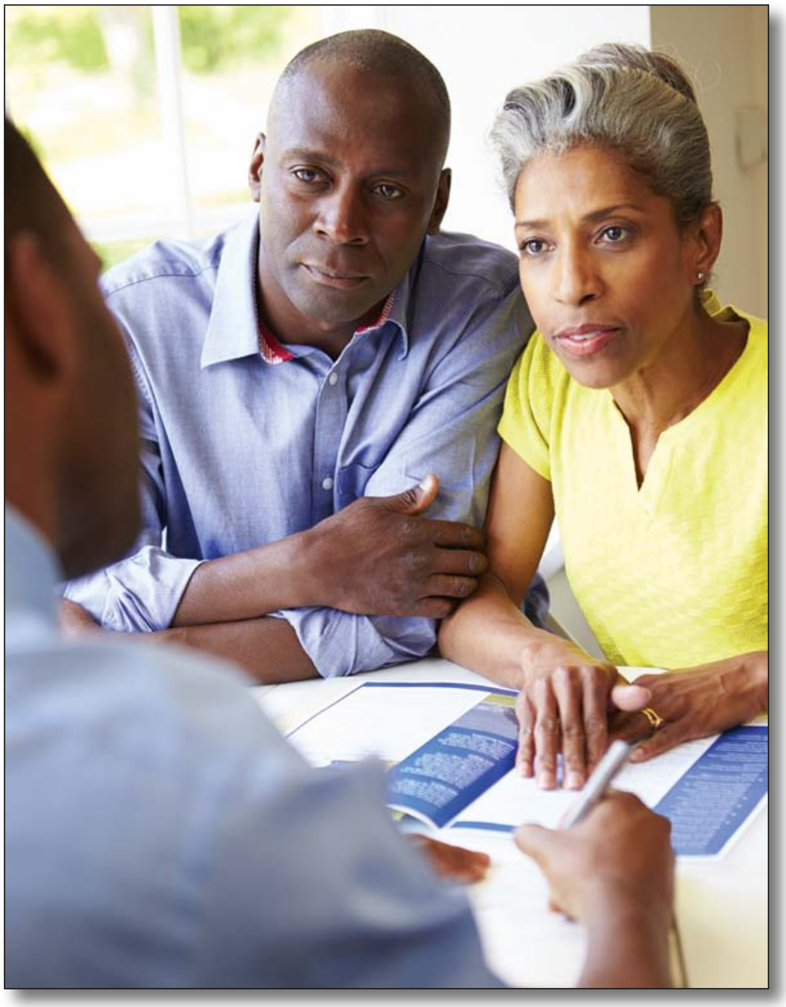

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Financial Tools

Checking Accounts

A checking account is a service provided by financial institutions (banks, credit unions, etc.) which allows individuals and businesses to deposit money and withdraw funds from an account. The terms of this type of account vary from institution to institution; but, in general, it's an account where you can use personal checks in place of cash to pay for your purchases. Many checking accounts allow the use of electronic debit cards or Automated Teller Machine (ATM) cards. These allow you to purchase items at a retail store or make cash withdrawals without having to write a check or make a withdrawal from the institution.

Most financial institutions offer some form of checking account service. Some institutions may require a minimal initial deposit before establishing a new account, along with proof of identity and address. A typical checking account is handled through careful posting of deposits and withdrawals. To use your checking account you first must purchase a supply of checks which contain all of the essential routing and mailing information. When a check is filled out correctly, the recipient treats it the same as cash and completes the transaction. After this check has been deposited into the recipient's own account, the recipient's financial institution files the check electronically and the check writer's institution receives the cancelled check and amount to be debited (withdrawn) from your account. This process continues for every check written against your account.

Things to know about your checking account:

- Shop around for the best deal, preferably an account without a monthly maintenance fee.
- Most financial institutions offer several accounts to choose from with different features, fees, interest rates, and opening balance requirements.
- Keep your checkbook ledger up to date by recording all transactions, including ATM withdrawals, fees, purchases you make using a debit card, and any other deductions or deposits. As the owner of the checking account, you are ultimately responsible for keeping track of your available funds.
- Compare your checkbook balance to your monthly statement immediately. Most institutions allow 60 days from the day you receive your statement to dispute any unauthorized or fraudulent activity.
- Avoid overdrawing your account, which can happen if you write a check, authorize a debit, or attempt to withdraw (by mistake) more money than you have in your account. Please understand financial institutions charge fees when this happens.
- Consider Internet (online) banking. This service allows you to make payments or move money from one account to another through your financial institution's website instead of writing or mailing paper checks. This will save you money by avoiding postage charges and the purchase of paper checks.
- Online banking allows you to monitor your account without having to wait for the statement.
- Overdraft protection helps avoid overdraft fees when you don't have enough money in your account. You should contact your financial institution to obtain a copy of its policy and/or agreement explaining how this product works and the associated cost.

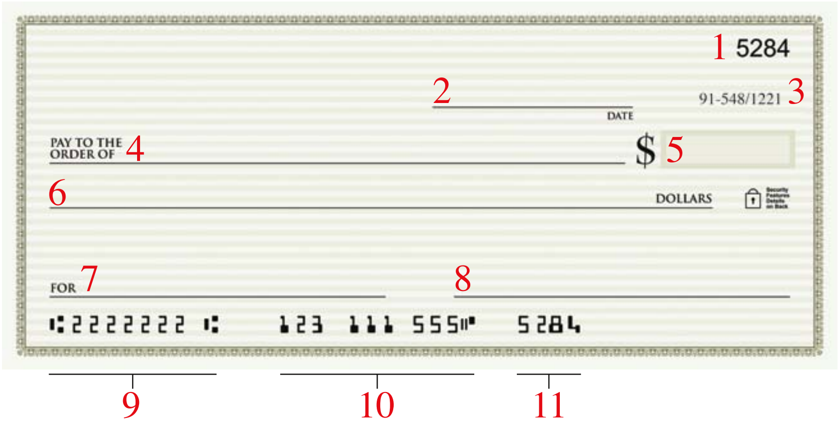
Joint Accounts

A joint account is an account shared by two or more individuals. Any joint account owner can make deposits to or withdrawals from the account without authorization from the other joint account holder. Joint accounts are riskier than two individual accounts but many people find that pooling their income into a joint account makes paying bills easier. Keep in mind that once funds are co-mingled in a joint account, there is nothing the bank can do to protect either party if the other withdraws all the funds from the account. One benefit from a joint account is if two people open an account together and one dies, the other party is able to access the remaining balance in the account.

BillPay Accounts

BillPay is another option many financial institutions offer to assist you with making monthly payments to your creditors. This is generally handled through a third party but you would contact your financial institution to set up this program. You will be required to provide your financial institution with all the creditor's information (name, account number, amount, etc.). You can either set this as a reoccurring debit or you can manually schedule it each month. Basically, BillPay allows you to electronically make payments to your creditors in lieu of writing a check.

Parts of a Check



1. Check Number. Every check in your checkbook has a unique number. The purpose of this is so you can track each check and balance your account.

2. Date. This is where you fill in the date that you are writing the check. Several variations of dates are acceptable including: January 1st, 2012, 1/1/12, or Jan. 1, 2012.

3. Institution's identification code. These numbers are specific to your institution and are used by other institutions when a check is deposited so they know where the check is coming from.

4. Pay to the Order of. Write the name of the person or organization to whom you are writing the check in this space. For example, if you're writing a check to John Doe, put his full name here. Make sure to accurately write the name of the person or organization or they won't be able to deposit the check.

5. Declare the amount of the check. This is the total dollar amount you are paying someone using numbers. For example, if you are writing a check for five hundred dollars, put $500.00.

6. Clearly print or write the check amount. Use words for the dollars and cents. For example, for $500 use "Five Hundred Dollars and Zero Cents."

7. The memo space is optional, but can serve as a good reminder. As an example, if you're paying your rent you may want to put "rent" in this space.

8. Sign the check with your name. Without the check holder's signature, another institution won't accept the check. The payee signs the back of the check before depositing it.

9. Routing number. This number helps the depositing institution identify the institution the check is coming from.

10. Your unique account number. When the depositing institution sends the request to your institution for the withdrawal, this number identifies which account the money is coming from.

11. Check number. This is your check number displayed again.

Easy Steps for Balancing Your Personal Checking Account

1. Enter your checkbook register balance.
2. In order to balance your checkbook register to your bank statement, first add any credits (+) such as deposits or interest which are not already recorded in your checkbook register. Do not include checking reserve transfers. Write your new checkbook balance on Line 2.
3. Now subtract any debits (-) such as checks, debit card transactions, ATM withdrawals, and any other fees not recorded in your checkbook register. Do not include checking reserve payments.
4. Enter the ending balance from the Checking Account Summary section of your bank account on Line 4.
5. In the box provided, list any deposits you have made that are NOT listed on your bank statement. Write the total on Line 5. Be sure to include cash advances or transfers from another account. Do not include checking reserve transfers.
6. Add Line 4 and Line 5. Enter the total amount on Line 6.
7. In the box provided, list and total all checks and withdrawals including debit card transactions, ATM withdrawals, BillPay payments, automatic payments, and transfers from the account that are not listed on your statement. Write the total amount on Line 7.
8. Subtract Line 7 from Line 6. Enter the amount on Line 8.
9. Enter zero on line 9 if you do not use non-checking reserve. If you use checking reserve, enter the amount shown as the ending balance on the checking reserve statement page. If there has been no checking reserve activity, you will have no checking reserve statement page.
10. Subtract Line 9 from Line 8. Enter the amount on Line 10.
11. Compare your adjusted account balance (Line 10) to your adjusted checkbook register balance (Line 3). They should be the same. If they are not the same, review the process. Common checkbook errors include addition, subtraction, and transposition errors.

Checkbook Register Balance	(1)
Adjusted Checkbook Balance (Credits)	(2)
Adjusted Checkbook Balance (Debits)	(3)
Statement Ending Balance	(4)
Total of Unlisted Deposits	(5)
TOTAL	(6)
Total of Outstanding Checks/Withdrawals	(7)
TOTAL	(8)
Checking Reserve Balance	(9)
Adjusted Account Balance	(10)

(5) Unlisted Deposits

Date	Amount
	$
	$
	$
	$
	$

(7) Outstanding Checks/ Withdrawals

Check #	Amount

Savings Account

Savings accounts allow you to keep your money in a safe place while earning a small amount of interest each month. Interest on savings accounts is usually compounded daily and paid monthly. Interest **compounded daily means** that if your account earns one percent interest, then each day 1/365th of that one percent of the amount of money you have in your savings account is added to your total. Here is the calculation:

Daily compounding = Principal (1 + interest rate/365)365 = (daily compounded amount)

When you open a savings account you will receive a small book called a register where you write your beginning balance (the amount you originally deposit) and all of your future deposits and withdrawals. This tool helps you keep track of how much money you have.

Each month, your financial institution will send you a statement of your account either by mail or by email if you prefer. The statement will list all of your transactions, as well as any fees charged to your account and interest your money has earned. You should review each entry in your register and compare it with the statement as they should match. This process is referred to as "reconciling" your account. If the balances do not match, you will need to determine where the error occurred and correct it in your register. If you cannot find the error you may want to contact your financial institution for assistance.

Certificates of Deposit

A certificate of deposit (CD) is similar to a savings account, but it has a higher interest rate and you don't have access to your money for a period of time. When you purchase a CD from a financial institution, you invest a certain amount of money for a specific period of time. Interest will accrue periodically throughout the term of the deposit until it reaches its maturity date (the date in which it will no longer accrue interest). CD's can be purchased through banks, credit unions, or investment firms and are typically offered at fixed rates, although some investment institutions may offer adjustable interest rates.

Money Market Deposit Accounts

A money market account is similar to a generic savings account; however, it requires a higher minimum balance. Money market accounts are usually based on the current market rate of interest which means you will have a higher rate of return than a typical savings account. In most cases, you have similar access to your money as with your basic savings account allowing you to withdraw without penalty. You should check with your individual financial institution for a copy of its account agreement which outlines the terms.

Cash, Debit and Credit

Knowing which payment method to use can be difficult. These tips can help you determine the option that best suits your needs. With all the options for making purchases and payments, it can be difficult to know which payment method to choose. Is there really a "best" way to pay for things? Should some methods be avoided altogether? If you've been pondering these questions, the following should help you determine which payment methods best suit your needs.

When deciding when to pay by cash, debit or credit, consider your spending habits (carrying cash can help you manage daily spending) and how well you keep track of your finances (paying with debit or credit gives you easy access to a record of your purchases). Contrary to popular belief, it is not always best to pay with cash. Debit and credit cards can be a better payment method in certain situations. You might be looking to build your credit score, you might want to keep better track of your weekly/monthly spending or you might be in a situation where carrying cash isn't safe. Here are some tips to help you decide which payment method is best for you:

Paying by Cash

Keeping cash on hand can be a great way to avoid overspending. You can choose exactly how much cash you're willing to spend, carry it with you, and stop spending when you're out of cash. For some people, cash can "burn a hole" in their wallet meaning the temptation of easily accessible cash can lead to undesired spending. Carrying cash also carries the risk that it could be stolen or lost. If these factors are concerns, consider using a debit or credit card which, in most cases, offers you protection against fraudulent use.

Choosing Debit

Debit cards provide easy recordkeeping and are accepted at many merchants which makes purchasing convenient. Unlike a credit card, which requires you to pay the bill later, the money comes directly out of your checking account. This is a great way to avoid spending more money than you have available.

Before you use your debit card, make sure you know your checking account balance. If you try to spend more than you have, your purchase may be declined or the institution might charge you an extra fee, also known as an overdraft fee. It is important to recognize that certain institutions do not allow you to overdraw your account, while others will allow you to overdraft. Please make sure to check your institution's policy so you are aware of any potential fees you could incur by spending more than you have available in your account.

Look into your institution's fraud liability protection program so you have a good understanding of your debit card's security. Some debit cards offer protections similar to a credit card; so, if your debit card is lost or stolen, you won't be on the hook for fraudulent purchases. Some institutions also offer debit cards that include photo ID to help ensure no one but you can use your card.

Paying by Credit Card

Responsible use of a credit card can be a safe and easy way to build up your credit rating.

If you choose to make a purchase with a credit card, you can avoid paying interest on purchases by paying your bill in full each month. You can reduce the amount of interest you pay on your purchases by paying more than your minimum payment each month.

Many credit cards come bundled with rewards programs that allow you to earn points that are redeemable for things like travel and merchandise. There are also cash-back credit card programs that allow you to earn a certain percentage of money back for each purchase you make with the card. The ability to earn points or cash back on purchases may make using your credit card the right choice for some transactions.

Some credit cards offer a certain amount of protection on purchases. For example, some credit cards provide protection if you buy merchandise that turns out to be defective. Many credit cards also come with fraud liability protection, meaning the card provider won't hold you responsible for fraudulent charges on your card as long as you report them promptly.

Time to Take Action

You are the one who makes the decision whether cash, debit or credit (or a combination) best suits your lifestyle and habits. Carefully consider the benefits of each payment method before making a purchase. Deciding your payment methods ahead of time can help you keep better track of your money, and you won't be stumped at the checkout line when the cashier asks "cash," "debit" or "credit."

Financial Products

Insurance

Having the right insurance coverage provides critical financial security for you and your family. Below is a list of insurance coverages that you may be required to purchase or should consider purchasing to provide you with the security you need.

Coverage you may be required to purchase:

Auto Insurance

No-fault automobile insurance is required by law in Michigan. Every car owner must buy certain basic coverages in order to register a motor vehicle in Michigan. It is against the law to drive, or let your car be driven, without no-fault insurance. The mandatory no-fault policy has three parts: Personal Injury Protection (PIP), Property Protection Insurance (PPI), and Residual Liability Insurance.

The PIP portion of your policy pays for necessary care if you are hurt in an auto accident. PIP represents a significant portion of the premium you pay for your policy. Your premium may be reduced if you designate your health or disability coverage to pay first for any auto accident injuries. This is referred to as "coordination." However, you may not coordinate PIP coverage with Medicaid, Medicare or a Medicare supplement insurance policy. If you are age 65 or older, the law requires a company to offer you a reduced premium if you drive your vehicle less than 3,000 miles per year. A retired person age 60 or over, who does not have income from work, must also be offered the option to waive coverage for PIP work loss benefits. Doing so will reduce your premium but will not eliminate the coverage altogether. This is because your auto insurance policy covers others who may be injured in an accident involving your auto.

PPI will pay up to $1 million for damage your vehicle does in Michigan to other people's property, such as buildings and fences. This coverage will also pay for damage your car does to other people's properly parked vehicles.

The no-fault law protects insured persons from being sued as the result of an automobile accident, except for certain special situations. The Residual Liability Insurance - Bodily Injury and Property Damage (BI/PD) portion of your policy will pay up to your coverage limits if you are found legally responsible for damages as the result of an auto accident in these situations:

- You cause an accident in Michigan in which someone is killed or seriously injured.
- You are involved in an accident in Michigan with a non-resident who is an occupant of a motor vehicle not registered in Michigan.
- You are involved in an accident in a state other than Michigan.

The minimum limits of BI/PD coverage that everyone must purchase are:

- $20,000 per person who is hurt or killed in an accident
- $40,000 for each accident if several people are hurt or killed
- $10,000 for damage your vehicle does to property in another state

These minimum limits are often referred to as 20/40/10. Courts sometimes award more than these amounts. If this happens, you would be responsible for paying the amount not covered by your policy. To protect themselves, many people purchase higher limits of liability coverage.

Some optional auto insurance coverages you may wish to consider are: Collision Insurance, Comprehensive Insurance, Uninsured and Underinsured Motorists, Limited Property Damage (or "Mini-Tort") Coverage, Auto Rental, Road Service, and additional higher liability limits. Should you wish to place the vehicle in storage, you may be able to purchase a comprehensive only policy ("storage policy"). However, not all companies will offer this coverage.

Because insurance companies do not all use the same characteristics to group individuals for rating purposes, the cost of insurance can vary considerably between companies. You should shop around and compare policies among different insurance companies in order to make sure you are receiving the best rate and product for your individual needs. DIFS has created a guide, *Your Guide to Automobile Insurance,* to help consumers better understand automobile insurance. This publication can be found at www.michigan.gov/difs or requested by contacting DIFS toll-free at 877-999-6442.

Motorcycle Insurance

Motorcyclists are only required to purchase liability coverage, which protects motorcyclists against liability for property damage, bodily injury or death suffered by another person arising out of the use of a motorcycle.

If a motorcyclist is involved in an accident with an insured motor vehicle in Michigan, the insurance company of the motor vehicle will pay medical benefits for the injuries of the motorcyclist, regardless of who was at fault in the accident. Each insurer who writes motorcycle coverage must offer medical benefits coverage. This medical benefits coverage provides benefits to a motorcyclist if they are injured in a motorcycle accident when no other insurance coverage is available. Medical benefits coverage is not mandatory, and a motorcyclist has the option of choosing whether to purchase this type of coverage.

Home Insurance (including Renters Insurance)

Home insurance protects your house and your possessions. While not required by law, it is generally required by the lender if you have a mortgage or loan on your property. A home insurance policy will also provide liability coverage against accidents in the home or on the property. Renters insurance will replace your personal property that might be stolen, damaged, or lost in a fire, as well as provide liability coverage for accidents. However, renters insurance will not provide dwelling protection for the rental unit, unlike a home insurance policy. Typically, there is a considerable difference in cost between a home insurance and a renters insurance policy.

Insurance companies offer different types of home and renters policies to fit the individual needs of Michigan citizens. You should talk to your agent about the different policies offered to verify the product you are receiving will meet your needs. In addition, because insurance companies do not all use the same characteristics to group individuals for rating purposes, the cost of insurance can vary considerably between companies. You should shop around and compare policies among different insurance companies in order to make sure you are receiving the best rate and product for your individual needs. DIFS has created *Your Guide to Homeowners Insurance* to assist consumers with shopping. This publication can be found at www.michigan.gov/difs or requested by contacting DIFS toll-free at 877-999-6442.

Health Insurance

Health insurance is a type of insurance coverage that pays for medical and surgical expenses that are incurred by you and your family members. Health insurance can either reimburse you directly for expenses incurred from illness or injury or pay the healthcare provider directly. There are several types of health insurance policies and health care plans with many different features that are available to consumers in Michigan. Consumers may get health coverage through: an employer; a government program like Medicare or Medicaid; purchasing coverage directly from a health insurance company; or purchasing coverage through the Health Insurance Marketplace (www.healthcare.gov).

Under federal law, individuals who do not have health coverage will be required to pay a federal tax penalty. Consumers who currently have coverage through Medicare, Medicaid, the Healthy Michigan Plan or an employer, are considered covered and will not pay a federal tax penalty.

More information on health insurance can be found on the DIFS website at www.michigan.gov/hicap.

Medicaid

Medicaid is a federal program administered by the states that provides health coverage to those meeting certain income requirements: pregnant women, people with disabilities, people in need of nursing home care and others. Depending on your income, Medicaid may provide assistance with certain Medicare costs or home and community-based health care services. For more information, please visit www.michigan.gov/mdhhs or call your local Michigan Department of Human Services office (DHS). For assistance in finding your county DHS office, call 855-275-6424.

Some Michigan residents may be eligible for the Healthy Michigan Plan, a new health coverage program that began on April 1, 2014. To be eligible for the Healthy Michigan Plan, you must be:

- Ages 19-64
- Not currently eligible for Medicaid
- Not eligible for or enrolled in Medicare
- Not pregnant when applying for the Healthy Michigan Plan
- Earning up to 133% of the federal poverty level (The federal poverty level is adjusted annually. In 2016, 133% of the poverty level for an individual was $15,654 or $32,252 for a family of four)
- A resident of Michigan

For more information, visit www.michigan.gov/healthymiplan or call 855-789-5610.

Medicare

Medicare is the federal health insurance program for people who are 65 or older, certain younger people with disabilities, and people with End-Stage Renal Disease (sometimes called ESRD). Medicare has two main parts: Part A (Hospital Insurance) and Part B (Medical Insurance). Part A covers inpatient hospital stays, care in a skilled nursing facility, hospice care, and some home health care. Part B covers certain doctors' services, outpatient care, medical supplies, and preventive services.

There are two main ways to get your Medicare coverage - Medicare (Part A and Part B) or a Medicare Advantage Plan (Part C). Once you decide if you want Medicare or a Medicare Advantage Plan, then you need to decide if you want to purchase prescription drug coverage (Part D) or a Medicare supplement insurance policy (Medigap). More information on these policies is provided below. You can learn about all of your Medicare coverage choices, when your Medicare coverage will start, and other steps to help you decide how to get your coverage at www.medicare.gov or call the Michigan Medicare Medicaid Assistance Program (MMAP) at 800-803-7174 to speak with a counselor. Visit MMAP's website for assistance at www.mmapinc.org.

Medicare Supplement ("Medigap")

A Medicare supplement insurance policy, also called Medigap, is health insurance that's designed to supplement Medicare. It helps to pay some of the health care costs that Medicare doesn't cover (referred to as "gaps"), such as copayments, coinsurance, and deductibles. You must have Part A and Part B to buy a Medicare supplement policy. The best time to buy a Medicare supplement policy is during your open enrollment period. This period lasts for 6 months and begins on the first day of the month in which you are 65 or older **and** enrolled in Medicare Part B. For more information on Medicare supplement plans, visit www.medicare.gov or www.michigan.gov/difs.

Medicare Advantage (MA) Plans

Medicare Advantage plans are offered by private companies approved by Medicare. Medicare Advantage plans are solely under the authority of the Center for Medicare and Medicaid Services (CMS), a federal agency. These plans are sometimes called "Part C" or "MA Plans." Medicare Advantage plans actually replace Medicare coverage (Part A and Part B) as these plans provide all of the same coverage except for hospice care. They are **not Medicare supplement policies** even though they cover many of the same benefits as Medicare supplement policies. For this reason, individuals do not need both a Medicare Advantage plan and Medicare supplement plan. You may only enroll, switch or drop a Medicare Advantage plan during certain times of the year. Once enrolled in a Medicare Advantage plan, you must stay enrolled for the calendar year starting the date your coverage begins. There are limited circumstances during which you may be able to change your coverage. For more information, call 1-800-MEDICARE (1-800-633-4227) or visit www.medicare.gov.

Medicare Advantage plans may require you to use doctors that are within the plan's network of providers and may require different copayments, coinsurance and deductibles than Medicare. They may also offer extra coverage, including vision, hearing or dental coverage. Many include Medicare Prescription Drug coverage.

Medicare Advantage plans include:

- Health Maintenance Organization Plans (HMO)
- Private Fee-for-Service plans (PFFS)
- Preferred Provider Organization Plans (PPO)
- Special Needs Plans (SNP)

Medicare Prescription Drug Plan (Part D)

Prescription drug coverage is available to everyone with Medicare and is offered by Medicare Prescription Drug plans or Medicare Advantage Plans. Medicare Prescription Drug plans are solely under the authority of the Center for Medicare and Medicaid Services (CMS), a federal agency.

Health carriers will offer a variety of options, with different covered prescriptions, and different costs. Medicare Prescription Drug plans are voluntary. If you want prescription drug coverage under Medicare, you must choose a plan offering the coverage that best meets your needs and then enroll. You may only join, switch or drop Medicare Prescription Drug coverage during certain times. Once enrolled, you generally must stay enrolled for the calendar year starting the date your coverage begins.

If you have retiree health coverage, or are covered under an employee group health plan, watch for any information that is sent by the employer. You may or may not have to make changes to your plan. If you do not understand the information you receive from your current or former employer, contact the company's human resources department or use the contact number provided on any written communication you receive.

Medicare Prescription Drug plans will charge a monthly premium that varies by plan. This premium is in addition to the Medicare Part B premium. Medicare Advantage Plans that include prescription drug coverage may include an amount for the prescription drug coverage in their monthly premium.

Medicare Prescription Drug plans may have yearly deductibles that must be met before the plan begins to pay its share of your covered drugs. They may also have copayments and coinsurance that must be paid after the deductible has been met. Medicare Prescription Drug plans also have a coverage gap commonly known as the "donut hole." This means after you and your Medicare Prescription drug plan have spent a certain amount of money, you then have to pay all of the out-of-pocket costs for your prescriptions up to a yearly limit. **Federal law will reduce the coverage gap in Medicare Prescription Drug plans over the next ten years. There are additional savings each year in the coverage gap through 2020 when the coverage gap will be eliminated.** You can visit our website at www.michigan.gov/difs where you will find our publication *Michigan Consumer Guide to Health Insurance* with more information on health insurance.

For more information on prescription drug plans, visit www.medicare.gov and look for the following publications:

- Guide to Medicare Prescription Drug Coverage
- Things to Think About When You Compare Medicare Drug Coverage
- Closing the Coverage Gap-Medicare Prescription Drugs Are Becoming More Affordable

Or, call 1-800-MEDICARE (1-800-633-4227) for Medicare and prescription drug coverage information. If you need help making health benefit decisions, counselors are available at the Michigan Medicare Medicaid Assistance Program (MMAP) by calling 800-803-7174.

Coverage you may consider purchasing:

Life Insurance

Life insurance provides money to a beneficiary after an insured person passes away. There are different types of life insurance including: term, whole, and universal life.

- Term life covers an individual for a certain time period or to a certain age.
- Whole life insurance provides lifetime coverage at a premium that does not increase after you buy it.
- Universal life insurance has premium payments and death benefits that are flexible. You can change the amount and frequency of your payments and/or death benefit after buying. As you age, the policy's cost of insurance increases.

It is important to discuss your needs and policy questions with your insurance agent. Additional information regarding life insurance can be viewed at www.michigan.gov/difs under "Publications" and "Guides."

Travel Insurance

No insurance policy can prevent the unexpected from ruining your vacation, but insurance can provide you the option of recovering some of the money you might otherwise lose due to unforeseen problems. However, it is important to read a copy of the policy closely. The insurance policy may exclude cancellations which result from pre-existing medical conditions. By reading the policy, including the small print, you can verify if the policy covers most of your worst-case scenarios. Trip cancellation policies contain a laundry list of "covered reasons" or "named perils." If your "reason" is not on that list, your claim will be denied. Finalize your itinerary before buying the policy, as itinerary changes you make may affect coverage. You may also want to check the coverage of your existing homeowner, auto and medical policies. If your health insurance doesn't cover you overseas, and Medicare generally does not, then you probably need medical travel insurance.

To find out if an insurance company, agency, or agent is licensed, or if you have other insurance questions, please contact DIFS toll-free at 877-999-6442 or visit the website at www.michigan.gov/difs

Know What You Are Getting When You Buy an Annuity

An annuity is a financial product sold by an insurance company. It involves a contract between you and the insurance company that outlines the terms and conditions of the annuity. Annuities are generally used to accumulate tax-deferred savings under which you make a lump-sum payment, or series of payments, to the insurance company. In return, the insurer agrees to make periodic payments to you beginning immediately or at a future date. This section will provide you with information on various annuity products and what you should know before buying an annuity.

Things to Consider When Buying an Annuity

Many insurance companies offer annuity products, and the annuity offerings between insurance companies can be quite different. The financial strength among insurance companies can be quite different, too. So an important 'first cut' in evaluating an annuity is the financial strength of the issuing company. Companies such as Standard & Poor's and AM Best provide independent ratings on the financial strength of insurance companies. These ratings are available through the insurance company or through a financial services provider.

Types of Annuities

Annuities are typically purchased through a financial services provider who is licensed and registered to sell annuities and other insurance-related products. They are considered experts on the annuity products they recommend and sell to their customers. The following are types of annuity products:

- **Fixed-Rate Annuity**

  The insurance company agrees to pay the contract holder no less than a specified rate of return for a pre-determined period.

- **Indexed Annuity**

  The insurance company credits the contract holder with a return that is based on changes in an index, such as the S&P 500 Index. Indexed annuity contracts also provide that the contract value will be no less than a specified minimum, regardless of the performance of the underlying index.

- **Variable Annuity**

  A variable annuity offers sub-accounts or mutual funds through which the contract holder can invest in the stock and bond markets. The rate of return, and the value of the annuity, are 'variable' and dependent upon the performance of the underlying investments selected. Variable annuities are securities and are regulated by the Securities and Exchange Commission (SEC).

Costs and Payments

Annuities are generally used to accumulate tax-deferred savings under which you make a lump-sum payment, or series of payments, to the insurance company. This is often referred to as the "accumulation phase." In return, the insurer agrees to make periodic payments to you beginning immediately or at a future date. This process is referred to as "annuitization:" the process of converting your annuity into a series of periodic income payments.

There are different options for how long payments will continue:

1. **Annuity Certain** - An option in which you receive payments for a certain period; for example, 10, 15 or 20 years. If you die prior to the ending of the period, your beneficiary(ies) will receive payments until the payment term ends.

2. **Life Annuity** - Under the Life Annuity, you have four pay-out options:

   - Straight Life – pays until you die;
   - Life Annuity with Period Certain - pays until you die or for a specified time period, whichever is longer
   - Life Annuity with Refund - pays until you die. Your beneficiary(ies) are guaranteed to get a portion of the money the annuitant paid into the annuity returned as a lump sum (as long as the amount paid out to the annuitant didn't exceed the paid-in amount);
   - Life Annuity with Joint and Survivorship – pays until the annuitant dies and the spouse continues to receive payments until their death.

You should not annuitize your annuity without careful consideration. Once you decide to annuitize, you cannot reverse your decision. There is no flexibility to increase or decrease the payments or extend or shorten the length of time payments are made. You cannot make any lump-sum withdrawals either.

Attributes and Benefits

The general attributes (features) and benefits of annuities include: guarantee of principal, tax deferral, death benefits and income benefits. These benefits are referred to as 'riders' that bring additional costs to the contract. As a result, annuities typically carry higher overall expenses than do mutual funds, for example. Annuities also carry surrender charges that can last for several years.

Is an Annuity Right for You?

Only when you are fully informed about the annuity's features and benefits, the costs of the benefits or 'riders,' all other fees and expenses, the liquidity provisions and the surrender charges, are you prepared to answer the question of whether an annuity is right – or not right – for you. Use the checklist to help you decide.

Annuity Checklist

First, contact DIFS, the insurance regulator for the state of Michigan, and confirm the following:

- ☐ The insurance company is registered and licensed with DIFS.
- ☐ The insurance product being recommended is registered with DIFS.
- ☐ The soliciting agent/advisor is registered with DIFS and has the proper licenses to sell insurance products in Michigan.

Second, ask your financial services provider to provide you with following details:

- ☐ Confirm the financial rating of issuing insurance company
- ☐ Know the annuity's features, benefits and caveats
- ☐ Fixed annuity: Know the 'floor' or guaranteed minimum interest rate
- ☐ Fixed annuity: Know how and when the new rate is declared and the terms
- ☐ Variable annuity: Evaluate the diversity of the sub-account options and performance
- ☐ Indexed annuity: Know the 'participation rate' or 'cap rate'
- ☐ Know the total annual management fees by percentage and all other expenses and 'rider' costs
- ☐ Know the tax treatment for accumulated growth and on withdrawals
- ☐ Know the length of the contract (in years)
- ☐ Know the year-by-year surrender charges
- ☐ Know the terms for penalty-free withdrawals

Completing the annuity checklist requires gathering a lot of information and knowing the meanings of a lot of terms. Make it the responsibility of the financial services provider recommending the annuity to provide you with the information and explanations necessary for completing this checklist. You only need to get the information, not do the work. Remember, one of the purposes of a checklist is to ensure that information you gather, or that is provided to you, is complete and to an explicit level of detail so that you can make informed decisions.

One last thing to do, ask the financial services provider recommending the annuity the following question: "In recognition of all the other types of investments and combinations of investments available to me, why is this annuity a suitable choice for me?" Get the answer in writing.

Prepaid Funeral Contracts

A prepaid funeral contract is a legal agreement which requires payment in advance for funeral services, cemetery services or merchandise and the physical delivery and retention of which would occur after death. You can pay for the contract outright, through an insurance policy, or by an investment that you own. A prepaid funeral contract can be funded by a trust or by insurance. The seller may offer one or both of the following funding types:

- For a trust-funded prepaid funeral contract where payments are placed in an approved interest-bearing restricted bank account or formal trust account to pay for the future cost of the selected funeral goods and services. Payments on the contract are made to the seller.
- For an insurance-funded prepaid funeral contract where payments are used to purchase an insurance policy or annuity to pay for the future cost of the selected funeral goods and services. Payments are not made to the seller but to the insurance company that is funding the contract.

Before purchasing a prepaid funeral contract, you should:

- Find out if the funeral home is properly licensed, has a good reputation, and is financially stable. Not all funeral homes have a license to sell prepaid contracts. Ask family and friends for a recommendation. Shop around and interview several funeral homes. To verify a funeral home or funeral director's license, and to check for disciplinary action, you may contact the Corporations, Securities, and Commercial Licensing Bureau at: 517-241-9288.
- Be prepared. When you visit or call a funeral home, the personnel may try to sell you a contract. Have a checklist ready of items you want for your funeral and any questions you may have. Take a trusted individual when you visit each funeral home and ask that person to take notes for you. Make sure all of your questions are sufficiently answered.
- Obtain a written explanation of exactly how your money will be protected in each transaction and whether the pre-need contract is guaranteed, revocable, refundable, transferable, and portable.

After purchasing a prepaid funeral contract, you should:

- Be sure to tell your family about the plans you've made.
- Give a copy of your contract to someone you trust, such as a relative, friend, lawyer, or doctor.
- Keep the original contract with your important documents.
- If you live at a nursing home or hospital, give the facility a copy of your contract.

Prepaid Funeral Contracts and Medicaid

Buying a funeral contract and/or burial plot can help you "spend down" your assets to qualify for Medicaid. Since Medicaid does not count prepaid irrevocable funeral contracts that cost less than $5,400 as an asset, you may want to buy an irrevocable contract which cannot be canceled or refunded. However, the irrevocable contracts are usually transferable, in the event you decide to transfer to a different funeral home.

Note: A funeral contract is different than "burial insurance," which is usually considered an asset. Consult your estate planning professional for more information on the differences between prepaid contracts and burial insurance.

Your Rights Under the FTC Funeral Rule

The Funeral Rule is enforced by the Federal Trade Commission (FTC) and includes the following:

- Buy only the funeral arrangements you want. You do not have to accept a package that includes items you do not want.
- Obtain price information on the telephone. Funeral directors must give you price information on the telephone if you ask for it. Although the Rule does not require them to do so, they can mail their price list or post the price list online.
- Obtain a written, itemized price list when you visit a funeral home. The funeral home must give you a General Price List (GPL) that is yours to keep. It lists all the items and the services the funeral home offers and the cost of each.
- Ask to see the casket price list before you see the actual caskets so that you can ask about the lower-priced products that may not be on display.
- Ask to see the outer burial container (vault) price list. Outer burial containers are not necessarily required by state law, but many cemeteries require them to prevent the grave from collapsing. If the funeral home sells containers, but does not list its prices on the GPL, they are required to have a separate container price list.
- Ask for a written statement of funeral goods and services after you decide what you want but before you pay. The statement should show exactly what you are buying and the cost of each item.
- The Rule requires the funeral home to provide a written statement that explains any legal cemetery or crematory requirement that requires you to buy any funeral goods or services.
- Use an "alternative container" instead of a casket for cremation. No state or local law requires the use of a casket for cremation. A funeral home that offers cremations must tell you which alternative containers are available. Containers may be made of unfinished wood, pressed wood, fiberboard, or cardboard.
- Provide the funeral home with a casket or urn you buy elsewhere. The funeral provider cannot refuse to handle a casket or urn you bought online, at a local casket store, or somewhere else. Also, it cannot charge you an additional fee to use a casket or urn you bought elsewhere. The funeral home cannot require you to be there when the casket or urn is delivered.

For more information on your rights under the FTC Funeral Rule, visit the website at www.consumer.ftc.gov

Funeral Pricing Checklist

Make copies of this page and visit several funeral homes to compare costs.

Name of funeral home: ______________________________ Date visited: ______________

"Simple" disposition of the remains (usually only available if the body is expected to reach its final resting place within 48 hours after death; ask the funeral home for more information)**:**

Immediate burial __________ Immediate cremation __________

If the cremation process is extra, how much is it? __________

Donation of the body to a medical school or hospital __________

"Traditional," full-service burial or cremation:

Basic services fee for funeral director & staff __________ Pickup of body __________

Embalming __________ Other preparation of body __________

Least expensive casket __________ Description, including model # __________

Outer burial container (vault) __________ Description __________

Visitation/viewing-staff & facilities __________

Funeral or memorial service-staff & facilities __________

Graveside service, including staff and equipment __________ Hearse __________

Other vehicles __________ Total __________

Other services:

Forwarding body to another funeral home __________

Receiving body from another funeral home __________

Cemetery/mausoleum costs:

Cost of lot or crypt (if one is not owned) __________ Perpetual care __________

Opening and closing the grave or crypt __________ Grave liner (if required) __________

Marker/monument (including setup) __________

Mortgages

A mortgage loan is a loan that a bank or lender gives you to help finance the purchase of a house. The house you buy acts as collateral in exchange for the money you are borrowing to finance the mortgage for a house. A mortgage payment is generally composed of four parts: principal, interest, taxes and insurance. It is normally paid on a monthly basis.

- Principal – Principal is the total amount of money you borrowed to buy the home (if you have a $150,000 mortgage loan, the beginning principal balance is $150,000).
- Interest – Interest is the price you pay to borrow money from your lender.
- Taxes – Taxes are the property taxes you pay as a homeowner. They are typically calculated based upon the value of your house.
- Insurance – Insurance includes homeowners insurance and could include mortgage insurance. You are required to get homeowners insurance by your lender to cover your house. If your down payment is less than 20%, you will have to pay mortgage insurance which protects the lender if you default on your mortgage loan.

Many lenders set up an escrow account for the collection and disbursement of property taxes and insurance. While the account is created and maintained by the lender, it is funded by the borrower.

Choosing the right type of mortgage is one of the most important financial decisions you will need to make. Listed below are the most common types of mortgages.

Conventional Mortgage (Fixed Rate): A mortgage where the interest rate remains the same throughout the life of the mortgage. (Your monthly payment may increase or decrease if your loan includes an *escrow account because the escrow portion of your payment is based on your current taxes and insurance costs and/or any advances or deficiencies.)

Adjustable Rate Mortgage (ARM): A mortgage that generally offers a lower initial rate or interest rate than fixed rate mortgage loans. After the initial period, rates fluctuate over the life of the loan.

FHA (Federal Housing Agency) Mortgage: This type of loan can be either a fixed rate or an adjustable rate mortgage. Borrowers are required to pay Mortgage Insurance Premium (MIP, see below) for this loan which provides the lender government protection in the event that the borrower defaults on the loan. The down payments associated with these types of loans are typically much lower than a Conventional Mortgage; however, the maximum amount of the loan may be limited.

Interest Only: This type of loan allows the borrower to pay only the interest due on the loan, in monthly payments for a fixed term. During this term, the principal balance remains unchanged. After the fixed term, the balance of the loan is due in full, or principal payments may be required in addition to the interest payment creating a much higher monthly payment.

Balloon Mortgage: A mortgage that usually includes a fixed rate with relatively low payments for a fixed period of time. At the end of the fixed period, the entire balance of the loan is immediately due.

VA Loans: These types of mortgages are exclusive to eligible veterans, active duty personnel and surviving spouses. These loans offer competitive interest rates, with low or no down payment because they are insured against loss by the Veterans Administration.

Second Mortgage: A second mortgage is a second lien on a property (that is already secured by mortgage, and/or first lien). Many times second mortgages are a Home Equity Loan or a Home Equity Line of Credit (see below). Your home's equity is the difference between what you currently owe on your home (any existing mortgages) and what your home is worth (usually determined by an appraisal).

A Home Equity Loan provides the total amount borrowed to the borrower at once, in a lump sum payment. Home Equity Loans are typically offered with a fixed interest rate, meaning the interest rate will not increase or decrease over time. These loans are commonly repayable over five to 10 years, and include a fixed monthly payment.

A Home Equity Line of Credit, also known as a HELOC, provides a set loan amount which can be borrowed all at once, or may be withdrawn in increments as needed (similar to a line of credit). Typically, the interest rate for a HELOC is variable, meaning it can increase or decrease over time. The monthly payment will depend on the interest rate and the outstanding principal balance.

Reverse Mortgage: A loan that is only offered to a borrower that is 62 years of age or older. This loan allows borrowers to convert the equity in their home to cash. You do not have to pay back the loan and interest as long as you are living in the house (but it must be paid back when the property is sold, the borrower moves out, or the borrower dies). More information on these types of mortgages can be found on a separate page in this toolkit.

PMI (Private Mortgage Insurance) vs. MIP (Mortgage Insurance Premium): Conventional mortgages have PMI and FHA loans have MIP.

PMI: Mortgage insurance provided by private mortgage insurance companies for borrowers when the down payment made is less than 20% of the homes purchase price. This insurance is paid by the borrower, but benefits the lender, as it protects the lender against loss if the borrower defaults.

MIP: The upfront and/or periodic charges that the borrower pays for mortgage insurance (paid to the lender) in case of default. There are different mortgage insurance plans differing combinations of monthly, annual, and upfront premiums.

Additional information about mortgage loans can be found att he following sites:
The United States Government (800-333-4636 or at www.usa.gov)
The Consumer Financial Protection Bureau (855-411-2372 or at www.consumerfinance.gov)
The Mortgage Encyclopedia, by Jack Guttentag (www.mtgprofessor.com)
Bankrate.com (www.bankrate.com)

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* Escrow Account - This is an amount of money maintained at a lending institution in order to pay the annual taxes and insurance on mortgaged property. Approximately one-twelfth of the estimated annual cost of taxes and insurance is paid into the account each month from the borrower's monthly mortgage payment. Then the lending institution pays the taxes and insurance from this account when they are due. An escrow account is required by many lending institutions in order to ensure that the taxes and insurance premiums are paid on time.

Reverse Mortgages

A Reverse Mortgage is a special type of loan sold to homeowners age 62 years and older. This type of loan allows homeowners to access a portion of their home equity as cash; you receive money from the lender, rather than making payments to the lender.

There are three different types of reverse mortgages:

1. **Single-Purpose Reverse Mortgages** are offered by some state and local government agencies and nonprofit organizations. This is the least expensive option. They are not available everywhere and can only be used for one purpose, which is specific to the government or the nonprofit lender. Examples of this would be home repairs and/or improvements or property taxes. Most homeowners with low or moderate income can qualify for these loans.
2. **Federally-Insured Reverse Mortgages are also known as Home Equity Conversion Mortgages (HECMs)** and are backed by the U.S. Department of Housing and Urban Development (HUD). HECMs may be more expensive than traditional home loans and the upfront costs can be high. This is very important to consider, especially if you plan to stay in your home for a short period of time or borrow a small amount. HECM loans are widely available and have no income or medical requirements, which means they can be used for any purpose. You must meet with a government-approved housing counselor before applying for this type of loan.
3. **Proprietary Reverse Mortgages** are private loans that are backed by the companies that develop them. Just like HECMs, these loans can be expensive and can be used for any purpose.

How much you can borrow depends on your age, the value of the property, the current interest rates, and the type of reverse mortgage you choose. Before you take out a reverse mortgage, you should be aware of your payout options:

- Line of Credit is when you pay only the interest on money you use. The amount of money available to you grows over time.
- Monthly Payout can be a good choice if you need additional monthly income to cover daily living expenses. The amount of money available to you grows over time. Note: You can change your monthly payment option at any time for about $20.
- Lump Sum is where you take the whole amount of money at once. This can be risky because you will pay interest on all of the funds, even if you do not need them.
- Combination of Monthly Payments and a Line of Credit is a combination of monthly payments and a line of credit.

Reverse Mortgage loans are nontaxable and, generally, do not affect your Social Security or Medicare benefits. You retain the title to your home without making monthly payments. These loans must be repaid when the last surviving borrower dies, sells the home or no longer lives in the home as a principal residence. In the HECM program, a borrower can live in a nursing home or other medical facility for up to 12 consecutive months before the loan must be repaid. If you are considering a reverse mortgage, you should shop around. For more information on this topic, contact the AARP to obtain a copy of the *Reverse Mortgage Loans, Borrowing Against Your Home* guide or visit the following sites:

- AARP http://assets.aarp.org/www.aarp.org_/articles/money/financial_pdfs/hmm_hires_nocrops.pdf
- FTC 202-326-2222 or www.ftc.gov
- CFPB 855-411-2372 or www.consumerfinance.gov

Deferred Presentment "Payday Loans"

A Deferred Presentment Service Transaction (often referred to as a payday loan) is a transaction where a customer borrows money for a service fee. No interest is charged on this transaction. The borrower writes a personal check payable to the lender for the amount the person wants to borrow, plus the fee they must pay for borrowing. The company gives the borrower the amount of the check less the fee, and holds the customer's check for a period of time (typically the next payday) before presentment to the customer's bank, hence the name deferred presentment.

A payday loan can be a very expensive form of credit if you are not careful. Payday loans are not intended to meet long-term financial goals. Under Michigan law, you can have two payday loans open at any one time, but not more than one loan with the same payday lender. The maximum payday loan you can receive is $600.00. The service fee cannot exceed the aggregate of: 15% for the first $100.00, 14% for the second $100.00, 13% for the third $100.00, 12% for the fourth $100.00, 11% for the fifth $100.00, and 11% for the sixth $100.00. For a loan in the amount of $600, a service fee in the amount of $76 may be charged. The table below breaks down the fee:

- 15% for the first $100
- 14% for the second $100
- 13% for the third $100
- 12% for the fourth $100
- 11% for the fifth $100
- 11% for the sixth $100

For a $100 loan, the fee is calculated as: $15

For a $250 loan, the fee is calculated as: $15+$14+$6.50 = $35.50

For a $600 loan, the fee is calculated as: $15+$14+$13+$12+$11+$11 = $76

The service fee is earned by the lender. All providers of Deferred Presentment Service Transactions must be licensed by the Department of Insurance and Financial Services (DIFS) with the exception of state and nationally chartered banks and credit unions. To verify if a provider is licensed, log onto www.michigan.gov/difs or call 877-999-6442. Be careful of "online payday lenders." These lenders are typically not licensed to do business in the State of Michigan and generally charge interest rates well above the legal interest rate limits allowed in the state.

For further information on payday loans, see the Deferred Presentment Service Transactions FAQ on the DIFS website at http://www.michigan.gov/difs/0,5269,7-303-13648_60667_76246---,00.html or call 877-999-6442 to obtain a copy.

Investment Knowledge

IRA and 401(k) Overview

IRAs and employer-sponsored retirement plans are popular ways save for retirement. And for those who qualify, there are some federal tax benefits for these types of retirement savings plans.

Individual Retirement Account (IRA)

An IRA is not an investment. It's an account type that allows for tax-deferred or tax-free growth on your retirement savings contributions. You can open an IRA at a:

- Brokerage firm
- Mutual fund company
- Insurance company
- Bank or credit union

Traditional IRA

Whether your IRA contribution is tax-deductible depends on three factors:

1. Your income tax filing status
2. Your adjusted gross income (AGI), and
3. Whether you are covered by a retirement plan with your employer

For 2014, if you are covered by a retirement plan with your employer, your IRA contribution is fully-deductible if your tax filing status and AGI is one of the following:

- Single or Head of Household with an AGI less than $60,000
- Married Filing Jointly with an AGI less than $96,000

If your AGI falls within the following range, your contribution is partially deductible:

- Single and Head of Household with an AGI between $60,000 and $70,000
- Married Filing Jointly with an AGI between $96,000 and $116,000

If your AGI is more than the range listed above, then your contribution is not deductible.

For 2014, an IRA contributor who is not covered by a retirement plan at their place of employment and is married to someone who is, the deduction is phased out if the couple's income is between $181,000 and $191,000.

If both you and your spouse are not covered by an employer-sponsored retirement plan, then you can take the full deduction up to the amount of your contribution limit.

Other Attributes:

- Savings grow tax deferred
- Investments include stocks, bonds, mutual funds, Exchange-Traded Funds, CDs, and so forth
- Withdrawals may begin at 59½
- Mandatory distributions after 70½

- Taxes are paid on earnings when withdrawn
- No income restrictions
- Funds withdrawn prior to 59½ are generally subject to a 10% early withdrawal penalty and income tax
- 2014 contribution limits:
  - 49 and younger: $5,500
  - 50 and older: $6,500

10% Early Withdrawal Penalty Exemptions

- Permanent disability
- Death of the IRA owner
- Payment of non-reimbursed medical expenses in excess of 7.5% of AGI
- First-time home purchase ($10,000 lifetime limit)
- Higher education costs
- Pay IRS back taxes after levy on IRA accounts
- Pay medical insurance premiums if unemployed longer than 12 weeks
- Owner attains the age of 59½

Required Minimum Distributions (RMD)

- Mandatory minimum annual withdrawals starting with the year the account owner turns 70½ or, if later, the year of retirement
- Rules apply to all employer-sponsored retirement plans and all IRA-based plans including Traditional, SEPs, Simple IRAs, etc.
- RMD is calculated for each IRA account by dividing the prior December 31st balance of the account by a life expectancy factor published by the IRS
- Excess distributions for one year cannot be applied to the RMD for future years

Roth IRA

For 2014, the AGI phase-out is:

- Single and Head of Household with an AGI between $114,000 to $129,000
- Married Filing Jointly with an AGI between $181,000 to $191,000

Other Attributes:

- Savings grow tax free
- Contributions are not tax deductible
- Investments include stocks, bonds, mutual funds, Exchange-Traded Funds, CDs, and so forth
- No mandatory distribution age
- Withdrawals 100% tax free if regulations are followed
- 2014 contribution limits:
  - 49 and younger: $5,500
  - 50 and older: $6,500

Traditional IRA vs. Roth IRA

Things to consider:

- Income restrictions for contributing to a Roth IRA
- Forecasting prevailing tax rates upon retirement
  - Rates higher: Roth IRA
  - Rates lower: Traditional IRA
  - Rates same: Neutral
- Tax diversify: Percentage of retirement assets in a Traditional IRA or 401k and a percentage in a Roth IRA or 401(k)
- Roth IRA: Ability to withdraw contributions (not earnings) without incurring a 10% early withdrawal penalty.

Tax Rates and Traditional vs. Roth IRAs

If tax rates remain constant, there is no difference in the net after tax future value of a Traditional IRA and a Roth IRA:

Traditional IRA

$10,000 Initial investment
$19,672 Value after 10 years compounding at 7% annually
-$6,295 Assuming 32% combined state and federal tax
$13,377 Net value

Roth IRA

$10,000 Initial investment
- $3,200 Assuming 32% combined state and federal tax
$6,800 Net investment
$13,377 Net value after 10 years compounding at 7% annually

401(k) / Employee Defined Contribution Plan

- Contributions made through payroll deduction
- Savings grow tax deferred
- Potential for employer matching contributions
- Investments limited to those selected by employer
- Portability
- Funds withdrawn prior to 59½ are subject to a 10% early withdrawal penalty and income tax
- Potential for loans and hardship withdrawals
- 2014 Contribution limits:
  - 49 and younger: $17,500
  - 50 and older: $23,000

401(k) Rollover Options

Three options when leaving your employer:

- Leave your assets in former employer's 401(k) plan
- Rollover your 401(k) to new employer's 401(k) plan
- Rollover your 401(k) into an IRA

Two options for moving 401(k) assets:

- Rollover: funds distributed to account holder and transaction is reported to IRS
- Transfer: custodian to custodian transfer and is not reported to IRS

Premature Distributions

Penalties from early distribution from 401(k) or IRA:

- 10% IRS premature distribution penalty
- Income tax on distributed amount, example:

$10,000 Early distribution
- $1,000 Premature distribution penalty
- $3,000 Income tax
$6,000 Net distribution

Lost opportunity potential:
$10,000 10 years compounded at 8% annually*
$20,989 Projected value

*Rate of return is hypothetical and assumes an 8% compounded annual growth rate on $10,000. It does not represent the expected return for any specific investment.

Early Withdrawals: Section 72(t) Distributions

- Available to participants in a 401k plan and IRA account holders
- Distributions must be "substantially equal" payments based upon the life expectancy of the participant
- Payments must continue for a period of 5 years or until the age of 59 – whichever is longer
- Three methods of calculating distribution:
  - Minimum Distribution Method
  - Fixed Amortization Method
  - Fixed Annuitization Method

Retirement Plan Distribution Options

When you leave your current employer, whether it's because you are pursuing employment elsewhere, retiring, or leaving the workforce to raise a family, you have a number of distribution options for your retirement account that may help you avoid immediate taxes or possible tax penalties. However, before you make any decisions, you should seek the advice of a tax advisor or financial services provider to assist you with evaluating your options.

In general, you have, basically, three options:

1. Keep your retirement plan account
2. Roll it over into a qualified IRA
3. If you're leaving your current employer for employment elsewhere, rollover your retirement plan account into your new employer's retirement plan.

Let's look at each option:

Option 1: Keep your retirement plan account

Most retirement plans allow you to keep your account in the current plan if it is above a certain amount. Check with your benefits department or your plan provider to see if your account balance qualifies. Typically, you'll continue to have access to all of the plan's resources and functionality.

Keeping your retirement plan account is easy; you don't have to do much of anything. But doing 'what is easy' shouldn't be the primary consideration. There are potential advantages to just keeping your retirement account, for example:

- By design, retirement plans offer features and benefits that are often unavailable outside of the plan. In many cases, retirement plans offer institutional investment options that aren't replicated in a retail version outside of the plan. And in many instances, the investment options within your retirement plan have lower expenses than their identical retail versions.
- Your retirement plan fiduciary conducts thorough and ongoing due diligence on all investment options offered within the plan to ensure that they continue to meet the criteria for inclusion.
- Your plan may include important features, such as the ability to take loans. Examples like these may provide a justification for leaving a portion or all of your retirement plan assets within the plan.

Option 2: Roll it over into a qualified IRA

If you decided to rollover your retirement plan into a qualified IRA, it will be with outside financial institutions like banks, credit unions, insurance companies, mutual fund companies, discount and full-service brokerage firms, and registered investment advisers. IRAs are also available through your employer's retirement plan provider. There are some potential advantages and disadvantages to rolling over your retirement plan into an IRA, such as:

Advantages

- A self-directed IRA may provide access to investment options not available in a retirement plan. For example, individual stocks, individual bonds, exchange-traded funds (ETFs), and some financial institutions may each provide access to initial public offerings.
- IRAs may also allow you to pursue more specific or targeted investment strategies, including the use of options, and may provide more unique or non-traditional diversification opportunities than those that are typically available in a retirement plan.

- IRAs also provide more flexibility in naming beneficiaries. If you are married, the beneficiary of your retirement plan account, by law, must be your spouse unless you obtain a signed release. In certain circumstances, having flexibility in naming beneficiaries may be beneficial.

Disadvantages

- One potential disadvantage is expenses. Total expenses in an IRA have the potential to be significantly higher than those in your retirement plan. One to two percentage points higher are not uncommon. Cross your fingers that the returns on your IRA always make up for the higher expenses you're paying. Remember, this is your **retirement account**. Don't let it be treated like a brokerage or trading account.
- Having more investment options by rolling over a retirement account into an IRA may not necessarily be better. The investment options available in your retirement plan were selected out of a large pool of investment options by your plan fiduciary. Only by continually meeting a broad and rigorous set of criteria do they remain in the plan.
- The financial services provider handling your IRA may not be legally held to this standard of care in the selection and monitoring of your investments. Conflicts of interest may also exist so use caution.
- More investment options also present the potential for unsuitable or fraudulent investments being sold to you. The consequences from this could be life-altering.

Option 3: Rollover your retirement plan account into your new employer's retirement plan

For those of you who may leave your current employer for employment elsewhere, you may have the option to roll over your retirement plan into your new employer's retirement plan. If you decide to do that, selecting this option may depend on a number of considerations:

- If your retirement plan is your only investment account, you may want to consider how the features and investment options of your new employer's plan compare to your current plan. If, for example, your current plan offers more investment options or a particular option that isn't available in your new employer's plan, and the fees and expenses associated with your current plan are acceptable to you, then keeping your retirement plan in your current plan may be the more beneficial choice.
- Conversely, if your new employer's plan offers more options or options not available in your current plan, and the expenses are comparable with those in your current plan, then transferring your retirement plan to your new employer's plan may be the more beneficial choice.
- Another potential benefit to consider in rolling your retirement plan over into your new employer's plan is that under certain conditions, you may be able to defer required minimum distributions if you're still working at your new place of employment after you turn age 70½. A potential downside for rolling your retirement plan into an IRA is that the minimum age for taking penalty-free withdrawals is 59½ instead of 55 with a retirement plan.
- If you, or you and your spouse have other investment accounts, another way to consider your option is how the retirement plan account fits in with your other accounts. For example, which plan offers features or benefits more to your liking? Does the plan offer unique investment options that are unavailable in your other accounts?

- While most employers allow new employees to transfer their retirement plan account from their previous employer, they may impose a waiting period before you can transfer, so it's important to confirm with your new employer what the terms and conditions are for transferring-in your retirement plan account.
- The final consideration on deciding whether to transfer your retirement plan to your new employer's plan is your preference. If you prefer more flexibility, or the ability to pursue investment strategies is typically not available through an employer-sponsored retirement plan, then Option 2, rolling your retirement plan into a qualified IRA, may be the more beneficial choice for you.

In Conclusion

Regardless of whether you transfer your retirement plan to your new employer's plan, keep it in your current plan, or roll it into a qualified IRA, it's important for you to continue making regular contributions during your working years into a retirement plan.

If you're considering taking a pre-mature distribution from your retirement account, caution is in order. Taking a distribution from your retirement plan prior to age 55 may subject you to immediate taxes and possible penalties. Also, if you are leaving your employer and are not immediately seeking new employment, and you plan on rolling your retirement plan into an IRA, you may want to consider opening a separate IRA specifically for your retirement plan rollover and not commingle it with contributory IRAs.

The decision on which retirement plan distribution option is more beneficial for you requires a careful and thorough evaluation of your personal, professional and financial circumstances that may go beyond what's covered in this section. Discussing your options and their potential tax and financial implications with a tax advisor or financial services provider may also be beneficial.

Understanding Your Brokerage Account Statement

Your brokerage account statement is the official document for complete information pertaining to your account's value, holdings, and activity. While account statements can look different from firm to firm, they all have this information in common.

- Account information
- Account summary
- Income
- Fees
- Account activity
- Margin
- Portfolio detail
- Disclosures and definitions

Brokerage firms are required to provide you with a statement at least quarterly. If your account has frequent activity, you may receive monthly statements. As with bank accounts, most firms provide you with the option to receive your statement (and other account-related documents) either electronically or through the mail. Either way, you need to understand the information your account statement provides.

Note: The brokerage firm you have your account with may not be the firm that generates your account statement. Your brokerage firm may be an "introducing" firm that takes orders from their customers and then "clears" or "settles" the trades through a "clearing" firm. Clearing firms finalize trades and hold the securities for the introducing firm. Typically it is the clearing firm that generates the account statement, not the introducing firm. To reduce the potential of you being defrauded through forged statements, the Financial Industry Regulatory Authority or FINRA requires that all brokerage account statements contain the clearing firm's name and contact information.

Account Information

The account information section shows:

- The statement reporting period
- Your account number
- Account type
- Titling on your account
- Your address of record
- Account investment objective (optional)

Knowing your account type is important. Most brokerage firms offer at least two types of accounts.

A Quick Course on Account Types:

A "cash" account is generally coded as a Type 1 account and a "margin" account is typically coded as a Type 2 account. These codes are explained in the "Disclosures and Definitions" section of your statement. In a cash or Type 1 account you pay for your securities in full by the "settlement date" (generally three business days) either by depositing funds or with proceeds from the sale of securities.

In a margin loan account or Type 2 account, your brokerage firm can lend you funds to pay for the securities being purchased. The securities in your account serve as collateral for the loan. This is called buying securities "on margin." For example, if you purchase securities totaling $20,000 and you pay $10,000 and your brokerage firm lends you the other $10,000, the borrowed amount of $10,000 is your margin balance. Your brokerage firm charges interest on this balance as with any other type of consumer loan. You are liable for the margin balance and the interest incurred. Most brokerage firms have a minimum equity requirement before they allow you to trade on margin. The minimum amount is typically $5,000 to $10,000 depending on the firm.

Note: There are special risks with margin accounts that are not associated with cash accounts. If the securities you purchased on margin decline significantly in value, and the percentage ratio between the value of your securities and your margin balance drops below the minimum ratio, you may be subject to a "margin call" or "maintenance call." To cover the call, your brokerage firm will require you to deposit cash or securities into your account or sell securities in your account to cover the call. Your brokerage firm can, at their discretion, sell any security in your account to cover a margin call without notifying you in advance. It's your responsibility to know what type of account your have. Confirm with your financial advisor that your account type (Type 1 "cash" account or Type 2 "margin" account) is appropriate for you.

Many brokerage account statements show the investment objective of the account, for example, "Moderate Growth and Income" or "Long-Term Growth." This information is important on two counts:

1. Allows you to re-confirm that the investment objective is consistent with the purpose of the account, e.g., "grow the value of my account over the long term" or "provide funds during my retirement."
2. Confirm that the securities listed in the "Portfolio Detail" section are consistent with the investment objective and the investment strategy.

The account information section also shows:

- The name of your brokerage firm
- Your financial advisor's name
- Office address and phone number, and
- The clearing firm's name, address and phone number. (Required by FINRA)

Account Summary

The account summary section typically shows:

- Beginning account value for the period (month or quarter)
- Summary of account activity including cash deposits, cash withdrawals, dividends and interest, fees charged, and
- Closing account value for the period.

It may also include a pie chart and a tabular summary of your account's investments by asset class or investment type, such as mutual funds or annuities, and the estimated annual income generated from your holdings. Complete information on the individual investments in your account is provided in the "Portfolio Detail" section.

Note: While a summarization of the beginning and ending value of your account is a quick and convenient way to see whether your account was up or down for the period, it may not tell you whether the securities in the account contributed or detracted from the ending balance. A closing balance that is higher or lower than the opening balance may be the result of deposits or withdrawals, or from interest and dividend payments being credited to the account. The "Portfolio Detail" section *of your statement provides the ending value for each investment and the total value by asset class or investment type in your account. You, or you and your broker/adviser, can review the investments and their values in this section and compare them with the previous period statement.*

Account Activity

The categories of activity include:

- Credits and debits
- Interest and dividend income
- Charges and fees
- Transfers and journals
- Securities transactions

Many brokerage firms provide consolidated information on the account's income, credits and debits in the account summary section. As with a bank checking account, it is important for you to reconcile the flow of funds into, out of and within your brokerage account.

Note: It's important that you review the trading activity in your account and reconcile the transactions with the trade confirmations you receive. Also, confirm that the transactions, and the frequency of transactions, are appropriate for the purpose of your account, the investment objective, and investment strategy. If you have questions on specific trades or need further clarification of the investment strategy, discuss the matter with your broker/adviser. He or she welcomes every opportunity to help keep you informed and in-the-know about the activity in your account.

Portfolio Detail

This section provides a complete inventory of the individual investments in your account. The inventory includes the investment's name, ticker symbol or CUSIP, share quantity/number of bonds, cost basis (if available), current price, current market value (quantity x market price), estimated annual income and percentage yield.

Typically, brokerage firms categorize investments by asset class, such as stocks/ETFs, fixed-income and cash. Mutual funds are typically listed separately by asset class, such as stock mutual funds and bond mutual funds. Annuities and alternative investments are typically listed separately. A summarization of the "Portfolio Detail" section is typically provided in the "Account Summary" section in the form of a pie chart or table.

Note: Review your account's asset allocation, level of diversification and the individual investments on a periodic basis with your financial advisor to confirm that your account remains consistent with its purpose, the investment objective and investment strategy.

Disclosures and Definitions

This section helps you understand your statement by providing legal and administrative explanations about fees, penalties, and the terms and codes used in your statement. "Stuffers" and brochures (some mandated by regulators) may also be included in your account statement.

Conclusion

It is your responsibility to check for inaccuracies or discrepancies in any of your statements. If they appear, contact your broker/adviser immediately. Use the "My Account Statement" checklist for this purpose.

Checklist:
My Brokerage Account Statement

When to Use: Upon receipt of your statement

Your brokerage account statement is the official document for complete information pertaining to your account's value, holdings, and activity. It tells you everything that's going on in your account. This checklist provides a handy way for you to confirm, know and review important information about your statement.

Use this checklist upon receiving your brokerage account statement.

- ☐ Confirm accuracy of account information including:
  - Account number
  - Account type
  - Account titling
  - Account investment objective (if provided)
  - Your contact information
  - Brokerage firm, clearing firm and financial advisor contact information
- ☐ Know why your account increased or decreased in value from the previous reporting period.
- ☐ Review account activity with special attention to fees and charges, deposits and withdrawals, transfers, journals and letters of authorization.
- ☐ Review trade activity.

Asset Allocation

Asset allocation is the starting point of the investment process. It is the process of divvying-up (or allocating) your money among some - or all - of the asset classes of stocks, bonds, cash and other secondary asset classes such as real estate, natural resources and precious metals. Most of the return pattern of your account is attributable to its asset allocation.

Having an asset allocation that is inconsistent with your investment objective may have negative consequences. For example, an account over-allocated to bonds and cash may result in lost growth potential. Conversely, an account over-allocated to stocks and other growth investments may have you exposed to more risk that you would knowingly assume.

The 'right' asset allocation for you is one that takes into consideration your investment-related goals, your goal's time horizon, your investment objective and how much risk you're willing to assume.

The following example allocations are general guidelines for allocating your money based upon your goal time horizon, the purpose of your account and its investment objective:

'Extremely Low-Risk' Allocation

The allocation is 100% cash and cash equivalents, such as:

- CDs
- Savings
- Money market mutual funds
- Treasury bills

This allocation may generally be considered more appropriate for:

- Investment time horizons less than 3 years
- An investment objective that has no tolerance for risk
- This investment objective may generally be referred to as "Preservation of Principal"

'Low-Risk' Allocation

The allocation range is 30% to 40% 'riskier' growth assets[1] such as:

- Greater percentage allocated to bonds and cash than to riskier growth assets like stocks
- Potentially more volatile than a portfolio with no allocation to growth assets such as stocks[2]
- Returns are generally derived from interest income rather than from dividends and capital appreciation, especially with higher percentage allocations to bonds and cash.

This allocation may generally be considered more appropriate for:

- Investment time horizons between 3 years and 5 years
- An investment objective with a lower tolerance for risk
- This investment objective may generally be referred to as "Conservative Growth and Income."

'Moderate-Risk' Allocation

The allocation range is 40% to 60% 'riskier' growth assets such as:

- An equal or slightly higher percentage allocated to riskier growth assets, such as stocks, than to bonds and cash

- Potentially more volatile than a portfolio with a lower percentage allocation to riskier growth assets
- Returns are generally derived from a mixture of dividends, interest income and capital appreciation

This allocation may generally be considered more appropriate for:

- Investment time horizons between 6 years and 10 years
- An investment objective with moderate tolerance for risk
- This investment objective is called "Moderate Growth and Income"

'Higher-Risk' Allocation

The allocation range is over 60% 'riskier' growth assets such as:

- Higher percentage allocated to growth assets such as more stocks than to bonds and cash
- Potentially more volatile than a portfolio with a lower percentage allocation to riskier growth assets
- Returns are generally derived from capital appreciation rather than from dividends and interest income, especially with higher-percentage allocations to stocks or other riskier assets

This allocation may generally be considered more appropriate for:

- Investment time horizons over 10 years
- An investment objective with a higher tolerance for risk
- This investment objective may generally be referred to as "Long-Term Growth"

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[1] For example, real estate, hard assets such as gold and silver, and natural resources.

[2] Prices of bond mutual funds and ETFs fluctuate in value in response to movement in interest rates and bond credit ratings. In general, when interest rates decline, the prices of existing bonds rise in value. Conversely and in general, when interest rates rise, the prices of existing bonds decline in value. In general, the longer the maturity date, the more the bond is affected by movements in interest rates and bond credit ratings.

Disclaimer

The above asset allocation examples are provided for informational purposes only and do not constitute investment advice. There is no guarantee that any asset allocation example illustrated herein will achieve its objective, generate profits or avoid losses. Diversification does not guarantee investment returns and does not eliminate the risk of significant loss.

How to Evaluate and Select a Financial Services Advisor

The financial markets are becoming increasingly complex, and many of us may feel ill-prepared to make informed decisions on what to do. Seeking the advice of an insurance agent, stockbroker or investment adviser may bring the additional resources you may need to better manage and oversee your investments. In selecting the right financial advisor for you, you need to first ask yourself the right questions, and then ask the right questions to the advisor. By doing so may help you find the one who's best suited for you. In this section you will learn about the various types of financial services advisors and the role each play in managing your investments.

Note: In this section you will see the terms "advisor" and "adviser." The term "financial advisor" is a non-legal, catch-all term that includes insurance agents who sell variable annuities and mutual funds, bank representatives, and registered representatives at brokerage firms. The term "adviser" (with an "e") is a legal term used with registered investment advisers or investment adviser representatives who operate under the Investment Advisers Act of 1940.

Insurance Agents

Insurance agents are in the business of recommending and selling insurance and insurance-related investment products to their customers. In general, this may include fixed, variable and indexed annuities, whole life, term life and variable life policies. Independent agents may represent several insurance companies; captive agents represent only one insurance company. Compensation is typically on a commission basis.

Regulation and Oversight:

- State insurance regulators (in Michigan, it's the Department of Insurance and Financial Services or DIFS)
- Financial Industry Regulatory Authority (FINRA) for products containing securities, such as variable annuities
- National Association of Insurance Commissioners (NAIC)

Legal Title:

- Insurance agent
- Producer

Other Non-Legal Titles:

- Financial planner
- Financial advisor

Compensation:

- Typically commissions

Example Products:

- Fixed Annuities
- Variable Annuities
- Indexed Annuities
- Immediate Annuities

- Whole and Term Life
- Variable Life
- Long-Term Care Insurance
- Mutual Funds

Registered Representatives and Brokers

Brokers are legally referred to as registered representatives, meaning they are properly licensed and registered to buy and sell securities for their customers through the broker/dealer securities firm they represent. Brokers typically receive a commission for the buying and selling of securities. These transactions are handled on a "non-discretionary" basis, meaning the broker must receive authorization from their customer prior to buying or selling any security.

Standard of Care:

The standard of care for a registered representative is a "know your customer" and "suitability" standard. This requires that they gather comprehensive financial information about their customer: namely, income, net worth, the purpose/investment objective of the account, investing time horizon, risk tolerance, investment experience, and the customer's need for income or liquidity. Only from this information can he or she then recommend "suitable" investments for their customer.

Regulation and Oversight:

- Securities Act of 1934: "Any person in the business of effecting transactions in securities for the account of others…"
- State securities regulators (In Michigan, it's the Michigan Department of Licensing and Regulatory Affairs [LARA] – Securities Division)
- The Financial Industry Regulatory Authority (FINRA)
- The Securities and Exchange Commission (esp. the Broker/Dealer)

Legal Title:

- Registered Representative

Other Non-Legal Titles:

- Stockbroker
- Financial advisor or consultant
- Wealth manager

Standard of Care:

- "Know your customer" and "suitability"
- NYSE Rule 405 "Know your customer"
- FINRA Rule 2090 "Know your customer"
- FINRA Rule 2111 "Suitability"

Compensation:

- Typically commissions

Example Products:

- Stocks
- Bonds
- Options
- Initial Public Offerings (IPOs) and Syndicate
- Mutual Funds
- Exchange-Traded Funds (ETFs)
- Annuities and other insurance-related products (only if licensed)

Is a Registered Representative or "broker" right for you?

If the following characteristics reflect your investment needs, then a broker may be right for you:

- You're mostly interested in "picks" and recommendations on an opportunistic basis from your broker.
- You like to be involved in the day-to-day management of the investments in your account and prefer to discuss each recommendation and authorize the transaction prior to execution.
- You are typically a "buy and hold" investor, and transactions are infrequent.
- Paying a fair commission when transactions occur is acceptable to you.

Registered Investment Advisers

Registered investment advisers (RIAs) provide ongoing advice as a matter of course to their clients. In general, RIAs utilize the same investment products and securities offered by the registered representative. But instead of buying and selling investments for a commission, investments are 'managed' for a fee.

A registered investment adviser can be a stand-alone independent firm or part of a large financial institution. Like registered representatives who buy and sell securities for their customers through the broker/dealer they represent, advisers who provide advice to their clients through their financial institution's RIA, are referred to as investment adviser representatives (IARs). Most large full-service brokerage firms have a registered broker/dealer unit and a registered investment adviser unit associated with it. If properly licensed, a registered representative at a larger brokerage firm can also be an IAR under the firm's RIA unit.

Standard of Care:

The Registered Investment Adviser has an affirmative duty to act solely in the interest of the client. This is referred to as a "fiduciary" standard of care. Acting as a fiduciary, all considerations, decisions and transactions must be made exclusively for the benefit of the client, and any conflicts of interest must be fully-disclosed up front. Unlike "non-discretionary" transactions that require registered representatives to have all transactions approved by the customer prior to execution, RIAs generally transact business on a "discretionary" basis, meaning they have discretion to buy and sell securities and to make other investment-related decisions on behalf of their clients without receiving prior approval.

Regulation and Oversight:

- Investment Advisers Act of 1940: "Any person, who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities…"

- Assets under $100 million: State securities regulator
- Assets over $100 million: Securities and Exchange Commission (SEC)

Legal Title:

- Registered Investment Adviser (RIA)
- Investment Adviser Representative (IAR)

Standard of Care:

- Fiduciary

Compensation:

- Asset-based fee, such as an annual percentage based upon the value of the account
- Flat rate
- Hourly rate
- Retainer fee and monthly subscription

Example Products:

- Fee-based 'platforms' that typically utilize the securities offered by registered representatives.
- Separately managed accounts (SMAs) through investment management firms not affiliated with a brokerage firm or RIA.

Is an RIA or IAR right for you?

If the following characteristics reflect your investment needs, then a Registered Investment Adviser (RIA) or Investment Adviser Representative (IAR) may be right for you:

- You require or prefer ongoing and continuous advice
- You require or prefer the fiduciary standard of care rather than the lower "suitability" standard of care
- You require or prefer comprehensive reporting and performance measurement
- You require or prefer to have an adviser act on your behalf on investment-related decisions without pre-authorization of each transaction prior to its execution
- Require or prefer to pay a fee for services

Note: If you are a trustee or guardian, and you are responsible for the oversight and monitoring of investments for an individual, organization or other entity, you may be required to work with a registered investment adviser or adviser representative who is held to a fiduciary standard of care.

General Comparison

Registered Representative and Registered Investment Adviser:

Item	Registered Representative	RIA or IAR
Other Titles:	"Stockbroker," "financial advisor," etc.	"Adviser"
Standard of Care:	"Know your customer," "suitability"	Fiduciary
Transactions:	Non-discretionary trading	Discretionary trading
Compensation:	Commission-based	Fee-based

Financial Planners (non-legal term)

"Financial planner" is not a legal term; it's a description. In general, financial planners are in the business of developing comprehensive financial plans for their clients that typically include estate, tax, and insurance planning. So an insurance agent, a registered representative, and a registered investment adviser can all be "financial planners" within the scope that their licensing permits.

Industry Licenses

There are numerous types of industry licenses. The following are three example types:

Series 6: Investment Company Products/Variable Contracts

This license is required to receive compensation for recommending and selling mutual funds and variable annuities. The certification process includes:

- 100 multiple choice questions
- 2 hours and 15 minutes

Series 7: General Securities Representative

This license is required to receive compensation for buying and selling securities with the exception of commodities and futures. The certification process includes:

- Part I: 125 questions (3 hours)
- Part II: 125 questions (3 hours)

Series 65: Uniform Investment Adviser Law Examination

This license is required to receive compensation for providing ongoing investment advice. The certification process includes:

- 130 questions
- 3 hours

The financial markets are becoming increasingly complex. And many of us may feel ill-prepared to make informed decisions on what to do. Seeking the advice of a financial services provider may bring the additional resources you may need to better manage and oversee your investments. Selecting the right financial services provider for you and asking yourself the right questions, and then asking the right questions to the financial services advisor, may help you find the one who's best suited for you. The enclosed checklists have been provided to assist you with selecting and evaluating a financial services provider.

Financial Services Providers:
"Questions to Ask Yourself" Checklist

Before you select a financial services provider, you need to interview yourself. This checklist of questions will give you a better understanding of the type of relationship you are looking for with a financial services provider as well as the types of products and services you may be interested in.

Yes	No	
☐	☐	Do I seek continuous and ongoing investment-related advice?
☐	☐	Do I seek specific investment recommendations with advice being incidental?
☐	☐	Do I prefer to discuss and authorize all transactions?
☐	☐	Do I prefer to delegate investment-related decisions and transactions?
☐	☐	Do I seek comprehensive financial, estate and tax planning?
☐	☐	Do I seek only investment management?
☐	☐	Are insurance-related products an acceptable type of investment?
☐	☐	Are mutual funds and ETFs acceptable types of investments?
☐	☐	Are individual stocks and bonds acceptable types of investments?
☐	☐	Are commissions an acceptable form of payment for service?
☐	☐	Are fees an acceptable form of payment for service?

Financial Services Providers:
"Questions to Ask the Provider" Checklist

- [ ] Is my financial profile representative of your client base?
- [ ] What is your academic and professional background?
- [ ] Do you have professional designations or other credentials?
- [ ] What is the "standard of care" for my account?
- [ ] What other services do you provide?
- [ ] Who else may be handling my account?
- [ ] How is your compensation structured?

You can complete this section of the checklist yourself while meeting with a prospective service provider or you can request that they complete the checklist - in writing - prior to you meeting with them.

Most financial services providers have no record of disciplinary actions against them. You can confirm this by contacting your state securities regulator. In Michigan, it's the Michigan Department of Licensing and Regulatory Affairs (LARA) – Securities Division or through the Financial Industry Regulatory Authority (FINRA) website.

Contact LARA – Securities Division at 517-241-6345 or visit the FINRA website at:
http://www.finra.org/brokercheck

To evaluate a professional designation, use the following checklist - or have the designation-holder use the checklist - to get you complete information. This information will help you determine whether the designation has any value or application to your financial circumstances.

Professional Designations:
"What to Know" Checklist

- [ ] Visit the website of the organization issuing the designation
- [ ] Obtain a brochure or pamphlet
- [ ] Know the prerequisites for obtaining the designation
- [ ] Know the coursework and format for how the designation is earned
- [ ] Know the continuing education requirements
- [ ] Know if an investor complaint or public disciplinary process exists
- [ ] Know if the designation has third-party accreditation

For more information on professional designations for the financial services industry, you can visit the FINRA website at: www.finra.org.

Whether you use a financial services provider or you are a "do-it-yourselfer," investments are going to be selected and bought. To be informed, aware and in control over the handling of your accounts, and to greatly reduce the potential for making a poor investment decision, you need to be able to check-off the following:

Selecting Investments:
"What to Know" Checklist

- ☐ Purpose of the investment[1]
- ☐ Consistent with investment objective, goal timeframe and risk tolerance
- ☐ How the investment fits into the overall investment strategy[2]
- ☐ The cost to buy, hold and sell the investment

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[1] For example, does the investment provide the potential for long-term growth? Does it provide current income or provide liquidity at a pre-determined date?

[2] Just adding another investment for the sake of adding another investment isn't necessarily in your best interest. How does the new investment fit in with what you already own? Does the investment bring further diversification? Does it increase the potential for growth or provide additional income? Does it reduce risk?

Crowdfunding

The Internet has become an inexpensive and easy way for individuals and businesses to raise money for their activities. Congress recently passed the JOBS Act, which directs the Securities and Exchange Commission (SEC) to create rules exempting crowdfunding from the securities registration laws. Once implemented, these rules will remove restrictions on start-up companies seeking investors over the Internet. Investors should be on the lookout for unscrupulous issuers and intermediaries who may attempt to engage in crowdfunding before the rules are written or misuse crowdfunding to steal from investors through false and misleading representations.

Crowdfunding is an online money-raising strategy that began as a way for the public to donate small amounts of money, often through social networking websites, to help artists, musicians, filmmakers and other creative people finance their projects. The concept has recently been promoted as a way of assisting small businesses and start-ups looking for investment capital to help get their business ventures off the ground.

Traditionally, investment opportunities are offered by professionals, such as broker-dealer firms and investment advisers, who must recommend investments that are based on their clients' investment objectives and levels of sophistication. Through crowdfunding, individuals are able to invest in entrepreneurial start-ups through an intermediary, such as a broker-dealer or a "funding portal." By law, "funding portals" are not allowed to provide investment advice.

Funding Portal

A funding portal is a website, also called a "platform," that advertises the investment opportunities and facilitates the payment from the investor to the issuer. Some portals advertise a variety of investment opportunities on one website, allowing the investor to select one or more projects in which to invest.

How Crowdfunding Works

Joe's small business sells goat cheese made from his special pygmy goats. To keep his business afloat or to help it grow, Joe can turn to the Internet to seek online donations from the public who contribute small amounts of money and expect nothing in return. Joe usually sends a sample of his cheese as a thank-you for the donation; large donors might even get a cheese named in their honor.

New legislation has directed the SEC to write rules that will change how Joe can raise money online. Once the rules are written, Joe will be able to use the Internet to raise up to $1 million each year by selling investments in his company to thousands of investors. Because Joe will be issuing shares in his company in exchange for investment capital, his supporters are no longer donors; they become investors and will expect a financial return for their investment.

Why Investors Must be Extremely Cautious About Crowdfunding Investments

- Crowdfunding investments cannot be offered legally until the SEC adopts rules to permit them. Beware of offerings that seek investments immediately.
- All investments have risk, but small business investments have even greater risk than normal. About 50 percent of all small businesses fail within the first five years.
- Issuers using funding portals to raise money may be inexperienced. Their track records may be unproven, unsubstantiated, or outright fraudulent.
- The information about the investment is limited to what is provided through the funding portal. Investors may need to rely on their own research to determine the issuer's track record.

- Because state regulators are not allowed to review crowdfunding issuers or their offerings, full and complete disclosure may not be available to investors.
- Investors may have limited legal ability to take action against the issuer should the investment not perform as represented. Due to limited regulatory oversight over these offerings, investors may be left on their own to pursue costly private lawsuits when things go wrong.
- Crowdfunding investments are mostly illiquid and investors must be prepared to hold their investments indefinitely. It also may be difficult or impossible to resell these securities due to the lack of a secondary market.
- Funding portals must be registered with the SEC, belong to a self-regulating organization (SRO), and comply with other rules the SEC may issue.
- Crowdfunding portals claiming an accreditation or "seal of approval" from a standards program or board may not be legitimate.

The Bottom Line

It pays to be skeptical of investment opportunities you learn about through the Internet. When you see an offering on the Internet — whether it is on a funding portal, in an online newsletter, on a message board or in a chat room — you should be cautious until you have done your homework and proven that it isn't a scam. If you have any questions about crowdfunding offerings, contact the Department of Licensing and Regulatory Affairs (LARA), Corporations, Securities and Commercial Licensing Bureau at 517-241-6345 or visit www.michigan.gov/lara.

Investment-Related Terms

Like every investor, you want to choose investments that will provide the growth and income you need to meet your financial goals. To do that, it's important for you to understand what your investment choices are, how different types of investments put your money to work, and the terminology used when discussing investments tools. Below is a list of investment-related terms to help you understand the complex world of financial investments.

Asset Allocation

Asset allocation is the process of divvying-up (or allocating) your money among some - or all - of the primary asset classes; for example, stocks, bonds and cash. Different combinations or pairings of asset classes create different risk/return profiles.

Asset Class

An asset class is a group of securities that have similar characteristics, react similarly in the marketplace and are subject to the same laws and regulations. The three basic asset classes are stocks, bonds and cash. Other asset classes include real estate, precious metals and natural resources. Note: A security is a publically-traded financial instrument such as a stock, bond, mutual fund, exchange-traded fund and a variable annuity.

Annuity

An annuity is a financial product sold by an insurance company. It involves a contract between you and the insurance company that outlines the terms and conditions of the annuity. Annuities are generally used to accumulate tax-deferred savings under which you make a lump-sum payment, or series of payments, to the insurance company. In return, the insurer agrees to make periodic payments to you beginning immediately or at a future date. Listed below are types of annuity products:

- **Fixed-Rate Annuity**
  The insurance company agrees to pay the contract holder no less than a specified rate of return for a pre-determined period.
- **Indexed Annuity**
  The insurance company credits the contract holder with a return that is based on changes in an index, such as the S&P 500 Index. Indexed annuity contracts also provide that the contract value will be no less than a specified minimum, regardless of the performance of the underlying index.
- **Variable Annuity**
  A variable annuity offers sub-accounts or mutual funds through which the contract holder can invest in the stock and bond markets. The rate of return, and the value of the annuity, are 'variable' and dependent upon the performance of the underlying investments selected. Variable annuities are securities and are regulated by the Securities and Exchange Commission (SEC).

Annuitization

Annuitization is the process of converting your annuity into a series of periodic income payments. You should not annuitize your annuity without careful consideration. Once you decide to annuitize, you cannot reverse your decision. There is no flexibility to increase or decrease the payments or extend or shorten the length of time payments are made. You cannot make any lump-sum withdrawals either.

Benchmark

A standard against which the performance of a security, mutual fund or investment manager can be measured. Generally, an index is used as a benchmark. The objective of actively-managed funds is to out-perform a representative benchmark (index) when measured over a multiple-year period.

Bonds

Bonds are debt securities issued by publicly-traded companies, municipalities, state and federal government. Bondholders are referred to as creditors of the issuing company or entity. Bonds can be owned individually or through a bond mutual fund or an exchange-traded fund (ETF).

- **Risk & Return**
  There are several unique types of risk associated with bonds. Two notable ones are "interest-rate risk" and "credit risk." Bonds have higher risk than cash and typically have higher returns than cash.

- **Interest Rate Risk**
  Typically, as interest rates rise, the price of existing bonds decline in value. Conversely, as interest rates decline, the price of existing bonds will rise in value.

- **Credit Risk**
  Credit risk is defined as a deterioration in the financial condition of a corporation or other issuing entity that negatively affects the price of the bond prior to maturity. A company or other entity's creditworthiness may deteriorate to the point that renders it unable to make a scheduled interest payment or worse, repay its loan. This is referred to as a 'default.'

- **Credit Risk and Return**
  Government bonds historically have the lowest credit risk among bond categories and historically have lower returns.

  - High-quality corporate bonds historically have higher credit risk and higher returns than government bonds.
  - Low-quality corporate bonds historically have higher "credit" or "default risk" and higher returns than high-quality corporate bonds. Lower-quality bonds are often referred to as "high-yield" or "junk" bonds.

Market conditions can affect these bond categories, having one category "in favor" and another category "out of favor. This can affect the risk and return profile of a given bond category and its risk and return profile relative to that of other bond categories.

Credit Ratings

Credit rating agencies like Moody's and Standard & Poor's affirm the credit worthiness - or credit risk, of corporations and government entities in the form of a credit rating. The ratings range from 'AAA' for the highest-quality - or lowest credit risk, to 'D' for a company or government entity in default. Like your own credit score, the higher the rating, the more favorable the financing.

- **Interest Rates and Prices**
  Bond prices and interest rates have an inverse relationship to each other. For example, as interest rates rise, the prices of existing bonds tend to decrease in value as newly-issued bonds offer higher, more attractive coupon rates. And as interest rates decline, the price of existing bonds tend to increase in value as newly-issued bonds offer lower, less attractive coupon rates.

- **Interest Rates and Maturity**
  As a general rule the maturity date of a bond is a significant factor in how its price may be affected by increases or decreases in interest rates.
  - Long-term bonds with maturities of 10 years or more are more affected by increases and decreases in interest rates.
  - Short-term bonds with maturities of 5 years or less are less affected by increases and decreases in interest rates.

Cash

Cash can be described as "ready money." In the context of investing, cash typically takes the form of a cash alternative like a money market mutual fund. Money market funds are required by law to invest in highly-liquid, low-risk fixed-income securities such as CDs, government securities and high-quality commercial paper. Money market mutual funds are not guaranteed or federally insured.

Cash: Risk & Return

Cash is considered a low-risk, low return asset. Cash can remain as cash in your account, but typically cash is converted into a cash equivalent.13-week T-bills, CDs and money market mutual funds are all considered cash equivalents.

Closed-End Fund

A 'closed-end fund,' legally known as a "closed-end company," is one of three basic types of investment companies. The two other basic types of investment companies are mutual funds and unit investments trusts (UITs). Closed-end funds generally do not continuously offer their shares for sale. Rather, they sell a fixed number of shares at one time (in an initial public offering), after which the shares typically trade on a secondary market. The price of closed-end fund shares that trade on a secondary market after their initial public offering is determined by the market and may be greater or less than the shares' net asset value (NAV). The investment portfolios of closed-end funds generally are managed by separate entities known as "investment advisers" that are registered with the SEC.

Diversification

Diversification is the risk management process of selecting several different investments for each asset class. Diversifying within an asset class reduces exposure to risks associated with a particular company, industry or sector. For mutual funds and ETFs (see "Mutual Funds" and "Exchange Traded Funds"), diversifying by investment category (see "Investment Category") is another way to reduce the risks associated with one investment category.

Exchange-Traded Funds (ETFs)

Exchange-traded funds (ETFs), are investment companies that are legally classified as open-end companies or unit investment trusts (UITs) but they also differ from open-end companies and UITs in that they do not sell individual shares directly to investors and only issue their shares in large blocks that are known as "creation units." Investors generally do not purchase creation units with cash. Instead, they buy creation units with a basket of securities that generally mirrors the ETF's portfolio. Those who purchase creation units are frequently institutions. ETFs are not considered to be—and may not call themselves—mutual funds.

Most ETFs seek to achieve the same return as a particular market index. That type of ETF is similar to an index fund in that it will primarily invest in the securities of companies that are included in a selected market index such as the S&P 500 Composite Stock Price Index, for example. An ETF will invest in either all of the securities or a representative sample of the securities included in the index.

ETFs also include actively-managed ETFs that pursue active management strategies and publish their portfolio holdings on a daily basis. Other types of ETFs include leveraged or inverse ETFs, which are ETFs that seek to achieve a daily return that is a multiple or an inverse multiple of the daily return of a securities index. An ETF, like other types of investment companies, will have a prospectus.

Expense Ratio

The expense ratio is the total percentage of fund assets used for administrative, management, advertising, and all other expenses such as recordkeeping, custodial services and legal expenses. An expense ratio of 1% per annum means that each year 1% of the fund's total assets will be used to cover expenses. Since fund performance is the calculated net of expenses; expense ratios have a material effect on fund performance. The expense ratio does not include the fund's trading activity, sales load or brokerage commissions.

Index

An index is a statistical measure of change in an economy or a securities market. In the case of financial markets, an index is an imaginary portfolio of securities representing a particular market or a portion of it. Each index has its own calculation methodology and is usually expressed in terms of a change from a base value. Thus, the percentage change is more important than the actual numeric value.

Stock and bond market indexes are used to construct index mutual funds and exchange-traded funds (ETFs) whose portfolios mirror the components of the index.

The following indexes represent a wide array of financial markets:

- Standard & Poor's 500 (S&P 500) represents a broad market and is one of the world's best known indexes. This index is the most commonly used benchmark for the stock market.
- Formerly the Lehman Brothers Aggregate Bond Index, the Barclay's Capital Aggregate Bond Index (BarCap Aggregate) represents a broad market and is a commonly used benchmark for the total bond market.
- Dow Jones Wilshire 5000 was commonly comprised of 5000 stocks, but today is made up of more than 6,700. A prominent index, this is one of the broadest indexes and is designed to track the overall performance of the U.S. stock markets. This index is a commonly used benchmark for the total stock market.
- Dow Jones U.S. Technology Index represents a segment of a broad market like the S&P 500, for example: The S&P 500 is composed of 10 sectors. One of which is Technology.
- Morgan Stanley Capital International's European, Australian, and Far Eastern (MSCI EAFE) indexes represent the market of a region for foreign stocks in Europe, Australasia (a geographical region including Australia, New Zealand, and the neighboring islands), and the Far East.
- British FTSE 100 represents the market of a nation. Similar to the S&P 500 in the Unites States, this is an index of blue-chip stocks on the London Stock Exchange.

Because, technically, you can't actually invest in an index, index mutual funds and exchange-traded funds (based on indexes) allow investors to invest in securities representing broad market segments and/or the total market.

Investment Category

Investment categories allow investors to know more about a particular fund's investment objective and the types of securities that make up most of the fund's holdings. One basic way of categorizing stock funds is by market capitalization; for example, large-cap, mid-cap and small-cap and by investment style, such as value, growth and blend (a combination of value and growth). Bond funds are generally categorized by their average portfolio maturities. For example, long-term, intermediate and short-term, and by credit quality: high-quality, medium and low-quality.

Investment Objective

The end toward which your investment-related actions are directed or coordinated. An investment objective is a "what," not a "how." An example of an investment objective would be "moderate growth and income."

Investment Strategy

Investment strategy is the actions you undertake to meet the investment objective. Investment strategy is a "how," not a "what." It is a thoughtfully-constructed plan or method or action that will be employed to achieve the result. To meet the investment objective of "moderate growth and income," an example strategy might be a combination of components: growth mutual funds and ETFs, individual dividend-paying stocks, individual bonds, bond mutual funds and ETFs.

Investment Style

- **Value Style**
  Invest in stocks that trade at a lower price relative to their fundamentals, i.e., dividends, earnings, sales, etc. and are thus considered undervalued.
- **Blend Style**
  Invest in both growth and value stocks with typically broader sector and industry exposure that combine growth and value styles.
- **Growth Style**
  Invest in companies with accelerating sales and earnings, typically in rapidly growing industries.

Mutual Fund

A mutual fund is an investment company that invests, on behalf of its shareholders, in a basket of securities in accordance with its stated investment objective, and investment category. For example, a large cap growth fund investing in a basket of large cap companies whose earnings and revenue are growing more rapidly than other large cap companies, a foreign stock mutual fund investing in a basket of companies domiciled outside of the United States or a corporate bond fund investing in a basket of debt instruments issued by corporations. Mutual funds are sold by prospectus which provides you with complete information about the fund's investment objective, fees and expenses and historical returns. The following are types of mutual funds:

- **"Actively-managed" Fund**
  A type of mutual fund or ETF that seeks to outperform the market, such as a Large Cap fund outperforming the S&P 500 Index, through superior security selection, over or under-weighting various sectors, etc.
- **Indexed or "Passively-Managed" Fund**
  A type of mutual fund or ETF constructed to closely track the return of a broad-market index, such as the S&P 500 Index, a sector within a broad market, a specific investment category, region or country. Passively-managed funds have typically lower expenses than actively-managed funds. An investment cannot be made directly into an index.

Required Minimum Distribution (RMD)

Also referred to as minimum required distribution (MRD), required minimum distribution (RMD) is the amount that qualified plan participants, traditional, SEP and SIMPLE IRA owners must begin taking from their retirement accounts by April 1 following the year they reach age 70½.

RMD amounts must then be distributed each subsequent year. The RMD is based on the December 31 value of the account prior to the year for which the individual is required to take a distribution. That total is then divided by the life expectancy or the joint life expectancy of the individual and the individual's oldest primary beneficiary as determined by the IRS. Roth IRA accounts are not subject to RMDs. Also, under certain circumstances, some 401(k) plans allow current employee participants to defer taking RMDs until they retire, even if they are older than 70½. Failure to take a RMD results in a 50% penalty.

Rollover, Direct

A distribution of eligible rollover assets from a qualified pension plan, 401(k), 403(b) plan, or a governmental 457 plan to a traditional IRA or another qualified pension plan, 401(k), 403(b) plan, or a governmental 457 plan; or a distribution from an IRA to a 401(k), 403(b) plan, or a governmental 457 plan. Direct rollover assets are remitted directly to the qualified plan or IRA Custodian/Trustee, never to the individual. A direct rollover is reportable but not a taxable event. Plans that offer only a distribution check to the employee can accomplish a direct transfer by making the check payable to the new custodian FBO (for the benefit of) the employee's name.

Rollover, Indirect

A distribution of eligible rollover assets from a qualified pension plan, 401(k), 403(b) plan, or a governmental 457 plan into an IRA. Indirect rollover assets are paid to the individual who then has full use of the funds for 60 days after which the funds must be re-deposited into a qualified IRA or into an eligible employer-sponsored retirement plan. The re-deposited amount must equal 100% of the amount distributed by the employer including the 20% withholding. Failure to re-deposit the funds within IRS guidelines will subject the entire distribution to income tax and a 10% early withdrawal penalty if the employee is under age 59½.

Rule 72(t)

Rule 72(t) is an Internal Revenue Service (IRS) rule that allows for penalty-free withdrawals from an IRA account before the age of 59½. In accordance with the rule, the IRA owner must take at least five "substantially equal periodic payments" (SEPPs). Once the periodic payment amount is set and withdrawals begin, it cannot be changed without incurring penalties. The withdrawal amount is based upon life expectancy and is calculated using IRS-approved methods. Withdrawals are taxed as regular income.

Stocks

Stocks represent ownership or equity in a publicly-traded company. Stocks can be owned individually or through a stock mutual fund, stock ETF, closed-end fund, or unit investment trust (UIT).

- **Risk & Return**
  Stocks have higher risk than cash and bonds and statistically, stocks have higher returns than cash and bonds when measured over multiple-decade holding periods. Certain categories of stocks may have higher or lower risk relative to other stock categories.

  - **Domestic Large** company stocks are considered to have the lowest risk among stock categories.

- **Domestic Small** company stocks historically have higher risk than domestic large company stocks and typically have higher returns than domestic large company stocks when measured over multiple-decade holding periods.
- **Foreign-based** stocks, especially companies in emerging markets have, in general, higher risks than domestic stocks. Investments in foreign countries present special risks including currency fluctuation, the potential for diplomatic and political instability and regulatory risks. In general, foreign-based stocks have the potential for equal or higher returns than domestic stocks and the potential for periods of significant out-performance and under-performance relative to domestic stocks.

Market Capitalization

Stocks are categorized by size: large, mid-sized and small. A company's market capitalization or 'market cap' determines its category. Market cap is calculated by taking the company's number of outstanding shares and multiplying that by its share price.

- Generally-accepted categories are:
- Small-cap stocks: market cap between $300 million and $2 billion
- Mid-cap stocks: market cap between $2 billion and $10 billion
- Large-cap stocks: market of $10 billion or more

Many household-name companies have market caps in excess of $100 billion. These companies are often referred to as 'mega-cap' stocks. Classifications by market cap are only approximations, and a company's market cap categorization can change. For example a small cap company can grow into a large cap company and a large cap company can devalue into a mid-cap company as a result of company-specific or broad-market factors.

Unit Investment Trust

A unit investment trust is commonly referred to as a "UIT" and is one of three basic types of investment companies. The other two types are mutual funds and closed-end funds. A UIT typically issues redeemable securities (or "units"), like a mutual fund, which means that the UIT will buy back an investor's "units," at the investor's request, at their approximate net asset value (NAV). A UIT typically will make a one-time "public offering" of only a specific, fixed number of units (like closed-end funds). Many UIT sponsors, however, will maintain a secondary market, which allows owners of UIT units to sell them back to the sponsors and allows other investors to buy UIT units from the sponsors. A UIT will have a termination date (a date when the UIT will terminate and dissolve) that is established when the UIT is created. In the case of a UIT investing in bonds, for example, the termination date may be determined by the maturity date of the bond investments. When a UIT terminates, any remaining investment portfolio securities are sold and the proceeds are paid to the investors. A UIT does not actively trade its investment portfolio. That is, a UIT buys a relatively fixed portfolio of securities (for example, five, ten, or twenty specific stocks or bonds), and holds them with little or no change for the life of the UIT. Because the investment portfolio of a UIT generally is fixed, investors know more or less what they are investing in for the duration of their investment. Investors will find the portfolio securities held by the UIT listed in its prospectus.

Financial Decisions

The Cost of Credit

Credit plays an important role in our lives every day. Potential lenders will review your credit to help them decide whether to lend you money, while other companies may review your credit to decide on the pricing of insurance, renting of residential property, and making employment decisions. Therefore, building and maintaining good credit is essential to stay in control of your finances and to achieve your goals.

Credit Reports

Information about you is reported to your credit profile and contains the following:

- Employer information
- Residence
- Payment histories
- The length of time your accounts have been open
- How much credit you've used
- Whether you're seeking new sources of credit
- Judgments (lawsuits, arrests, and bankruptcy actions)

Consumer credit reports are stored in the files of the nation's consumer credit reporting agencies.

Credit Reporting Agencies and Credit Bureaus

There are three nationwide credit reporting agencies which gather consumer information to produce credit reports:

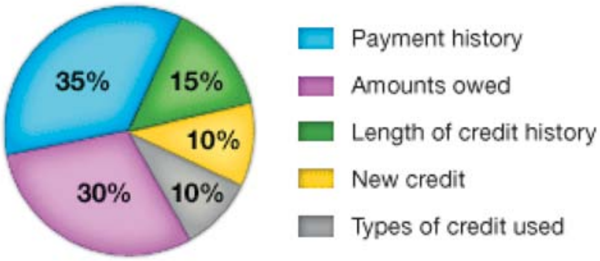
- Equifax
- Experian
- TransUnion

Credit bureaus, on the other hand, do not produce credit reports. They just gather information and hold consumer credit reports in their databases. They include the following:

- LexisNexis
- Westlaw
- ChoicePoint
- eFunds (owner of ChexSystems)

Credit Score

Credit scores are calculated based on information contained in your credit report. Your credit score is a number that helps assess how well you have maintained your past financial obligations. The most widely used credit score is the FICO Score, created by the Fair Isaac Corporation. Your FICO score is calculated by evaluating many types of information. Since each agency gets their information from different sources, you may have one score from each of the three credit reporting agencies. The information is grouped into five categories (payment history, amounts owed, length of credit history, new credit, and types of credit used) as outlined below. The percentages in the chart reflect how important each of the categories is in determining how your FICO Score is calculated. For further information, please log onto www.myfico.com.



FICO credit scores range from 300 to 850. A low score represents poor credit, whereas a score of 850 represents excellent credit.

Your credit score considers both positive and negative information in your credit report, such as the following:

- Number and severity of late payments
- Type, number, and age of accounts
- Total debt
- Public records

To establish a positive credit history and help improve your credit score you should:

- Pay your bills on time.
- Keep balances low on credit cards and revolving lines of credit.
- Limit the amount of new credit.
- Regularly review your credit report to ensure accurate information.

Obtaining a Copy Your Credit Report

It is very important for the information in your credit report to be complete and accurate. In order to do this, you should review your credit report at least once a year for any inaccuracies and omissions. You should also review your credit report to ensure fraudulent activity has not been committed by identity thieves; because even though you didn't make those charges, the inaccurate information could negatively affect your credit.

The Fair Credit Reporting Act (FCRA) requires each of the three nationwide consumer credit reporting agencies (Equifax, Experian, and TransUnion) to give you a free credit report every 12 months. To order your credit report, please visit: www.AnnualCreditReport.com or call 877-322-8228.

Since each credit reporting agency reports consumer information at different times, it is suggested to stagger your requests (order one every four months) to ensure your credit reports contain up-to-date information.

AnnualCreditReport.com is a free, no-obligation service. You will not be required to purchase or subscribe to anything to view your credit report, though you may choose to pay a fee in order to obtain your actual credit score. You can obtain a free "estimate" of your credit score by logging onto: www.bankrate.com/calculators/credit-score-fico-calculator.aspx

You are also entitled to a free credit report if:

- A company takes adverse action against you (denies credit)
- You're unemployed and plan to look for a job within 60 days
- You're on public assistance

- Your report is inaccurate because of fraud, including identity theft

If you are not eligible for a free credit report, you may contact the credit reporting agencies to purchase a copy. The agencies may charge you a reasonable fee for another copy of your report within a 12-month period.

- **Equifax**, 800-685-1111
- **Experian**, 888-397-3742
- **TransUnion**, 800-916-8800

Steps to Take When You Find a Mistake on Your Credit Report

The last thing you want to do is carry someone else's debt, or have outdated negative information reported on your credit report. Under the FCRA, the credit reporting agencies and information providers are responsible for correcting inaccurate or incomplete information in your credit report. To take advantage of your rights under this law, you should:

1. Review your report from each of the three nationwide credit reporting agencies.
2. Make note of any inaccurate or incomplete information.
3. Write a letter or submit a dispute online to the credit reporting agency which includes the following:

Your name and address.

- Clearly identify each specific item you dispute.
- An explanation and the facts of why you dispute the item.
- A request that these items be corrected or removed from your credit report.
- A copy of your credit report with the items in question circled.
- Copies (NOT originals) of documents that support your position, i.e., copies of receipts, canceled checks, and bills.

Once you have all of the information, you should:

- Send the original letter by certified mail with return receipt requested.
- Keep a copy of your dispute letter and supporting documentation.
- Allow 30 days for a response from the credit reporting agency.
- Review the credit report sent back to you to ensure that any misinformation has been deleted or corrected.

Note: Each credit reporting agency may report different information in your credit report. Therefore, you should review each report. If more than one credit reporting agency lists inaccurate or incomplete information, you will need to write a letter or submit a dispute online to each credit reporting agency.

For more information on the FCRA, please contact the Federal Trade Commission at www.ftc.gov or call 877-382-4357.

If you have questions or complaints about your credit report, your rights as a consumer, or the credit reporting agencies or bureaus, contact the Consumer Financial Protection Bureau (CFPB) at 855-411-2372.

Managing and Reducing Debt

In general, most people find themselves struggling with debt. Even if it is a little debt, it still must be properly managed. However, if you find yourself carrying too much debt, eliminating debt should be a top priority as it could jeopardize your financial future. There are many ways individuals can eliminate or reduce their debt. Although these options may not be ideal for some, the choices listed below could be considered.

Developing a Budget

The first step toward taking control of your financial situation is to do a realistic budget of how much money you take in and how much money you spend. See the following section: Developing A Savings and Spending Plan for information on developing a budget.

Contacting Your Creditors

If you're having trouble making ends meet, contact your creditors immediately. Tell them why it's difficult for you, and try to work out a modified payment plan that reduces your payments to a more manageable level. Don't wait until your accounts have been turned over to a debt collector.

Debt Relief Services

If you find yourself overwhelmed by your debt and are at the point where you are considering using a credit counselor, debt management or debt settlement company, you should know the following distinctions:

- **Credit Counseling**
  Credit counselors generally advise individuals on managing their money, offer solutions to current financial problems, and/or help develop a personalized plan to help prevent future financial difficulties. Credit counselors do not collect money from you or disburse funds on your behalf to your creditors. These counselors may not collect money upfront or before their service is rendered.

  Most reputable credit counselors are non-profits and offer services through local offices, online, or over the phone. If possible, find an organization that offers in-person counseling. Many universities, military bases, financial institutions, housing authorities, and branches of the U.S. Cooperative Extension Service (Michigan State University Extension) operate non-profit credit counseling programs. Your financial institution, local consumer protection agency, and friends and family also may be good sources of information and referrals.

  But be aware that "non-profit" status doesn't guarantee that services are free, affordable, or even legitimate. In fact, some credit counseling organizations charge high fees, which they may hide, or urge their clients to make "voluntary" contributions that can cause more debt.

- **Debt Management**
  These types of companies create debt management plans that are individually tailored based on what can be realistically afforded on a monthly basis. These services require the collection of money; you pay the debt management company and then the company pays the creditor on your behalf. Debt management plans help reduce outstanding, unsecured debts at a reduced level over a fixed period of time to help regain control of finances.

- **Debt Settlement**
  Debt settlement programs typically are offered by for-profit companies and negotiate with your creditors to allow you to pay a "settlement" to resolve your debt — a lump sum that is less than the full amount that you owe. To make that lump sum payment, the program asks that you set

aside a specific amount of money every month in savings. Debt settlement companies usually ask that you transfer this amount every month into an escrow-like account to accumulate enough savings to pay off any settlement that is eventually reached. Further, these programs often encourage or instruct their clients to stop making any monthly payments to their creditors.

Debt Settlement Has Risks

Although a debt settlement company may be able to settle one or more of your debts, there are risks associated with these programs to consider before enrolling:

1. These programs often require that you deposit money in a special savings account for 36 months or more before all your debts will be settled. Many people have trouble making these payments long enough to settle all (or even some) of their debts, and end up dropping out the programs as a result. Before you sign up for a debt settlement program, review your budget carefully to make sure you are financially capable of setting aside the required monthly amounts for the full length of the program.
2. Your creditors have no obligation to agree to negotiate a settlement of the amount you owe. So there is a possibility that your debt settlement company will not be able to settle some of your debts — even if you set aside the monthly amounts required by the program. Also, debt settlement companies often try to negotiate smaller debts first, leaving interest and fees on large debts to continue to mount.
3. Because debt settlement programs often ask or encourage you to stop sending payments directly to your creditors, they may have a negative impact on your credit report and other serious consequences. For example, your debts may continue to accrue late fees and penalties that can put you further in the hole. You also may get calls from your creditors or debt collectors requesting repayment. You could even be sued for repayment. In some instances, when creditors win a lawsuit, they have the right to garnish your wages or put a lien on your home.

Whether you are looking for a credit counseling, debt management, or debt settlement company, understand there are differences between them. A credit counselor is NOT required to be licensed and they CANNOT collect money to pay a consumer's debt. Debt management companies are required to be licensed and both the company and the consumer can make payments to the creditors. To find a licensed debt management company in your area, visit the Department of Insurance and Financial Services (DIFS) website (www.michigan.gov/difs) to search the company database. Debt settlement companies are required to be licensed to work in your state. Consumers are required to make deposits in a special savings account whereby the company will then make payments to the creditors. Before doing business with any debt settlement companies, contact the Michigan Attorney General's Office, and they can tell you if any consumer complaints are on file about the firm you're considering doing business with. Ask the Attorney General's Office if the company is required to be licensed to work in your state and, if so, whether it is.

Complaints

If you have a complaint about a credit counseling agency or a debt settlement company, contact the Michigan Attorney General's Consumer Protection Division at 877-765-8388 or complete an online complaint form at www.michigan.gov/ag. If you have a complaint about a debt management company, contact the Department of Insurance and Financial Services (DIFS) at 877-999-6442 or obtain an online complaint form at www.michigan.gov/difs.

Use Caution When Shopping for Debt Relief Services

Avoid any debt relief organization that:

- Charges any fees before it settles your debts or enters you into a debt management plan
- Pressures you to make "voluntary contributions," which is really another name for fees
- Touts a "new government program" to bail out personal credit card debt
- Guarantees it can make your unsecured debt go away
- Tells you to stop communicating with your creditors, but doesn't explain the serious consequences
- Tells you it can stop all debt collection calls and lawsuits
- Guarantees that your unsecured debts can be paid off for pennies on the dollar
- Won't send you free information about the services it provides without requiring you to provide personal financial information, like your credit card account numbers, and balances
- Tries to enroll you in a debt relief program without reviewing your financial situation with you
- Offers to enroll you in a debt management plan without teaching you budgeting and money management skills
- Demands that you make payments into a debt management plan before your creditors have accepted you into the program

Debt Consolidation

You may be able to lower your cost of credit by consolidating your debt through a second mortgage or a home equity line of credit. But these loans require you to put up your home as collateral. If you can't make the payments — or if your payments are late — you could lose your home. What's more, consolidation loans have costs. In addition to interest, you may have to pay "points," with one point equal to one percent of the amount you borrow. Still, these loans may provide certain tax advantages that are not available with other kinds of credit.

Bankruptcy

Personal bankruptcy also may be an option, although its consequences are long-lasting and far-reaching. People who follow the bankruptcy rules receive a discharge — a court order that says they don't have to repay certain debts. However, bankruptcy information (both the date of the filing and the later date of discharge) stay on a credit report for 10 years and can make it difficult to get credit, buy a home, get life insurance, or sometimes get a job. Still, bankruptcy is a legal procedure that offers a fresh start for people who have gotten into financial difficulty and can't satisfy their debts. For more information, see "Bankruptcy" in *Financial Crisis Management* in the toolkit.

Credit Repair

Be suspicious of claims from so-called credit repair companies. Many companies appeal to people with poor credit histories, promising to clean up their credit reports for a fee. But anything these companies can do for you for a fee, you can do yourself — for free! You have the right to correct inaccurate information in your file, but no one — regardless of their claims — can remove accurate negative information from your credit report. Only time and a conscientious effort to repay your debts will improve your credit report. Federal — and some state — laws ban these companies from charging you a fee until the services are fully performed.

The Credit Repair Organization Act (a Federal Law) regulates the credit repair companies nationwide. By law, credit repair companies cannot:

- Make false claims about their services
- Charge you until they have completed the promised services
- Perform any services until they have your signature on a written contract and have completed a three day waiting period. During this time, you can cancel the contract without paying any fees.

Note: Accurate, negative information will remain on your credit report for seven (7) years; and bankruptcy information remains for ten (10) years.

Complaints

If you have a consumer complaint about a credit repair company, contact the Federal Trade Commission (FTC) at 877-382-4357 and the Consumer Financial Protection Bureau (CFPB) at 855-411-2372.

Dealing with Debt Collectors

The Fair Debt Collection Practices Act (a Federal Law) dictates how and when a debt collector may contact you:

- Debt collectors may call you between the hours of 8 a.m. and 9 p.m.
- They may not call you while you are at work
- They may not harass you, lie to you, or use unfair practices when they are trying to collect a debt from you
- They must honor a written request from you to stop further contact (this should be sent certified mail)

If you want more information or have a consumer complaint, contact the Federal Trade Commission (FTC) at 877-382-4357, the Consumer Financial Protection Bureau (CFPB) at 855-411-2372, or the Michigan Department of Licensing and Regulatory Affairs (LARA) at 517-241-9288.

Developing a Savings and Spending Plan

Many Americans carry some form of debt today, as they choose to buy now and pay later. The following basic spending strategies help you control the amount of debt you create:

- **Spend less than your income**. This savings tactic works well during the working years and will continue to benefit you in your retirement years.
- **Take control of how you spend money**. Tracking what you spend using a pencil and paper, a spreadsheet on a computer, or money management software can help you avoid potential debt traps.
- **Build an emergency fund to cover at least three months of living expenses**. Using emergency funds for unexpected expenses or infrequent but anticipated expenses (such as repairing a damaged roof, replacing a broken dryer, or buying new automobile tires) avoids the use of expensive debt.

If you find yourself in a situation in which you must go into debt, the following guidelines can help you sensibly manage your financial obligations:

1. Know the costs of using credit. Read the fine print. Be aware of when fees could be assessed and when higher finance charges can be applied.
2. Lower the costs of using credit by:
    - Paying all of your bills on time, every month.
    - Being aware of universal default. If borrowers pay even one creditor late—a credit card, utility company or other—their credit costs could go up without notice.
    - Never spending more than 30 percent of a credit limit from any one source.
3. Know what you owe and reduce your debt by setting goals.
4. Methodically pay off your debt instead of selling an asset to eliminate it all at once.
5. Pay down or pay off a mortgage after paying off high-interest debt, such as auto loans, credit cards and payday loans.
6. If your spending is under control but your overall debt is too high, consider downsizing your home, moving to a less-expensive area, or taking on a part-time job. Even small cutbacks in expenses can add up to big savings over time.
7. Do not hesitate to get help in addressing personal debt issues from a qualified financial advisor.

The following are steps you can take to assist in creating your budget but you will first need to gather the documentation listed here to assist you:

- Your last 12 months' worth of bank account statements
- Your last 12 months' worth of credit card statements
- Last two paystubs for you (and your spouse if you are married)
- Colored highlighters (use to group your expenses together into different categories)
- Last year's tax return

STEP 1 – Make a list of all your fixed or required monthly obligations

To make an effective budget, break this list down into three parts:

- Essentials: this includes expenses that cover food, clothing, housing, transportation and health care.
- Non-essential monthly obligations: non-essentials are things such as cable, cell phone, gym memberships, subscriptions and other items.
- Required non-monthly expenses: items like property taxes, insurance premiums, auto registration and home warranties may come up once a year. Be sure to take these periodic expenses and calculate their cost on a monthly basis and include it in your budget.

STEP 2 – Research your costs for health care

- Account for all your expected health care costs keeping in mind premiums may go up annually. In addition, factor in the cost of dental, eye care and hearing.

STEP 3 – List all your optional expenses

- This all the fun stuff, like travel, hobbies, sports and entertainment.

STEP 4 - Calculate expenses vs. income

- Total all your expenses.
- Total all your income.
- Subtract your monthly expenses by your monthly income. Hopefully, there is excess income for savings which can be used for optional expenses, home improvements, crises, etc. If your income is not enough to pay your expenses you will need to reevaluate your expenses.

Attached is an example budget spreadsheet. You can use this to assist you with preparing your monthly expense list.

Budget Calculator

Directions: Fill in the blanks for sections 1, 2, 3 and 4. Then transfer the totals to section 5 for results.

Section 1: Income

	Monthly	Annually		Monthly	Annually
Your Primary Income			Investment Income		
Your Spouse's Income			Real Estate Investment Income		
Child Support or Alimony			Business Income		
Social Security Income			Other Income		
Disability Income			**Total Income**		

Section 2: Necessary Expenses

	Monthly	Annually		Monthly	Annually
Payroll Taxes			Home or Renter's Insurance		
Other Income Deductions			Health (Insurance/Care/Prescriptions/etc.)		
Rent or Mortgage			Dental (Insurance/Care/etc.)		
2nd Mortgage or Home Equity Loan			Life Insurance Costs		
Property Taxes			Student Loans		
Water			Home Repairs		
Garbage			Home Supplies		
Gas & Electric			Dry Cleaning		
Auto Insurance			Laundry		
Auto Repairs			Investment Real Estate Expenses		
Food & Groceries (Not Dining Out)			Business Income Expenses		
Clothing (Necessary)			Childcare (Daycare & Babysitters)		
Telephone (Not Mobile Phone)			Other Dependent Expenses		
			Total Necessary Expenses		

Section 3: Discretionary Expenses

	Monthly	Annually		Monthly	Annually
Credit Card Bills			Dining Out		
Tithing/Charitable Donations			Travel & Vacation		
Auto Loan(s)			Pet(s), Pet Care & Pet Food		
Gasoline			Clothing (Above What's Needed)		
Cable or Satelite TV			Internet Access		
Mobile Phone(s)			Computer Costs		
Home Improvement			Gym Membership		
Home Security			Beer & Alcohol		
Garden Supplies			Cigarettes & Tobacco		
Entertainment (Not Dining Out)			**Total Descretionary Expenses**		

Section 4: Investment Spending

(Only include fixed monthly or yearly investments here, not discretionary investing.)

	Monthly	Annually		Monthly	Annually
401K, 401B Deposits			Brokerage Deposits		
IRA Deposits			Other		
Employee Stock Plans			**Total Investment Spending**		

Section 5: Results

NOTE: Bring totals down from sections 1, 2, 3 and 4, and to find Percentage column, Monthly column is divided by Annually column.

	Monthly	Annually	Percent	
Total Income				
Necessary Expenses				
Discretionary Income				
Investment Spending				
Descretionary Income Less Investments				
Descretionary Spending				*Keep this as low as possible*
Amount Remaining to Save or Invest				*Try to keep this percentage above 5%, above 20% is outstanding*

Understanding Social Security

Social Security reaches almost every family at some point. It helps not only older Americans but also workers who become disabled and families in which a spouse or parent dies. Social Security is not meant to be the only source of income for people when they retire, as it only replaces about 40 percent of an average wage earner's income after retirement. Many financial experts say retirees will need 70 percent or more of pre-retirement earnings to live comfortably; therefore, private pensions, savings and investments are encouraged to help supplement the difference.

Social Security Eligibility

To become eligible for Social Security you need 40 credits (10 years of work). However, younger people need fewer credits to be eligible for disability benefits or for family members to be eligible for survivor benefits. As you work and pay taxes, you earn Social Security credits. In 2014, you earn one credit for each $1,200 in earnings up to a maximum of four credits per year.

Retirement Benefits

Choosing when to retire is one of the most important decisions you will make in your lifetime. Social Security retirement benefits may be reduced, increased, or unaffected depending upon your age at retirement. You are entitled to your full retirement benefit at your full retirement age. Social Security's full retirement age depends on the year in which you were born. If you were born in 1942 or earlier, you are already eligible for your full Social Security benefit. If you were born between 1943 and 1954, your full retirement age is 66. If you were born between 1955 and 1959, your full retirement age increases gradually until it reaches age 67 for those born in 1960 or later. The below chart shows your full retirement age by the year you were born.

Year Born	Full Retirement Age (FRA) 100% Benefit
1937	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 to 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

You can retire and collect Social Security benefits any time after age 62. If you decide to start taking benefits before your full retirement age, your benefit amount will be reduced. On the other hand, if you choose to wait until age 70, you benefit amount will be more due to the delayed retirement credit you'll earn.

Note: Although the full retirement age for social security is rising, you should still apply for Medicare benefits three months before your 65th birthday. If you wait longer, your Medicare medical insurance (Part B) and prescription drug coverage (Part D) may cost you more money.

Benefits May Be Taxable

You will have to pay taxes on your benefits if you file a federal tax return as an individual and your total income is more than $25,000. If you file a joint return and you and your spouse make more than $32,000 jointly, you will have to pay taxes on your benefits. For more information, call the Internal Revenue Service at 800-829-3676.

When to Apply

It is recommended to apply for benefits three months before the date you want the benefits to start. You can apply for benefits on Social Security's website at www.socialsecurity.gov. Benefit payments are paid electronically, either through direct deposit to your financial institution or you can receive benefits on a prepaid debit card.

Questions Regarding Social Security

If you have questions regarding Social Security, you may want to visit the Social Security Administration's (SSA) website at www.socialsecurity.gov to find your answers. If you prefer to speak to someone directly, the SSA is available to speak with callers Monday thru Friday from 7:00 a.m. to 7:00 p.m. The toll-free number is 800-772-1213.

Financial Organization

Financial Inventory

You want to get your financial life organized. This not only helps you to create a clear picture of your financial situation and make better decisions in the future, it will also help your spouse and family members to avoid having to make certain decisions in a crisis situation. Creating a financial inventory allows you to take charge of your financial information and having this important information located in one document helps you prepare for life's unexpected events.

A financial inventory template can be found on the Michigan Association of Certified Public Accountants website at www.micpa.org/resources/financial-literacy. This comprehensive tool, available in word and excel formats, will help you get started on the path towards financial organization.

Talking With Family Members About Finances

Many families do not discuss finances until a crisis occurs. Rationally, we may know that the best way to minimize feelings of helplessness and stress is to plan ahead. Emotionally, however, we may find it difficult to talk about these issues. Planning ahead requires anticipating negative situations – dependency, disability, incapacity, and death – and exploring solutions to these uncertain, hard-to-face problems. Discussion of such topics can make everyone feel uncomfortable or uneasy. Despite these anxieties, there are good reasons to plan ahead. Planning ahead:

- Prepares you or family members to make informed decisions in times of crisis;
- Saves money and helps you avoid financial disasters or setbacks;
- Ensures that you (or your spouse's) life-style, personal philosophies and choices are known before the time comes when you or they are not able to participate in making decisions;
- Allows time to gather information, compare options and determine which options help achieve what is most important;
- Decreases the possibility that the family will have to engage in more intrusive, restrictive activities, such as taking court action to seek a guardianship or conservatorship;
- Reduces disagreements among siblings about "what Mom and Dad want" and how assets should be handled.

Discussing and planning the future with family members while everyone is comparatively healthy and financially secure puts families and individuals in a better position to cope with unexpected life events. Remember, it's difficult for many people to talk about finances, so starting the discussion can be uncomfortable. Below are some tips to help you start the discussion.

- **Start by taking care of your own financial documents** – share your preferences and plans. This may open the door to discussion.
- **Use other people's experiences as examples** – real life examples make the importance of having this conversation more tangible. If something happens to a friend or neighbor, such as a move into a long-term care facility or the extended hospitalization following an illness, these events can provide a good entry point for a conversation.
- **Timing of the discussion** – when and where the discussions are held can have a tremendous impact on outcome. Set your tone to the tone you'd take with another adult friend. A relaxed, shared activity, such as walking, golfing or baking, may diffuse some of the tension when the conversation turns to money.

Planning ahead does not prevent all problems, but it does provide individuals with more options and enables their families to act more effectively. Planning ahead can help families avoid disagreements over care and finances and help alleviate the stress of making difficult choices in crisis situations.

Managing Financial Affairs

Nobody likes to think of end-of-life planning matters, but having the proper arrangements and finances in place can ease the process for your family during this difficult time.

There are a number of legal documents you should consider preparing to "get your affairs in order." Although you could create some of these documents by yourself, it is recommended that you consult with a financial professional or attorney.

Estate Planning

An estate is the term used to describe all the money and property owned by an individual - in other words, a person's assets. Estate planning is a process using certain tools to ensure that your financial goals are fulfilled after death. Goals may include providing for dependents, avoiding probate, or reducing estate taxes. Estate planning may be as simple as implementing a will or as complex as executing a trust and exploring sophisticated tax or estate planning techniques. Estate planning may be more important with a smaller estate because a larger portion will go toward final expenses. Some devices that may be used to safeguard and distribute an estate are joint tenancy with full rights of survivorship, trust, and will.

- **Joint Tenancy** – This is one way that property can be held by more than one person. A joint owner cannot sell his or her interest without the permission of other owners. Property held in joint tenancy does not go through probate; it passes directly to the surviving owner(s). Having property in joint tenancy may also reduce inheritance taxes.
- **Trust** – A trust is a written agreement wherein you give a trustee power to manage certain property for a beneficiary. There are several types of trusts. Purposes of the trusts include controlling assets after death, avoiding probate, providing for disability, and reducing inheritance taxes.
- **Will** - The primary purposes of having a will are to provide for the distribution of your property after death and to designate a personal representative to see that your wishes are carried out. A will may also be used to appoint a guardian for minor children. There are three types of wills and each is equally valid. Choosing which will to use depends on the size of your estate and your wishes concerning the distribution of your property.
    - A handwritten will must be dated and signed at the end of the document.
    - A formal will can be typewritten. It must be signed and witnessed by at least two people. (Keep in mind that a beneficiary under the will should never be a witness to its signing.)
    - A statutory will is a form. It is relatively simple to use but allows limited choice. The form is available in the Planning for Your Peace of Mind publication that is available on the Michigan Legislative website at http://www.legislature.mi.gov/Publications/PeaceofMind.pdf.

Advance Care Planning

In advance care planning, advance directives are established which specify your health care desires. Talk with your doctor, family, close friends and other trustworthy advisors about your health care wishes, questions and concerns. After learning your options and discussing your wishes, prepare an Advance Care Directive.

Advance Care Directives are specific instructions made in advance that are intended to direct your medical care when you are unable to do so. They state your wishes about medical, surgical, and/or behavioral health care when you are not able to speak for yourself.

- **Durable Power of Attorney for Health Care** – This is a document that allows you to give another person, called the Patient Advocate, the power to make medical treatment and related health care decisions for you. It is a legal document, and must be signed and dated by you and witnessed by two adults. It must contain certain things in it to be valid. You may want to use a form approved by the State Bar of Michigan, the Michigan State Medical Society, or a hospital or health care provider. Keep a personal copy in a safe and accessible place while letting key people know of your intentions.

- **Living Will** – You have probably heard of a Living Will. It is a written statement that you share with your doctors and family members telling them the type of care you want if you become terminally ill or permanently unconscious and if you are unable to make decisions about your continued care. However, Living wills are not recognized in Michigan law. Other documents such as "The Five Wishes" have recently been created to include an emphasis on desired treatments rather than just exclusion of life-prolonging interventions. Learn more about advance directives in the "Five Wishes" model at www.agingwithdignity.org/five-wishes. You may wish to consult an attorney for further information regarding living wills.

Another advance directive option is a Do-Not-Resuscitate (DNR) Declaration. A DNR is a written document in which you express your wish that if your breathing and heartbeat stop, you don't want anyone to attempt to resuscitate you. Michigan law provides that these documents are valid in hospitals, nursing homes, and other settings.

Funeral Planning

Finances surrounding funeral and final arrangements can be a source of great concern and that's why an increasing number of people are planning their own funerals, designating their funeral preferences, and sometimes paying for them in advance. Prearranging a funeral and burial allows you to compare prices and make your own choices. If you choose to preplan and prepay for your funeral, be sure your family is informed of your plans and let them know where the documents are kept. (For more information on prepaid funeral contracts, see "Prepaid Funeral Contracts" in the Financial Products section of the Toolkit.)

Funeral directors are required to give you itemized prices in person and, if you ask, over the phone. You have the right to purchase only those specific goods and services you want, unless state or local law requires the purchase of a specific item. The funeral home must give you an itemized statement that includes the total cost of the goods and services you have selected. If you are legally required to buy a particular item, the funeral provider must disclose it on the price list, with reference to the specific law. Once you see this total, you can change your mind about items if the total cost is more than you wish to pay.

For additional information and resources on End-of-Life Planning, you can contact:

- Michigan Office of Services to the Aging (OSA) – visit www.michigan.gov/osa or call 517-373-8230

- Michigan Department of Health and Human Services (MDHHS) – www.michigan.gov/mdhhs or call 517-373-3740

- The Michigan Association of Certified Public Accountants (MICPA) – www.micpa.org/resources/financial-literacy or call 248-267-3747

- Hospice and Palliative Care Association of Michigan – visit www.mihospice.org or call 517-803-2500

- "Caring Connections" (National Hospice and Palliative Care) – visit www.caringinfo.org or call 800-658-8898

Reinventing Retirement

Preparing and Living Through Retirement

- Pre and Post-Retirement Checklist
- Converting Wealth to Income
- Matching Your Investments to Your Money-Related Goals

Financial Crisis Management

- Handling a Credit Crisis
- Preparing for Financial Crisis in Retirement
- Minimizing the Financial Impact of Losing a Spouse
- Action Steps to Take When a Loved One Dies
- Home Loan Modification
- Home Foreclosure
- Bankruptcy

Preparing and Living Through Retirement

Pre- and Post-Retirement Checklist

Whether you're retiring in 10 years or you've been retired for 10 years, getting organized, planning ahead, and being in control of your money-related matters, goes a long way toward making your retirement experience rich and rewarding. This section includes checklists for individuals who are planning to retire and for those who are currently retired.

Pre-Retirement Checklist

- ☐ Identify or plan your retirement date.
- ☐ Reduce your debt. Excessive debt will have a negative impact on your net retirement income.
- ☐ Estimate your Social Security benefits and other sources of guaranteed income, such as Social Security and pension.
- ☐ Identify your essential monthly expenses during retirement; (mortgage or rent payment, car loans or lease payments, property and car insurance, utilities, health insurance, etc.).
- ☐ Develop a budget for discretionary spending that takes into account your estimated essential monthly expenses and estimated total monthly income from all sources.
- ☐ Evaluate how your retirement money is allocated and calculate its growth and income potential during retirement. Be careful and conservative with your assumptions.
- ☐ Utilize 'catch up' provisions on IRA and 401k contributions if a gap exists between your estimated retirement income and your estimated overall expenses during retirement.
- ☐ Evaluate your 401(k) roll-over options. Take into consideration your other pools of retirement money, such as your spouse's 401(k) and your IRA accounts. The option you choose should complement your other retirement pools of money.
- ☐ Evaluate healthcare benefits and provider options.
- ☐ Consider long-term care and disability insurance.

Post-Retirement Checklist

- ☐ Develop a budget with an emphasis on managing your debt. Identify your essential expenses, (mortgage or rent payment, car loans or lease payments, property and car insurance, utilities, health insurance, etc.). Excessive debt will have a negative impact on your net retirement income.
- ☐ Evaluate and control your discretionary spending. Discretionary spending is too often rationalized as necessary, "must-have" or "must-do" spending. Over-spending on discretionary items increases your risk of running out of money.
- ☐ Manage risk or volatility in your investment accounts, especially downside volatility.
- ☐ Know what you own in your investment account and why you own it.
- ☐ Know how your investment portfolio has performed. Measure its performance at least semi-annually. Compare its performance against an appropriate benchmark (index) or blend of benchmarks.
- ☐ Know the percentage amount you are withdrawing on an annualized basis from your investments. Evaluate the "safeness" and sustainability of your withdrawal rate.
- ☐ Know what factors may adversely affect your withdrawal rate and develop a plan to adjust the amount or source of your withdrawal.

Plan and act on what you know - and what you can control. Be careful with assumptions about the future. Your assumptions may mislead you into being either overly-optimistic or overly-pessimistic about your future which can lead to decisions that could negatively affect the quality of your life during retirement.

What we know (Be careful not to confuse assumptions with what you actually know):

- Our retirement date
- What we can expect from guaranteed income sources, (Social Security and pension benefits)

What we don't know:

- Future expenses including our healthcare costs
- Future returns for stocks and bonds
- Inflation and tax rates
- Our date of death

What we can control:

- Our debt
- Discretionary spending
- Oversight and management of our retirement money

Converting Wealth to Income

Perhaps our single surpassing investment challenge is to accumulate and maintain sufficient assets to sustain us during the years when we are either no longer working or when our earned income is substantially lower.

There are numerous strategies and thousands of investment combinations that can be used to accumulate wealth. But when the accumulation phase ends and you need to begin converting your accumulated wealth to income, the number of generally-accepted strategies narrows. Before deciding on your retirement income strategy, you need to answer these four questions:

1. How much do I anticipate needing?
2. Starting when?
3. For how long? (It may be longer than you think!)
4. What are my sources of income? For example: Social Security, IRAs, company retirement plan distribution, pension, etc.

Finding answers to questions 2 and 4 is relatively easy. Arriving at accurate answers for questions 1 and 3 is trickier. Several factors make these two questions especially difficult:

- **Longevity:** We tend to underestimate how long we will need retirement income.
- **Rising costs:** Inflation in the costs for goods, services and health care.
- **Market risk:** An investment strategy that is too conservative may not provide sufficient long-term growth to sustain the purchasing power of your income during retirement. An investment strategy that is too aggressive may increase the potential for extreme and unrecoverable losses.
- **Excess withdrawals:** Spending too much too early in your retirement increases the possibility that you will deplete your assets too early.

After considering the questions and factors outlined above, you need to determine your investment strategy or priority. While there is no guarantee that any investment strategy will achieve its objective, generate profits or avoid losses, the following example strategies represent good starting points toward arriving at a retirement strategy that makes sense to you.

Diversified Fixed-Income Portfolio

General attributes:

- Reliable fixed-income stream
- Ideal for risk aversion
- Potential loss of purchasing power due to inflation
- Probability of early depletion of assets
- Example investments include:
  - Certificate of Deposits (CDs)
  - Treasuries
  - Individual bonds
  - Bond mutual funds
  - Fixed-rate tax-deferred annuities
  - Single premium immediate annuities

Single Premium Immediate Annuities

General attributes:

- Provides a lifetime income stream
- Reliability of income is dependent on financial strength of the insurance company
- Control of the assets transferred to the insurance company
- Best used to cover essential expenses only
- Potential loss of purchasing power due to inflation

Separate Income and Growth "Buckets" Portfolio

General structure and attributes:

- Potential for asset growth
- Less affected by short-term market fluctuations
- Possibility of early depletion of assets

Separate "income buckets;" for example, 2-year, 5-year, 10-year buckets depleted over specified time periods. Example investment categories include:

- Money Market/Savings
- Certificate of Deposits (CDs)
- Individual bonds

Separate "growth buckets;" for example, 10-year, 15-year, 20-year buckets, etc. to replace depleted income buckets. Example investment categories include:

- Individual stocks
- Actively-managed stock mutual funds
- Exchange-traded funds (ETFs) and broad-market index funds

"Total Return" Portfolio with Systematic Withdrawals

General attributes:

- Portfolio composed of a broadly-diversified combination of investment categories
- Regular, pro rata withdrawals
- Requires periodic rebalancing of the portfolio to its strategic allocation target percentages
- Potential for asset growth, but…
- Potential for rapid depletion of assets from selling equities at depressed prices in a down market
- Possibility of early depletion of assets
- Limit withdrawal rate to 4% or less

Matching Your Investments to Your Money-Related Goals

Based upon the investment time horizon of your goal, certain types of investments may generally be considered more appropriate than others. For example, if you have short-term, "must have money available" goals, then you might consider owning investments that are less likely to lose you the money you'll need soon. If you have long-term goals that require growth in the value of your money, you might consider owning investments that are more likely to make you money you'll need later. Long-term investments that offer growth potential may not be appropriate for short-term timeframes because their potential for extreme volatility over the short-term may result in a loss of principal, if sold. Conversely, short-term investments that preserve the value of your money may not be appropriate for long-term timeframes where "growth" is the investment objective.

Short-term goals: Less than 3 years

Short-term investment examples:

Cash equivalents

- U.S. Treasury Bills
- Bank or credit union savings accounts
- Stable value funds and money market funds
- CDs maturing less than 3 years

Bonds

- Short-term individual bonds maturing less than 3 years
- Target date maturity exchange-traded funds (ETFs)
- Short-term bond mutual funds and ETFs with average effective maturities less than 3 years[1, 2]

Intermediate-term goals: Between 3 years and 10 years

For intermediate-term timeframes, it may be appropriate to allocate a portion of your funds to stocks and other growth assets depending upon your investment objective and your willingness to assume the potential risk of a multiple-year period of negative stock returns. Historically, the potential risk of a negative return on stocks for a full holding period is greater for holding periods between 1 year and 5 years than it is for holding periods between 6 years and 10 years.

Intermediate-term investment examples:

Cash equivalents

- U.S. Treasury Bills
- Bank or credit union savings accounts
- Stable value funds and money market funds

Bonds (and other 'fixed-income' investments)

- CDs with maturity dates between 3 and 10 years
- Individual bonds with maturity dates between 3 and 10 years
- Target date maturity bond ETFs
- Intermediate-term bond mutual funds and ETFs with average effective maturities between 3 and 10 years[1, 2]

Stocks (and other 'growth' investments)

- Individual common stocks
- Stock mutual funds, closed-end stock funds (CEF), stock unit investment trusts (UIT), stock ETFs and 'Target Date' funds
- Real estate funds, hard asset (precious metals) funds, natural resources funds

Long-term goals: More than 10 years

Long-term investment examples:

Bonds

- Target date maturity bond ETFs
- Long-term individual bonds
- Long-term bond mutual funds and ETFs with average effective maturities more than 10 years [1, 2]

Stocks (and other 'growth' investments)

- Individual common stocks
- Stock mutual funds, closed-end stock funds (CEF), stock unit investment trust (UIT), stock ETFs and 'Target Date' Funds
- Real estate funds, hard asset funds, natural resources funds

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[1] Average effective maturity is a weighted average of all the maturities of the bonds in a mutual fund or exchange traded fund. It is calculated by weighting each bond's effective maturity by the market value of the security. Information on the average effective maturity of a bond mutual fund or ETF is available through your employer-sponsored retirement plan provider (for investments offered within the plan), mutual fund fact sheets, mutual fund company websites and mutual fund/ETF rating and ranking services.

[2] Prices of bond mutual funds and ETFs fluctuate in value in response to movement in interest rates and bond credit ratings. Unlike individual bonds, bond mutual funds and ETFs do not have a maturity date. They maintain an average maturity in accordance with their investment objective. For example, a short-term bond fund may maintain a constant average effective maturity of 2.5 years in perpetuity. Consequently, the value of your bond fund and/or ETF may be worth less than your original investment upon liquidation.

Financial Crisis Management

Handling a Credit Crisis

Sometimes a credit crisis is unavoidable, perhaps due to a lost job or significant health care expenses. In those situations, communication with creditors is critical. In nearly all cases, talking with creditors earlier rather than later will yield you more favorable results. It is much easier to work things out with a financial institution before it turns your account over to a collection agency. If you find yourself in this situation you may want to contact a National Council on Aging Economic Security Center in your community for the name of a reputable debt counselor. Benefit programs are constantly changing; therefore, you may want to check in your community for organizations that address older adult concerns.

Dealing with a Credit Emergency

- Ask your creditors for more favorable lending terms, such as lower finance charges and a lower minimum monthly payment. While this will lengthen the time to pay down the debt and may result in paying more finance charges over the long run, it could prevent your utilities (for example) from being cut off in the short term.
- If a debt situation becomes intolerable, contact the National Foundation for Credit Counseling (www.nfcc.org). This organization will help you take control of your spending and work out an affordable repayment plan.
- Protect your financial assets while you're in a credit crisis. Avoid services that claim they can "eliminate" debt or "fix" a credit score. You will typically pay a lot of money for these services and could end up in a situation that is no better, or possibly even worse.

Avoid Credit Traps

Wise use of debt in retirement also means avoiding credit traps. Repeated rolling of a debt from one credit card to another, for instance, can lower your credit score. Unless a credit card interest rate reduction is significant, such as a drop of 4 or 5 percent or more, moving a debt around is only delaying the inevitable. Rather than moving a debt around, pay down the debt as aggressively as possible. Or consolidate many higher-rate debts into one at a lower rate, if possible. No matter how bad your credit crisis may seem, be careful of quick fixes, such as the following:

- Pawnshops
- Check-cashing stores
- Cash-advance firms
- Payday lenders
- Rent-to-own companies
- Auto title loan companies

In nearly all cases, the costs of using one of these so-called "loan shops" will far outweigh any benefits you might gain.

Preparing for Financial Crisis in Retirement

Crises during retirement can come in many forms: divorce, catastrophic medical expenses, natural disaster, disability, care for an elderly family member, or loss of an income source. Experiencing these financial setbacks in retirement can be especially overwhelming. Thoughtful planning for a potential crisis now can make the recovery period faster and less painful later.

Make sure you have enough saved to pay for unexpected events. If you have a retirement plan at work, such as a 401(k) or 403(b), and your employer makes matching contributions, be sure to save the most you can to earn 100 percent of the matching contributions. If you do not have an employer-sponsored retirement plan, consider contributing to an Individual Retirement Account (IRA). Making risky investments in hopes of big returns is tempting, but a safer way is simply to save more.

Reduce your debt sooner rather than later. Pay down your mortgage and any consumer debt as quickly as possible. You will have more cash to deal with a crisis in the future if you are out of debt.

Keep a reasonable percentage of stocks in your retirement portfolio. If you are nearing retirement, keep track of the overall amount you have invested in equities (stocks), such as mutual funds or exchange-traded funds. If you have too little in stocks — by investing too conservatively — you risk running out of money in your later years. If you have too much in stocks, you could be forced into selling when market conditions are bad.

Overcoming a Financial Crisis in Retirement

If you already are settled into your retirement and have been dealt a significant financial hardship, don't despair. Start by making some immediate cutbacks and rebuild from there.

Cut back on expenses. Small changes now quickly can add up over time:

- Rent movies or borrow them from the library instead of seeing them at the movie theater.
- Take the weekend newspaper subscription instead of the daily version, or cancel altogether and read online.
- Change your cellphone package to a less expensive version that still works for you, and drop your landline if you can do without it.
- Pack your lunch.
- Make coffee at home.
- Unplug unused electronic devices.

Make drastic changes. Depending on your situation, you may have to make larger cutbacks as well:

- Refinance your mortgage to a lower interest rate.
- Sell a car and use public transportation; or sell a higher-value car and buy an inexpensive replacement.
- Suspend your retirement saving contributions for a period of time.
- Switch from more expensive whole-life insurance to less expensive term-life insurance.

Let your child pick up more of his or her college expenses. Have your child rely more on student loans and/or his or her own earnings than on your support for help with college expenses. You always can help your child pay down his or her loans after he or she is out of school if your financial situation has improved. Even if your child has to take out more loans, remember that he or she has a lifetime to pay down the loans while you have less time to save and prepare for retirement.

Downsize your home or rent a place to live. If local real estate conditions allow, consider selling your home and purchasing a less expensive replacement to reduce your debt and overall housing expenses. If you cannot afford to buy a replacement home, don't overlook the idea of renting a less expensive home and saving the difference.

Minimizing the Financial Impact of Losing a Spouse

Losing a spouse is always painful and difficult. This can also be a devastating time financially for retirees. How do you plan for such a loss, and what do you do if you are in the midst of dealing with this crisis right now? The following is a list of things you may want to do to help you prepare for the financial impact losing a spouse can cause.

- Get organized
  Organize and centralize all of your financial records so they are accessible to both of you. Discuss your preferences for sharing information about online accounts, keeping security considerations in mind.

- Share information
  Make sure both of you are fully informed about all of your retirement resources, such as Social Security benefits, IRAs, pensions, and any employer retirement benefits. Make sure both of you understand your basic estate planning documents, including your wills, powers of attorney for health care, and living will.

- Budget for one income
  In addition to planning for retirement with income and benefits from both spouses, consider what will happen if one spouse dies soon after retirement. Plan a budget based on one income to be prepared.

- Consider working longer
  Delaying Social Security benefits for whomever makes the higher income can be a good strategy for increasing retirement income. If the higher-earning spouse passes away, the surviving spouse can claim those benefits as if they were his or her own.

- Review insurance policies
  It's important for you to make careful decisions about insurance to minimize the impact of your spouse's death. For many couples, a joint-life annuity payment option will work better than a single-life option. The monthly benefit amount for the joint-life option will be lower, but it will be guaranteed to pay until the surviving spouse passes away. In addition, given the high cost of nursing care, it often is wise to purchase a long-term care insurance policy. An alternative to long-term care insurance may be to purchase life insurance and have the survivor earmark a portion of those benefits for long-term care and medical expenses.

For steps to take after a spouse passes away see *Action Steps to Take When a Loved One Dies* in the next section of this Toolkit.

Action Steps to Take When a Loved One Dies

Coping with the loss of a loved one is difficult. To make important decisions during this time easier, consider following the task list provided below. The timeframes are only guidelines to help you set some priorities when the required number of tasks may be overwhelming. Because each situation is unique, it is recommended you consult with a professional (CPA and/or attorney) for specific assistance in processing an estate.

Immediately After Death

- ☐ Notify close family members and friends.
- ☐ Make arrangements to care for minors and pets.
- ☐ Make appointments to arrange the funeral, burial or cremation, and memorial service – at these meetings, you'll also want to discuss your loved one's prearrangements and last requests.
- ☐ Place an obituary in the local newspaper – the funeral director can help with this.
- ☐ Notify your loved one's employer(s) (if applicable) – notify the personnel department of your loved one's current employer(s) to collect any salary, vacation or sick pay owed.
- ☐ Contact your own employer and arrange for bereavement leave (if applicable).
- ☐ Contact the schools of your loved one's children (if applicable).

Two Weeks and After

- ☐ Obtain certified copies of the death certificate – you may want to obtain several certified copies of the death certificate through the local office of vital statistics because some agencies or companies will only accept a certified copy. You will need a certified copy of the death certificate to receive distribution from life insurance policies, to retitle or transfer investment accounts, and to transfer personal property and real estate.
- ☐ Locate the Will or letter of instruction, if any.
- ☐ Contact your loved one's financial advisor – the advisor can help determine what investments your loved one owned and help assess the valuation on date of death. They can also help with retitling assets to a beneficiary or an heir.
- ☐ Locate important legal documents such as a marriage certificate, children's birth or adoption certificates, and military discharge papers may be needed to retitle your loved one's assets or to apply for benefits for a surviving spouse or children. Duplicate copies of marriage and birth certificates are available at the county office responsible for vital statistics where the marriage and births occurred. To receive a duplicate copy of a military discharge, contact the National Personnel Records Center.
- ☐ Contact your loved one's estate-planning attorney – the attorney can coordinate the probate process and may have copies of any Will or Trust documents.
- ☐ Report the death to the Social Security Administration – if your loved one received benefits, to find out whether any payments must be returned. Additionally, a surviving spouse may be eligible for a lump-sum death benefit and/or survivor's benefit. For instructions or additional information, contact your local Social Security Administration office, visit www.ssa.gov or call 800-772-1213.
- ☐ Notify the credit reporting agencies. To reduce the risk of identity theft, contact the three national credit reporting agencies (Experian, Equifax and TransUnion) and request that a "deceased – do not issue credit" flag be placed on the credit file.

- ☐ Locate insurance policies – contact all insurance companies to file claims. Consider filing for life insurance benefits immediately (Consult your estate-planning attorney or tax professional if you expect the estate may be subject to federal or state estate taxes.) If your loved one owned an annuity, your and your loved one's financial advisor should carefully review the annuity contract to help ensure that any amounts payable to the decedent, or his or her estate, are collected. If an heir is entitled to continued payments from the annuity, contact the provider to transfer payments to that heir.
- ☐ Notify credit card companies – cancel all cards unless you are named on the account and wish to retain the card.
- ☐ Contact past employers regarding pension plans, and contact Individual Retirement Account (IRA) custodians or trustees – your loved one's financial advisor, estate planning attorney and qualified tax professional can help transfer ownership of retirement account assets to designated beneficiaries.
- ☐ Notify your loved one's financial institution(s) to retitle or distribute the account(s).
- ☐ Retitle jointly held assets, such as bank accounts, vehicles, stocks, bonds, and real estate.
- ☐ Notify utility companies.
- ☐ If necessary, cancel or redirect newspapers, subscriptions and other home deliveries.

Consult a qualified tax professional regarding whether filing any income, estate or inheritance tax returns is required. In addition, remember to take your time on making any big financial decisions, such as selling a house or investing a life insurance benefit.

Home Loan Modification

If you are behind on your mortgage payments it is important to keep an open line of communication with your mortgage company. Talk to them. Explain your situation. Work with representatives to find a solution that will make it possible for you to keep your house and protect your credit rating.

Mortgage companies must make good faith efforts to establish live contact with delinquent borrowers. Once live contact has been established, the mortgage company must inform the borrower in writing of any loss mitigation options available, and assign a contact who can respond to the borrower's inquiries and provide assistance with the available loss mitigation options.

There are a variety of programs available to help borrowers resolve their delinquency and keep them in their home. For further information, please see the table below, or contact a HUD approved Homeownership Counseling Agency. To locate a HUD approved counseling agency in your area, contact the Michigan State Housing Development Authority (MSHDA) at www.michigan.gov/mshda or call 517-373-8370.

OPTION	OVERVIEW	BENEFIT
Refinance	Receive a new loan with lower interest rate or other favorable terms.	Makes your payment or terms more affordable.
Reinstatement	Pay the total amount you owe in a lump sum payment by a specific date. This may follow a forbearance plan as described below.	Allows you to avoid foreclosure by bringing your mortgage current if you can show you have funds that will become available at a specific date in the future.
Repayment Plan	Pay back your past-due payments together with your regular payments over an extended period of time.	Allows you time to catch up on late payments without having to come up with a lump sum.
Forbearance Plan	Make reduced mortgage payments or no mortgage payments for a specific period of time.	Have time to improve your financial situation and get back on your feet.
Modification	Receive modified terms of your mortgage to make it more affordable or manageable after successfully making the reduced payment during a "trial period" (i.e., completing a three [or four] month trial period plan).	Permanently modifies your mortgage so that your payments or terms are more manageable as a permanent solution to a long-term or permanent hardship.
Short Sale	Sell your home and pay off a portion of your mortgage balance when you owe more on the home than it is worth.	Allows you to transition out of your home without going through foreclosure. In some cases relocation assistance may be available.
Deed-in-Lieu of Foreclosure	Transfer the ownership of your property to the lender.	Allows you to transition out of your home without going through foreclosure. In some cases relocation assistance may be available. This is useful when there are no other liens on your property.

Homeowners who have had a financial hardship and are at risk of default or foreclosure may also qualify for the U.S. Department of Treasury's Hardest Hit Funds program. The Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) acting through MSHDA was created to oversee the distribution of these funds, and has designed forgivable loan programs to help homeowners with:

- Mortgage payment assistance for homeowners currently receiving Michigan unemployment compensation.
- Rescue funds for homeowners who have fallen behind in their mortgage payments or past due property tax payments due to no fault of their own.
- Federal matching funds for principal reductions for homeowners who can no longer afford their mortgage payments as a result of reduced income.

Michigan homeowners can apply directly at www.stepforwardmichigan.org or by calling 866-946-7432.

Home Foreclosure

The previous section of the Toolkit, *Home Loan Modification and Other Loss Mitigation Options* offers you many alternatives to avoid the foreclosure process. If you find that none of these alternatives are available to you, you may be facing foreclosure. Below is some information on how the Michigan foreclosure process works.

There are two ways lenders in Michigan can foreclose:

- Judicial Foreclosure where the lender must take the borrower to court (this type of foreclosure is not common), and
- Foreclosure by Advertisement where the lender may foreclose by scheduling a Sheriff's sale and advertising the sale in a local paper.

Under Michigan's Foreclosure by Advertisement Law, a company must publish a Notice of Sale once a week for four weeks, in a newspaper of general circulation in the county where the property is located. The notice must also be posted on the property at least 15 days after the first Notice of Sale is posted.

Mortgage companies cannot make the first notice or filing in the foreclosure process unless one of the following is met:

- The loan is more than 120 days past due;
- The borrower has violated a due-on-sale clause; or,
- The foreclosure action of a second mortgage is being joined.

A foreclosure sale must be made at a public auction to the highest bidder. The trustee or the sheriff of the court of the county in which the property is located may conduct the sale between the hours of 9:00 am and 4:00 pm on the date specified in the Notice of Sale.

Michigan's Foreclosure Law includes a six-month redemption period (12 months for agricultural property that is larger than three acres) for homeowners whose homes have sold at a foreclosure sale. This period is meant to provide a reasonable amount of time for homeowners to redeem the home, refinance it, sell it on a short sale or find a new place to live. If a homeowner abandons the property before the six months is up, the lender can shorten the redemption period to 30 days.

Furthermore, the purchaser at the foreclosure sale has the right to inspect the exterior and interior of the homeowner's property and all ancillary structures after the sale and periodically throughout the redemption period. If an inspection by the purchaser is unreasonably refused by the homeowner or if damage to the property is imminent or has occurred, the purchaser can immediately begin eviction proceedings to seek possession of the property and eliminate the homeowner's redemption period. However, the court will not enter a judgment for possession and extinguishment of the homeowner's right to redemption if, before the hearing for possession, the homeowner repairs any damage to the property.

A timeline of the foreclosure process, "Stages of Foreclosure," is available at the Michigan State Housing Development Authority's (MSHDA) website at www.michigan.gov/mshda. If you are facing foreclosure and need assistance, contact the Department of Insurance and Financial Services at 877-999-6442, Michigan State Housing Development Authority at 866-946-7432, or seek legal advice.

Bankruptcy

If you are like most people, when you borrow money, you have every intention of paying it back. When something unexpected happens, such as a serious illness or loss of job, you may find yourself unable to keep up with your payments. Bankruptcy may be an option available to help you eliminate your debt.

While declaring bankruptcy might seem like the perfect solution, bankruptcy ruins credit, makes it difficult to keep bank accounts and credit cards, can cause the loss of valuable possessions and makes it difficult to get on with the necessities of life, such as buying or renting a home or car, getting insurance or finding a job. In fact, most financial advisors look at bankruptcy as a last resort — one that should only be carried out with the counsel of an experienced bankruptcy attorney — and only when budgeting, credit counseling or other efforts have failed.

If you plan to file for bankruptcy protection, you are required to take a credit counseling class from a government-approved organization within 180 days before you file. You also have to complete a debtor education course before your debts can be discharged. For more information on these courses and to verify if the course is government-approved, please visit the United States Courts website at http://www.uscourts.gov/services-forms/bankruptcy/credit-counseling-and-debtor-education-courses.

Generally, bankruptcies can be divided into two types: liquidation (Chapter 7) and reorganization (Chapter 13). These types are explained below.

Chapter 7 Bankruptcy

Chapter 7 bankruptcy comes under the liquidation category. It's called liquidation because the bankruptcy trustee may take and sell ("liquidate") some of your property to pay back some of your debt. However, you may keep property that is protected (also called "exempt") under state law. Not everyone can file for Chapter 7 bankruptcy. For example, if your disposable income is sufficient to fund a Chapter 13 repayment plan, after subtracting certain allowed expenses and monthly payments for certain debts, you won't be allowed to use Chapter 7 bankruptcy. However, if you do file Chapter 7 it typically lasts three to six months.

In Chapter 7 bankruptcy, some of your property may be sold to pay down your debt. In return, most or all of your unsecured debts (that is, debts for which collateral has not been pledged) will be erased. You get to keep any property that is classified as exempt under the state or federal laws available to you (such as your clothes, car, and household furnishings). Many debtors who file for Chapter 7 bankruptcy are pleased to learn that they can keep some of their personal property.

If you owe money on a secured debt (for example, a car loan for which the car is pledged as a guarantee of payment) you have a choice of allowing the creditor to repossess the property, continuing your payments on the property under the contract (if the lender agrees), or paying the creditor a lump sum amount equal to the current replacement value of the property. Some types of secured debts can be eliminated in Chapter 7 bankruptcy.

Chapter 13 Bankruptcy

There are several types of reorganization bankruptcies, but Chapter 13 is the most common type for consumers. In Chapter 13 bankruptcy you keep all of your property, but must make monthly payments over three to five years to repay all or some of your debt.

In Chapter 13 bankruptcy you must have a reliable source of income that you can use to repay some portion of your debt in order to file for Chapter 13. When you file for Chapter 13 bankruptcy, you must propose a repayment plan that details how you are going to pay back your debts over the next three to five years. The minimum amount you'll have to repay depends on how much you earn, how much you owe, and how much your unsecured creditors would have received if you'd filed for Chapter 7 bankruptcy. Your debts must be within limits set by the federal government. If you have secured debts, Chapter 13 gives you an option to make up missed payments to avoid repossession or foreclosure. You can include these past due amounts in your repayment plan and make them up over time.

Both Chapter 7 and Chapter 13 bankruptcy have many rules, and exceptions to those rules, regarding which debts are covered, who can file, and what property you can and cannot keep. Though bankruptcy can eliminate many kinds of debts, such as credit card debt, medical bills, and unsecured loans, there are many types of debts, including child support and spousal support obligations and most tax debts, that cannot be wiped out in bankruptcy. You may want to consult with an attorney if you have questions regarding the types of bankruptcy and whether it is a good option for you.

Financial Protection

Recognizing Scams

- National and Local Scams
- Identity Theft
- Consumer Tips on Identity Theft Prevention

Investment Scams and Fraud

- Common Investment Threats
- How to Spot a Con Artist

Recognizing Scams

National and Local Scams

Scam artists in the United States and around the world defraud millions of people each year. They use many different ways to trick you into sending money or giving out personal information. Below are several common scams for you to be aware of so you can protect yourself from these unscrupulous scam artists.

Telephone Sales Scams

Telemarketers will call you using high-pressure tactics to solicit money for fraudulent investments, insurance policies, travel packages, charities, and sweepstakes. Fraudulent telemarketing operations are designed to limit the benefit to the customer while maximizing the profit for the telemarketer.

Tips to avoid telephone scams:

- Hang up the phone! You do not need to speak to the caller.
- Don't give out confidential information about yourself (i.e. Social Security Number) to unsolicited callers.
- Never give out your credit card number over the phone to unsolicited callers.
- Avoid phishing scams. Phishing scams occur when a scam artist pretends to be a reputable organization and requests your personal information via telephone or email. If you are unfamiliar with the company, you should check with the Better Business Bureau to make sure there are no complaints and that you are dealing with a legitimate company.
- Sign up for the Do Not Call Registry at www.donotcall.gov. The National Do Not Call Registry gives you a choice about whether to receive telemarketing calls at home. Most telemarketers should not call your number once it has been on the registry for 31 days. If they do, you can file a complaint at this website.
- Do not give out personal information over the phone or by email unless you are sure who you are talking to and that the company is legitimate.
- If they contacted you (unsolicited), then contact them back at a number or email address that you know to be accurate.

The Federal Trade Commission's (FTC) Federal Telemarketing Sales Rule puts consumers in charge of the number of telemarketing calls they get at home. It established the Do Not Call Registry and assists consumers in reducing the number of unwanted telemarketing sales calls. The FTC established several rules including the following:

- Phone solicitations are prohibited between 9:00pm – 8:00am
- Telemarketers must tell you up front that they are selling something—and which company is doing the selling.
- All mentions of promotions, prizes or contests must be accompanied by the statement: "no purchase is necessary to enter or win."
- Telemarketers who are selling a credit service, such as a credit card or credit repair service, cannot ask for advance payment.
- Telemarketers may not use abusive or obscene language, threats or intimidation.
- Goods or services cannot be misrepresented or exaggerated.

- It is illegal for a telemarketer to withdraw a payment from your checking account without your written or recorded oral permission.

If you are a victim of a telephone scam, you should report it to the Federal Trade Commission at 877-382-4357.

Imposter Scams

This type of scam occurs when you are contacted by someone posing as a government employee or governmental agency to obtain your personal information. For example, after the Affordable Care Act was implemented, scam artists made claims of sending out "Obamacare Cards" and stated they needed to obtain individual's personal information, i.e. Social Security Number and bank account numbers pursuant to the requirements of this new law. This is incorrect, and it is a scam for your personal information to be wrongfully obtained.

Tips to avoid imposter scams:

- Remember, there are no Obamacare cards, nor are there new Medicare cards, as a result of the New Health Care Law.
- Never provide unsolicited callers with any personal data or account numbers.
- Government agencies and legitimate organizations with which you do business already have your personal information on file.
- Unless you initiate the call, you will never be asked to provide or verify that data.
- If you get a call from someone who claims to be from the government and who asks for your personal information, hang up. It's more than likely a scam!

Grandparents Scam

The claim: Your grandchild is calling from another state or a foreign country and has been arrested, hospitalized or subjected to some other hardship.

The catch: It's NOT your grandchild calling.

This is a widespread national scheme that targets older Americans and occurs year-round. Since the caller doesn't know your grandchild's name, the caller will greet you by saying: "Hi, it's your favorite grandson!" so that you can fill in the blanks. Then the caller claims some hardship and urgently requests that money be wired to Canada, Mexico or elsewhere for bailout from the alleged crisis.

Don't take the bait like thousands of loving grandparents have. If you're not sure, ask for the family safe word (a code word shared by family members for use in emergency situations), or call your grandchild's home or cell number to ask if there's a problem. If the caller claims to be a lawyer, police officer or doctor helping a grandchild in need, a five-minute online search can yield the phone number of the reported law firm, police station or hospital for any call back on your part.

Prize and Sweepstakes Scams

Fraudulent sweepstakes promoters target the elderly. These frauds generally involve informing the victim that he or she could win, or has already won, a "valuable" prize or a lot of money. The victim is required to send in money to cover taxes, shipping, or processing fees. In most cases, the prize may never be delivered or, if so, it is usually costume jewelry or cheap electronic equipment worth less than the money paid to retrieve it.

Three important tips on avoiding prize and sweepstakes scams:

1. Never send money to pay taxes, shipping or processing fees to collect your FREE prize. If you won a prize, it's free!
2. Throw away prize and sweepstakes entries received in the mail, or delete if received electronically.
3. Also, if you received a notice that you won a prize but don't recall entering the contest, stop all communications. That is a SCAM! Remember, you must first enter the contest in order to win.

Report all violations to the Federal Trade Commission (FTC) at 877-382-4357.

Travel Scams

You can spot a fraudulent travel offer by its rock-bottom prices and high-pressure sales tactics. Fraudulent travel offers come by mail, phone, fax, and email. Some advertise cheap trips but pad the deal with hefty fees.

You might be offered a three-star hotel but find yourself checking into a dump. A lot of travel freebies come with obligation to sit through high-pressure time-share pitches. Some promoters are crooks who take your money and run. And very few of the trips are refundable. Before buying travel packages, get the offer in writing and check out the company with the Better Business Bureau or the Michigan's Attorney General's office.

Tips to avoid fraudulent travel scams:

- Always use a credit card to purchase travel—that way if something goes wrong, you can dispute the charge with your credit card company.
- Never give your credit card number to someone who calls you on the phone, i.e. unsolicited callers.

Report fraudulent travel to the Attorney General's Consumer Protection Division at 877-765-8388.

Lottery Scams

Michigan residents should be aware of lottery scams. These types of scams are often mail scams which falsely state the recipient has won a prize in the lottery. In some cases, the victim receives a letter which includes the name and logo of a legitimate game. The letter may even include a bogus check.

Surprisingly, illegal lotteries operate from locations all over the world and notify "winners" via the mail, telephone or Internet. Sometimes these scams are about lotteries in the U.S., but they can be as far away as Australia and Europe. These lottery scams violate U.S. law which prohibits the cross-border sale or purchase of lottery tickets by phone or mail.

Most promotions for foreign lotteries are likely to be phony. If you have received any correspondence touting lottery winnings, regardless of where it is from, please remember the following:

- Never give your credit card or bank account numbers to anyone promising lottery cash prizes or memberships.
- Never respond to a letter, email or phone call from someone who offers you a guarantee of winning a prize.

- If you are going to participate in a "lottery pool", use caution and do so only with people you know and trust.
- Never redeem a lottery ticket for someone you don't know.

There are several ways to identify lottery scams:

- A person cannot win a lottery without having purchased or received a lottery ticket.
- A lottery never asks you to send a processing fee to claim a prize, nor is there ever any "activation" process to claim a prize.
- Scam notifications often include a fictitious company and the names and telephone numbers of several people who work there, but when those numbers are called, a voice message is heard or there is no answer.
- Notifications may include numbers from a winning drawing and a chart indicating which number matches pay with prize amounts.

Report all lottery scams to the following:

- Attorney General's Consumer Protection Division at 877-765-8388
- U.S. Postal Inspection Service at 877-876-2455
- Local police department

Computer Scams

Never respond to an unsolicited email asking for your bank account number. One such con is the "Nigerian letter" scam. This is an old con game that used to arrive by letter with a Nigerian stamp. Now it comes by email. The sender outlines a tale involving large amounts of money they can't access and asks you to provide your bank account number so that you can help them obtain the money. In return they promise you a cut. THIS IS A TOTAL FRAUD. If you respond to it – you are guaranteed to lose your money.

Report all computer scams to the Attorney General's Consumer Protection Division at 877-765-8388.

Home Repair Scams

Traveling contractors offer home improvement deals like roof repairs, driveway resurfacing, and exterior painting. They are rarely licensed or insured and often take large cash payments up front and subsequently fail to do any work at all, start but not finish the work, or do substandard work that requires correction.

Note: A note of caution when having repairs done at your home. Scammers posing as repairmen or even utility workers will attempt to distract you after entering your home while their accomplice burglarizes your place. So be careful!

Eight steps to help prevent home repair scams:

1. Ask family, friends or neighbors for recommendations.
2. Get at least three estimates from reputable and licensed local contractors.
3. Ask the licensee to show you his/her "pocket card" which will contain the license number.
4. Call the Michigan Department of Licensing and Regulatory Affairs (LARA) - Licensing Division at 517-241-9288 to verify that the individual or business entity is licensed.
5. Contact the Better Business Bureau to check them out before awarding a bid.

6. Ask for and verify references.
7. Call LARA's - Enforcement Division at 517-241-9590 to determine if there have been disciplinary actions against the individual or business entity.
8. Never pay more than one-third of the cost of any job up front.

Charitable Contribution Scams

Michigan consumers should be wary of appeals that follow current events like: Hurricanes Sandy & Katrina; the earthquakes in Japan & Haiti; and the 911 attack. These are times when many fraudulent appeals are made that attempt to tug at people's heartstrings or take advantage of their patriotism. Contact one of the following agencies for verification that you are dealing with a legitimate charity:

Attorney General's Consumer Charitable Trust Section	517-373-1152
Better Business Bureau (located in Grand Rapids)	800-684-3222
Better Business Bureau (located in Southfield)	248-223-9400
Charity Watch	773-529-2300

Some bogus charities ask for donations to groups whose names sound very similar to reputable charities, so don't be fooled by "sound-alike" names. Even if telemarketers are acting on behalf of legitimate charities, too often only a small percentage of the donation actually goes to the cause. However, non-profit and charitable organizations are required to file Form 990s each year with the Internal Revenue Service. These forms show how the organization is spending its money. The public can access the filing on the GuideStar Website at www.guidestar.org or by calling 800-421-8656.

Report all charitable contribution scams to the Attorney General's Consumer Charitable Trust Section at 517-373-1152.

Home Foreclosure Rescue Scam

Unfortunately, scam artists are stealing millions of dollars from distressed homeowners. Beware of a company or person who does the following:

- Asks for a fee in advance to work with your lender to modify, refinance or reinstate your mortgage.
- Guarantees they can stop a foreclosure or get your loan modified.
- Advises you to stop paying your mortgage company and pay them instead.
- Pressures you to sign over the deed to your home, or sign paperwork that you haven't had a chance to read, and you don't fully understand.
- Claims to offer "government-approved" or "official government" loan modifications.
- Asks you to release personal financial information online or over the phone.

To Report a Scam:

- You may file a complaint online with the Michigan Attorney General's Consumer Protection Division at www.michigan.gov/ag or by calling 877-765-8388.
- Go to www.preventloanscams.org and fill out the Loan Modification Scam Prevention Network's (LMSPN) complaint form.

Note: The Loan Modification Scam Prevention Network is a national coalition of governmental and private organizations led by Fannie Mae, Freddie Mac, NeighborWorks America and the Lawyers' Committee for Civil Rights Under Law.

Health, Funeral, and Life Insurance Scams

Many older adults are concerned about having the funds to pay for needed medical care or proper burial, or to bequeath loved ones upon death. Unscrupulous salespeople take advantage of the elderly by selling them policies that duplicate existing coverage, do not provide the coverage promised, or are altogether bogus. If this happens to you, call DIFS to file a complaint at 877-999-6442.

Note: Additionally, you should be cautious and do your homework before paying for funeral and burial services in advance. There have been well publicized cases in which funeral providers mismanaged and even embezzled the money that was paid in advance for funeral services. Check the company's reputation with the Better Business Bureau before entering into a contract.

Credit Repair Scams

Michigan residents are warned about companies promising that they can clean up and fix credit reports. The truth is these companies do nothing to improve a credit report and only cost consumers money. After consumers pay these companies hundreds or thousands of dollars in fees, most of them simply vanish. Furthermore, no one can legally remove accurate and timely negative information from a credit report and the FTC has never seen a legitimate credit repair company.

The FTC's Tell-Tale Signs of a Credit Repair Scam:

- Companies that want you to pay for credit repair services before they provide any services.
- Companies that do not tell you your legal rights and what you can do for yourself for free.
- Companies that recommend that you do **not** contact a credit reporting company directly.
- Companies that suggest that you try to invent a "new" credit identity - and then, a new credit report - by applying for an Employer Identification Number to use instead of your Social Security Number.
- Companies that advise you to dispute all information in your credit report or take any action that seems illegal, like creating a new credit identity. If you follow illegal advice and commit fraud, you may be subject to prosecution.

If consumers are not disciplined enough to create a workable budget they should consider contacting a credit counseling organization or debt management company.

Report all credit repair scams to the Federal Trade Commission (FTC) at 877-382-4357.

Five Ways to Protect Yourself from Scams

1. Don't be afraid to say no. You don't have to talk to telemarketers – hang up the phone if you are uncomfortable.
2. Call the police if you feel threatened.
3. Don't reveal your credit card, bank account or SSN# to unfamiliar companies or unsolicited callers.
4. If it sounds too good to be true, it probably is.
5. Don't be embarrassed or ashamed – fraud can happen to anyone at any age.

Identity Theft

Identity theft is a serious crime and it occurs when someone steals your personal identifying information to commit fraud or other crimes. It can cost you time and money, and can destroy your credit and good name. Personal identifying information includes any sensitive financial or personal information such as your Social Security Number, birth date, address, driver's license number, bank account number, and credit card number.

There are different types of identity theft that can occur depending on the personal information stolen, and how the information is used. Your personal information can be obtained in many different ways. You should learn how this information can be unintentionally obtained, take steps to protect your personal information, and prevent yourself from being a victim of such a crime. Some of the common ways that your personal information can be unintentionally obtained include:

- Theft by family or friends
- Retrieved from the trash
- Stolen mail
- Lost or stolen wallet
- Purchased from a corrupt insider at a bank, hotel, car rental agency, etc.
- Unauthorized access of personal information stored on a computer
- Phishing scam (A scam where an individual pretends to be a reputable organization and requests personal information via the telephone or email)

Identity theft in resident care facilities or other medical extended stay facilities is on the rise. Theft can occur by employees of the facility, or others entering the facility posing as employees. You can reduce the chances of becoming an identity theft victim by following these tips:

- Be alert to visitors or unidentified individuals in the facility, and report any concerns.
- Do not leave checkbooks, credit cards, ATM cards, mail, or other items unsecured.
- Keep all non-medical personal information such as Social Security Number, birth date, and driver's license number in a secure place.

Medical Identity Theft

Theft of medical information and health records is another common form of identity theft. A thief may use your health insurance numbers and name to obtain prescriptions drugs, file claims, or obtain medical care. This can cause inaccuracies in your medical treatment records, insurance information, and possibly your credit report. You can protect yourself from medical identity theft in the following ways:

- Shred labels on prescription bottles before you throw them out.
- Do not share your health plan information with anyone who offers free health services or products.
- Shred insurance forms, physician statements, and similar documents.
- Read your medical and insurance statements, such as Explanation of Benefits (EOB) statement or Medicare summary, regularly and completely to ensure the information is accurate regarding treatment you received.

Tax Identity Theft

Another type of identity theft is tax identity theft and it generally takes place during the tax filing season. The theft occurs when someone uses your name, Social Security Number or other identification to create a fraudulent return that generates a big refund.

These fraudulent returns are typically filed at the beginning of tax season before a legitimate taxpayer files. The thief takes advantage of generous tax breaks — whether the real taxpayer qualifies for that particular tax break or not. Some refund fraud has involved misuse of credits, such as a first-time homebuyer credit, a telephone excise tax, and education credits in past years.

Victims of this crime usually don't discover the fraud until it's too late. The first clue some people get is when they try to electronically file their taxes but their return is rejected by the system. Another clue of this theft is when they receive a letter from the Internal Revenue Service (IRS) stating that they owe taxes for a year they did not file.

If you discover that you are a victim of tax identity theft, you should contact the IRS identity theft toll-free line at 800-908-4490 immediately.

Protecting your personal information is important to avoid being a victim of identity theft. See the next section *Consumer Tips on Identity Theft Prevention* to learn how you can protect yourself.

Consumer Tips on Identity Theft Prevention

Identity theft is the fastest growing crime in the country affecting thousands of consumers. By accessing and using basic information, a criminal can use your personal information to make unauthorized withdrawals of funds from your accounts, make fraudulent purchases with your credit cards, and create new accounts (banking, telephone, utility, loans, all of which can have a damaging effect on your credit).

The following are some tips to help you lower your risk of identity theft:

- Keep personal and financial records in a locked cabinet or in a password-protected file.
- Avoid providing your full 9-digit Social Security Number whenever possible. Always ask if you can provide the last four digits or use alternate information altogether.
- Do not carry your Social Security card.
- Enroll in direct deposit.
- Do not pre-print personal information (i.e. Social Security number and driver's license number) on your personal checks.
- Shred any documents that display personal and financial information before throwing in the trash.
- Be cautious with your mail. Incoming or outgoing mail should not sit in your mailbox for extended periods of time. Do not put checks in an unlocked mailbox.
- Never respond directly to requests for personal or account information online, over the phone, on email, or through a mobile device – including text messaging.
- If a request for personal or account information appears to come from your financial institution or credit card company, verify the request before providing any information. Contact your financial institution's official website or telephone number listed on your financial statements or on the back of your bank or credit cards.
- Be aware of the dangers of online threats. Install anti-virus and anti-malware software on your computer, and keep it updated. Install security patches and software updates as soon as they are released by verified sources.
- Use a separate credit card or account for on-line purchases.
- Don't publish your birthdate, email address, mother's maiden name, pet's name or other identifying or personal information on social networking sites.
- Use privacy settings on social networking sites to control who is able to access personal profile information.
- Use unique and hard-to-guess passwords that combine letters, numbers, and symbols.
- Change your passwords regularly. Use strong passwords for wireless Internet connections, and don't access unsecure Websites or type in personally-identifiable information using public Wi-Fi on mobile devices, laptops, or computers. Turn off Bluetooth and Wi-Fi when they are not being used.
- Review each of your three credit reports once a year to ensure all information is correct.

Don't be embarrassed or ashamed – fraud can happen to anyone at any age.

Resolving Identity Theft

If you suspect you are a victim of identity theft, you should take steps to report the crime and begin repairing your personal information. Resolving identity theft takes time, but taking action quickly is important to prevent the thief from doing more damage. Once you take immediate action, you should then monitor your progress as you work to correct your personal information.

The following are five steps to take immediately when identity theft strikes:

1. Contact all three credit reporting agencies to place fraud alerts. They can be contacted at www.annualcreditreport.com or by telephone at the following numbers:

   Equifax 800-525-6285

   Experian 888-397-3742

   TransUnion 800-680-7289

2. Close accounts that have been accessed and apply for new passwords.
3. File a complaint with the Michigan Attorney General 877-765-8388.
4. Call the Federal Trade Commission (FTC) Identity Theft hotline at 877-438-4338, or contact them online at www.ftc.gov. You will receive an ID Theft Affidavit.
5. File a police report and when you attach the ID theft affidavit this becomes an Identity Theft Report. This is necessary for providing persuasive evidence of theft in disputing debts.

It is important that you keep good written records of all of your activities and send all correspondence certified mail, return receipt requested, so you can document when correspondence is received. Creating a system to organize your calls and track deadlines will help you ensure corrections are made quickly. Once you have taken the initial steps, you should continue to monitor your personal information and ensure errors and problems are corrected.

Investment Scams and Fraud

Common Investment Threats

We've all heard about investment scams and fraud. And most of us think: "that couldn't happen to me" or, "I'd never fall for that", but it does, and we do. Who is the typical victim of investment scams and fraud? Here are the statistics:

- Individuals 45 to 70 years-old
- Most of these victims are financially literate and educated
- Most have above-average incomes
- Generally inquisitive and confident

The Approach

Scam artists typically approach their targets either directly, individual-by-individual, through referrals, or through affinity groups such as clubs, associations, or places of worship. Affinity group scams are successful because of the potential for peer influence and the false belief that if other people I know are investing, it must be okay.

Scam Tactics

Scam artists have highly-developed skills for communication and persuasion. Couple that with a friendly and disarming personality, and you may just "fall for it." The tactics they use include:

- Persistence. Whether subtle or high-pressure, they literally wear you down – without you even realizing it.
- Creating scarcity and the need for immediacy.
- Getting to know you personally. In doing so, they identify your strengths, your weakness, and where you're vulnerable.
- Plain-old sweet persuasion through a disarming demeanor.

With your good judgment suspended and your defenses down, you "fall for it." It's common for victims of fraud to comment after the fact: "I still can't believe it. I thought they were my friend."

Common Investment Schemes

Real Estate Investment Schemes

Schemes related to new real estate development projects or buying, renovating, flipping or pooling distressed properties are popular with scam artists. While legitimate real estate investments can be an important part of a diversified investment portfolio, there are substantial risks. Regulators have seen problems with non-traded real estate investment trusts (REITS). REITS properties offer promises of investment funds being secured by an interest in real property; however the property in question is already highly leveraged and has no remaining equity. As with all investments, careful vetting and due diligence is a must with real estate investments.

Pyramid Schemes

Scammers promise sky-high returns in a short period of time for doing nothing other than handing over money and getting others to do the same. Despite their claims to have legitimate products or services to sell, these deceivers spend much of the money on themselves and simply use money coming in from new recruits to pay off early stage investors. Although the products sold may be legitimate, eventually the pyramid will collapse. At some point the schemes get too big, the promoters cannot raise enough money from new investors to pay earlier investors, and many people lose their money.

"Ponzi" Schemes

A type of illegal pyramid scheme named for Charles Ponzi, who fooled thousands of New England residents into investing in a postage-stamp speculation scheme back in the 1920s. Ponzi schemes continue to work as money from new investors is used to pay off earlier investors. Ultimately the scam will collapse leaving investors with nothing to show for their trust. Ponzi schemes have similar characteristics:

- Promise of incredibly high return coupled with low risk
- A reasonably plausible explanation of why the investment is so good
- A scam artist with credibility will often base claims of holding false credentials or being part of a particular group or organization.

One way to protect yourself is to ask questions and when you think you have asked all the questions you have, ask more questions. Bernie Madoff, the king of Ponzi schemes, once said he only turned people away when they asked too many questions.

Risky Oil and Gas Drilling Programs

Investors exploring alternatives to traditional securities may be attracted to the lucrative returns often associated with investments in oil and gas drilling programs. Unfortunately, energy investments generally prove to be a poor substitute for traditional retirement planning. Promoters will conceal risk, using high pressure sales tactics and deceptive marketing practices to peddle worthless investments in oil wells to the investing public. Investors should conduct thorough due diligence and assess their own tolerance for considerable risk when considering the purchase of interests in oil and gas programs.

Proxy Trading Accounts

Be wary of individuals who claim to have trading expertise and offer to set up or manage a trading account on an investor's behalf. Allowing an unlicensed individual to have access to the username and password for your brokerage account or worse, allowing an unlicensed individual to set up a brokerage account in your name, is a recipe for disaster. Investors should check with the Michigan Department of Licensing and Regulatory Affairs (LARA), Corporations, Securities and Commercial Licensing Bureau at 517-335-5237 to confirm that anyone offering to manage your accounts is properly registered and has a clean background. Financial professionals who make the commitment to be properly registered also commit to act ethically and honestly.

Digital Currency

Consumers now are able to purchase goods and services with virtual money such as Bitcoin, PP Coin and other digital currencies. Unlike traditional coinage, these alternatives typically are not backed by tangible assets, are not issued by a governmental authority and are subject to little or no regulation. The value of Bitcoins and other digital currencies is highly volatile and the concept behind the currency is difficult to understand even for sophisticated financial experts. Be aware investments that incorporate abstract money systems present very real risks, including the possibility of leaving an investor broke.

Get-Rich-Quick Self-Employment Scams

This scam promises a sure path to financial independence through work-at-home scams and pyramid schemes. The scam also assures certain income in return for an initial and sometimes recurring investment. It may also include a variety of other phony business and franchise opportunities.

This scam targets individuals needing to supplement their income. If you are an unemployed worker, suddenly in possession of a large severance package; or retired with a sizable pension, you may be a prime target. Scam artists often locate their victims through trade shows, telephone solicitations, television, radio, print advertisements, and the Internet. They tell the prospective purchaser that interest by the public or a specific market niche is very high and that the window of opportunity will soon close. These promoters pressure investors to make a quick decision and hand over their money.

Tips to Protect Yourself from Scam Artists

Invest wisely online and offline. Here are some important tips you should keep in mind when you are considering purchasing investment products and for protecting those investments once you have them:

- Beware any money manager who wants total control of all your money or who deliberately overemphasizes his trustworthiness and honesty.
- Choose everyday investments that can be bought and sold through well-known brokerage firms or mutual fund companies. Make sure your statements come from your brokerage firm, not the individual money manager.
- Beware promises of high or unusually steady rates of return. If a money manager can't easily explain his or her investment process, that's a red flag.
- Take your time when making investment choices. Don't be hurried or bullied into making a decision.
- Be careful of "act now" or "before 'it's too late" statements.
- Say "no" to anybody who tries to pressure you or rush you into an investment.
- Always ask for a written explanation of any investment opportunity and then shop around and get a second opinion.
- Make checks payable to a company or financial institution, never an individual.
- Retain and maintain account statements and confirmations you receive about your investment transaction.
- Document all conversations with financial advisers.
- Seek independent, third-party advice. Have a licensed investment professional, attorney or accountant review the investment opportunity. Most of the money lost to scams and fraud is just that: lost; and often difficult to recover from both financially, and emotionally.
- Take immediate action if you detect a problem. Time is critical, so do not be afraid to complain.
- Don't let embarrassment or fear stop you from reporting financial exploitation or investment fraud.
- Don't put all your eggs in one basket- divide your investments among different asset categories, such as stocks, bonds, and cash held in federally insured deposit accounts.

The following are resources you can contact to check on a broker or to obtain investment information:

- Department of Licensing and Regulatory Affairs (LARA) - Corporations, Securities and Commercial Licensing Bureau – 517-335-5237 or www.michigan.gov/securities.
- Financial Industry Regulatory Authority (FINRA) – FINRA Broker Check Hotline at 800-289-9999 or www.finra.org/investor
- Securities and Exchange Commission (SEC) – 800-732-0330 or www.sec.gov/investor
- National Futures Association (NFA) – 800-621-3570 or www.nfa.futures.org
- Commodity Futures Trading Commission (CFTC) – 202-418-5000 or www.cftc.gov

Other Ways to Protect Yourself

When presented with any investment opportunity that you're unfamiliar with, suspicious of, or "sounds too good to be true," use this quick and easy check list to help protect yourself:

1. Confirm that the investment is registered with the state's securities regulator or the state's insurance regulator.

2. Confirm that the salesperson is properly licensed and registered with state's regulators. For insurance products, and insurance salespersons in the State of Michigan, call the Michigan Department of Insurance and Financial Services (DIFS) at 877-999-6442. For other types of investments, and for the salespersons who pitch them, call the Michigan Department of Licensing and Regulatory Affairs – Corporations, Securities, and Commercial Licensing Bureau at 517-335-5237.

We're all potential victims of investment fraud and scams. The skills of the criminal are not used to sell the features and benefits of a bogus investment. The investment is only a prop. Their skills are used for one purpose: to get you to turn over your money. They do this by disarming you and lulling you out of your natural skepticism and better judgment. And when that occurs, any one of us could "fall for it."

How to Spot a Con Artist

Investing in securities is risky enough without worrying about whether your salesperson is going to fleece you. To be an informed investor, you must know what danger signs to look for. Some are subtle, and some are easier to spot.

Rule 1: Con Artists Like to Blend In

Con artists know that being themselves hurts business. Effective con artists must disguise their true motives. Whether your first contact with the con artist is through an unsolicited telephone call or a stranger ringing your doorbell or sending you an email, the con artist takes great pains to look and sound familiar. Often, con artists like to blend in with others in your group whether that group be political, community (such as the local senior center), religious or other. They quickly get to know a lot of people in the group so they can count on this common bond to spread the word about their questionable investments and reel in unsuspecting investors.

Rule 2: Con Artists Dress for Success

Even though con artists would like you to believe that they are "just plain folk," they are smart enough to realize that this alone will not sway you to part with your money. They work very hard to come across as smooth, professional and successful. Con artists may dress like they are wealthy and work out of impressive looking offices. If your only contact is by mail, the office may bear a prestigious sounding address. Often, this is nothing more than a mail drop. Your best bet is to look behind the surface and do some serious investigating before you part with your money.

Rule 3: Con Artists Often Push Poorly Understood or Little-Known Products

Today, a variety of institutions, from banks to brokerage firms to financial planners, offer a wide range of financial products. With such a confusing mix to choose from, it is no wonder that many people turn to financial advisers for guidance. Con artists know this and stand ready to assume full responsibility for your investment decisions. Don't let them! When it comes to your money, think things through for yourself after getting all the facts. Never give someone control over your purse strings just because you think you are too old, young or financially inexperienced. If you really need help, only deal with financial advisers, broker-dealers or financial institutions with proven track records.

Rule 4: Con Artists Bring Out the Worst in You

Skilled con artists can bring out your worst traits, particularly greed, fear, and insecurity. Con artists know that promises of huge returns with no risk will get your attention. They hope that it will get your money too. Fear comes into play when the con artist warns you that complaining about a failed investment to the government may result in your spoiling it for others or "rocking the boat." Con artists try to make you feel inadequate if you don't believe them or ask too many questions. If you find yourself making investment-related decisions based only on your emotions, watch out!

Rule 5: Con Artists Are Fair Weather Friends

Before you invest, con artists are very friendly. They take a personal interest in you out of the blue. They call back when they promised they would. Each time, they tell you even more good things about the investment. You may feel you're being pressured into investing. You are. Despite his or her kind words, the con artist will do anything in his or her power to make a sale. Too often, however, once you have invested your money, contact with the con artist dwindles and then stops altogether. If you cannot get answers to your questions after handing over your cash, there is a good chance someone else is getting rich off of your investment.

Rule 6: For Every Silver Lining, There Is a Cloud

Every investment involves risk. But to hear the con artist explain it, the investment may be too good to be true. Trust your inner voice if you hear claims like these:

- "I just got a hot tip from an inside course that this stock will go through the roof."
- "Your return is guaranteed. There's no way you can lose money."
- "Gotta get in on the ground floor now or you'll be left out in the cold. In fact, we'll send a messenger over tomorrow to pick up your check." (Con artists often use this device to avoid federal mail fraud charges.)
- "This deal is so great, I invested in it myself."
- "If this doesn't perform as I just said, we'll refund your money-no questions asked."
- "Everyone else that invested in this did very well."

Be especially careful if the salesperson downplays any downside or denies that risk exists. Con artists usually are not very good at answering important questions. Watch out if the salesperson is reluctant to provide information on the following:

- The background, educational history and work experience of the deal's promoters, principals or general partners;
- Information on whether your investment monies will be segregated from other funds available to the business;
- Written information on the business' financial condition, such as a balance sheet and bank references;
- The prior track record of the business and its principals;
- The salesperson's name, where he or she is calling from, who he or she works for, his or her background and what commission or other compensation he or she will receive;
- The salesperson's connection with the venture and any affiliates.

In addition, be wary if the salesperson doesn't ask you questions about your past investment experience and your ability to withstand risk. Even if the salesperson does ask a few related questions, take heed if you get the sense that he or she is merely going through the motions.

Rule 7: Don't Be Afraid to "Sleep on It"

If you are promised high, guaranteed profits and given no written explanation concerning the investment vehicle, the promoter's background or the risks involved, walk away. Never invest in anything based on the enthusiasm or charisma of the salesperson — they may have more to gain by taking your money than you know.

Notes

Notes

Financial Resources

Emergency Financial Resources and Services (Directory)

The following is a list of financial resources and services:

Food Assistance

Coupons to purchase fresh fruits and vegetables from farmers markets
Office of Services to the Aging (OSA)
517-373-8230

If you're homebound and in need of meals
Eldercare Locator to connect with your local area agency on aging
800-677-1116

Meals on Wheels
Your local Area Agency on Aging can assist you with further information on finding a Meals on Wheels provider or Senior Center in your area.

Information about local food banks or food pantries
Food Bank Council of Michigan
800-552-4483

To apply for food benefits
Michigan Department of Health & Human Services (MDHHS)
855-275-6424

For older adults age 60 years and older, assistance provided with applying for food benefits
Elder Law of Michigan
MiCAFE Program
877-664-2233

If you've been denied food assistance from MDHHS, the Salvation Army may be able to help. Contact your local Salvation Army office

Housing Concerns

Homeless and special housing needs, rental assistance, and affordable assisted rental housing
Michigan State Housing Development Association (MSHDA)
Lansing: 517-373-9344
Detroit: 313-456-3540

In risk of losing your home, help with home repairs, weatherization, rental and relocation assistance
Michigan Department of Health & Human Services (MDHHS)
855-275-6424

Mortgage payment assistance/home foreclosure
Step Forward Michigan (MSHDA)
866-946-7432

If you've been denied housing or rental assistance from MDHHS, the Salvation Army may be able to help.
Contact your local Salvation Army office

In Home Care

For financial and physical assistance to be able to maintain capacity within your own home
Michigan Association for Home Care
Home Care Service Directory
517-349-8089

Eldercare Locator to connect to your local area agency on aging
800-677-1116

Michigan Department of Health & Human Services (MDHHS)
Independent Living Services
855-275-6424

Legal Services

Free legal services for older adults age 60 years and older
Sixty Plus, Inc.
Elder Law of Michigan
866-400-9164

Lawyer referral service
State Bar of Michigan
800-968-0738

Legal advice, information, advocacy, training, and professional services
Elder Law of Michigan
866-400-9164

Medicare and Medicaid

To apply for Medicaid
Medicaid
855-789-5610

To apply for Medicare
Medicare
800-722-1213

For help with issues regarding Medicare or Medicaid
Medicare Medicaid Assistance Program (MMAP)
800-803-7174

Nursing Homes

To report abuse, neglect or exploitation of a resident of a nursing home by another resident or by a nursing home employee
Michigan Department of Health & Human Services (MDHHS)
Statewide 24 hour Hotline
855-444-3911

Bureau of Health Services Abuse Hotline
800-882-6006

Prescription Help and Insurance Issues

Free or Low cost Prescriptions, Free Clinics, Prescription Costs
Michigan Department of Health and Human Services (MDHHS)
517-373-3740

For information about insurance, questions about insurance, and issues regarding insurance companies
Department of Insurance and Financial Services
877-999-6442

Tax Preparation and Information

For free tax preparation
AARP
866-227-7448

Internal Revenue Service
800-829-1040

Michigan Economic Impact Coalition (MEIC)
517-485-3588

Volunteer Income Tax Preparation (VITA)
Call 2-1-1 or 888-636-4211

Transportation

To schedule transportation services and obtain information

Eldercare Locator to connect with your local area agency on aging
800-677-1116

Michigan Transportation Services
877-777-7900

Michigan Department of Transportation (MDOT)
517-373-2090

Utilities

If you are unable to pay your utility bills
Contact your local utility company to negotiate payment arrangements

For help with utility and weatherization payments
Michigan Department of Health & Human Services (MDHHS)
855-275-6424

For information on utility bill programs, how to reduce energy and save money on your energy bills
Michigan Public Service Commission
517-284-8100

For a list of companies that furnish free cell phones or plans at a discounted price in Michigan to low-income people/families
Federal Communications Commission
888-225-5322

If you've been denied utility assistance from DHS, the Salvation Army may be able to help.
Contact your local Salvation Army office

General Information:

- For aging related topics and issues, contact the National Institute on Aging (NIA), an institute of the U.S. Department of Health and Human Services, at 800-222-2225.
- The Michigan Association of United Way provides the Michigan 2-1-1 telephone helpline for Michigan residents. Michigan 2-1-1 is a free, confidential service that connects you with local community-based organizations across the state offering thousands of different programs and services for people seeking answers. 24-hours/day, 7 days/week, Michigan residents can call 2-1-1 to find information:
    - Arts, Culture & Recreation
    - Clothing, Person & Household Needs
    - Disaster Services
    - Education
    - Employment
    - Food & Meals
    - Healthcare
    - Housing & Utilities
    - Income Support & Assistance
    - Individual, Family & Community Support
    - Information Services
    - Legal, Consumer & Public Safety
    - Mental Health & Addictions
    - Government & Economic Services
    - Transportation
    - Volunteer & Donation Services

Resources for Veterans (Directory)

Individuals who have served in the United States Armed Forces and their families have access to a wide variety of federal benefits and state programs, including the following:

- Disability compensation
- Healthcare
- Aid & attendance
- Emergency grants
- Skilled nursing and domiciliary care
- Burial benefits

If you are a veteran, or you are the spouse or dependent of a veteran, **an accredited veterans service officer can help you determine what benefits you may be eligible for and help you claim the benefits you have earned at no cost to you**. Contact the Michigan Veterans Affairs Agency at 1-800-MICH-VET or visit MichiganVeterans.com to learn more or be connected with a service officer near you.

Disability Compensation

If you have an injury or ailment that was a result of, or made worse by, your military service and you were discharged under other than dishonorable conditions, you may be entitled to disability compensation. The basic benefit amount ranges from $127 to over $3,100 per month, depending on your level of disability and number of dependents. This is a tax-free benefit. If you are a veteran who qualifies for a 100-percent disability rating from the VA, you are entitled to additional benefits. Contact the Michigan Veterans Affairs Agency at 1-800-MICH-VET or visit MichiganVeterans.com to learn more or be connected with a service officer near you.

Healthcare Services

The VA offers veterans a full spectrum of healthcare services, including inpatient, outpatient, pharmacy, dental care and others. If you served in the active military, naval or air service and are separated under any condition other than dishonorable, you may qualify for VA healthcare benefits. For questions related to VA healthcare services contact the Health Benefits Service Center: http://www.va.gov/healthbenefits/apply/ or call 877-222-8387.

Pensions

The VA helps veterans and their families cope with financial challenges by providing supplemental income through the Veterans Pension program. This is done through tax-free monetary benefits payable to wartime veterans with low incomes, who are permanently and totally disabled, or are age 65 and older. These veterans may be eligible for monetary support if they have 90 days or more of active military service with at least one day of which was during a period of war. Contact the Michigan Veterans Affairs Agency at 1-800-MICH-VET or visit MichiganVeterans.com to learn more or be connected with a service officer near you.

Aid & Attendance

Veterans and surviving spouses who qualify for a VA pension may be eligible for additional funds if they are housebound or require the aid of another person to perform everyday tasks, such as bathing, feeding and dressing, among others. These additional funds can help offset the cost of that additional care, including nursing home expenses.

Even if a veteran or surviving spouse's income is greater than the congressionally mandated legal limit for a VA pension, he or she may still be eligible. An accredited veterans service officer can assist you in determining your eligibility and filing a claim. Contact the Michigan Veterans Affairs Agency at 1-800-MICH-VET or visit MichiganVeterans.com to learn more or be connected with a service officer near you.

Michigan Homes for Veterans

The State of Michigan operates two veterans' homes, in Grand Rapids and Marquette. At the Grand Rapids Home for Veterans and the D.J. Jacobetti Home for Veterans, eligible veterans and their spouses benefit from skilled nursing, dementia, special needs or domiciliary care in safe, caring environments. If you or a loved one is in need of our services, contact the Michigan Veterans Affairs Agency at 1-800-MICH-VET or MichiganVeterans.com.

Michigan Veterans Trust Fund

The Michigan Veterans Trust Fund (MVTF) offers financial assistance to combat-era veterans when unforeseen circumstances cause a temporary financial emergency or hardship that a grant, if approved, would resolve. You must be able to show that you will be able to meet future expenses after the grant. Trust Fund applications are accepted in the county where you reside. To locate your MVTF County Counselor, visit MichiganVeterans.com or call 1-800-MICH-VET.

Life Insurance

The VA offers many varieties of insurance programs for new enrollees as well as disabled veterans. The VA Life Insurance Office has specialists available between 8:30 a.m. and 6:00 p.m. eastern standard time (EST) to discuss premium payments, insurance dividends, address changes, policy loans, naming beneficiaries, and to report the death of an insured. For questions related to life insurance contact: http://www.insurance.va.gov or call 800-669-8477.

Property Tax Exemption for Disabled Veterans

Public Act 161 of 2013 provides totally disabled military veterans an exemption from property taxes on their primary residence and extends that exemption to a disabled veteran's spouse, if the veteran dies before the tax break is granted. Previously, a veteran could qualify for a property tax exemption only if he or she was receiving assistance for specially adapted housing. To apply for the exemption, the disabled veteran, their unremarried surviving spouse or their legal designee must annually file an affidavit with their local unit of government. A disabled veteran must meet one of the following qualifications:

- The United States Department of Veterans Affairs has determined the veteran is permanently and totally disabled as a result of military service and entitled to veteran benefits at the 100 percent rate.
- The veteran has a certificate from the United States Veterans Administration, or its successors, certifying that he or she is receiving or has received pecuniary (financial) assistance due to disability for specially adapted housing.

- The veteran has been rated by the United States Department of Veterans Affairs as individually unemployable.

Contact your local unit of government for information on how to apply for the exemption.

Veterans Crisis Line

The VA offers family members, caregivers, and loved ones confidential support from an experienced, caring VA responder. If you are concerned about the safety and well-being of a veteran, contact the Veterans Crisis Line at 800-273-8255, and press 1.

Military Funeral Honors

By law, eligible veterans are entitled to Military Funeral Honors at the time of their passing. This includes, at a minimum, a two-person uniformed honor detail to perform a ceremony that includes folding and presenting of the American flag to the next of kin and the playing of Taps. Additional elements may be available if resources allow. Your local funeral home can assist you with arranging military funeral honors. If you need assistance obtaining a copy of the veteran's discharge papers, contact the Michigan Veterans Affairs Agency at 1-800-MICH-VET.

Burial Benefits

Veterans (discharged under conditions other than dishonorable) and their spouses are eligible for burial in a national cemetery, space permitting. This includes opening and closing of the grave, perpetual care, a government headstone or marker, a burial flag and a Presidential Memorial Certificate. Some veterans may also be eligible for burial allowances, including wartime veterans, low-income veterans, and those drawing veteran pensions or compensation.

To schedule a burial at a national cemetery, fax all discharge documentation to the National Cemetery Scheduling Office at 866-900-6417 and follow-up with a phone call to 800-535-1117. National cemeteries in Michigan with space available include:

- Fort Custer National Cemetery in Augusta, 269-731-4164
- Great Lakes National Cemetery in Holly, 248-328-0386

Presidential Memorial Certificates

Presidential Memorial Certificates (PMC) are given to recognize honorably discharged deceased veterans. Next of kin, relatives, or friends may request certificates at any local office or by mail at Presidential Memorial Certificate (41A1C), Department of Veteran Affairs, 5109 Russell Road, Quantico, VA 22134-3903. These certificates can be requested at any time. To request a certificate, you need a copy (not original) of the veteran's discharge document and a return address to which you would like the certificate sent. If you have already requested a PMC more than (16) weeks ago and have not received it yet, please call 202-565-4964 to find out the status of your request.

ONLINE RESOURCES

The following resources were used in the compilation of the Reinventing Mi Retirement financial toolkit:

www.aarp.org	AARP
www.annualcreditreport.com	Free comprehensive credit report
www.bankofamerica.com	Bank of America and National Council on Aging, "Savvy Saving Seniors"
www.bankrate.com	Tools, investments, and news
www.caringinfo.org	Caring Connections (National Hospice and Palliative Care)
www.consumerfinance.gov	Consumer Financial Protection Bureau (CFPB)
www.dailyfinance.com	Tools, investments, and news
www.edwardjones.com	Edward Jones, Making Sense of Investing, "Steps to Take When a Loved One Dies"
www.fdic.gov	Federal Deposit Insurance Corporation (FDIC), "Money Smart for Older Adults"
www.ftc.gov	Federal Trade Commission (FTC), a bipartisan federal agency with a unique dual mission to protect consumers and promote competition
www.finra.org	Financial Industry Regulatory Authority (FINRA), the largest independent securities regulator in the U.S.
www.HOM.org	Hospice and Palliative Care Association of Michigan
www.huntington.com	Huntington Bank, retirement planning and tools
www.investopedia.com	Investopedia, a comprehensive financial dictionary with over 13,000 terms
www.legislature.mi.gov	Michigan Legislature, "Changes and Choices Legal Rights of Seniors"
www.michigan.gov/ag	Michigan Attorney General's Office
www.michigan.gov/mdhhs	Michigan Department of Health and Human Services (MDHHS)
www.michigan.gov/difs	Michigan Department of Insurance and Financial Services (DIFS)
www.michigan.gov/mshda	Michigan State Housing Development Authority (MSHDA)
www.michigan.gov/osa	Michigan Office of Services to the Aging (OSA)
www.micpa.org/financialliteracy	Michigan Association of Certified Public Accountants
www.msue.msu.edu	Michigan State University Extension
www.msuextension.org	Montana State University Extension
www.mtgprofessor.com	The Mortgage Encyclopedia, by Jack Guttentag
www.myfico.com	Fair Isaac Corporation, credit score provider
www.myretirementpaycheck.org	National Endowment for Financial Education (NEFE)
www.naic.org	National Association of Insurance Commissioners (NAIC), organization of insurance regulators from all states and dependent areas
www.newretirement.com	New Retirement Secure Your Future
www.nfcc.org	National Foundation for Credit Counseling
www.nolo.com	NOLO, online legal information
www.usa.gov	The United States Government
www.wikipedia.com	Wikipedia, free Internet encyclopedia

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