

# RETIREMENT PLANNING

Retirement is part of the growth process that spans a lifetime. Thoughtful planning is necessary to make the change from active farming to a meaningful retirement that is full of opportunities and pleasant experiences.

Farming is a career that generates creativity. That creative energy will remain active as the farmer moves into retirement. Therefore, an important part of the retirement process is to make sure there is ample opportunity for expression of that creative energy. Looking at retirement from this positive point of view is just as exciting as the dreaming young farmers does as he/she anticipates starting their own operation.

Discovering what you really want to do in retirement may take some time and effort. Using your goal-setting skills will help you determine the answers to the questions you need to answer in retirement. For example: Where do I want to live? What activities do I enjoy doing? How hard do I want to work?

## **Where to Live**

This is the most fundamental place to begin. Do you plan to move off the farm? If you stay on the farm what will be your involvement with the farm operator? Do you plan to move to a warmer climate?

## **Financial Needs — Cost of Living**

Begin by identifying what you are spending today. When you have the base for your expenses, add in dollars for hobbies or activities. Don't make decisions about what you can and can't do until you actually work out the numbers. Remember: You are planning a budget that will last you 20 to 40 years. Debt repayment for most will disappear. Taxes and saving needs will change.

## **Health Care Issues**

Even the best plans can go awry by the onset of major health problems. You may need the advice of a professional to assist in your planning efforts.

*Medicare* is a federal health insurance program for people age 65 and older, people of any age with permanent kidney failure, and certain disabled people under age 65. It has two basic parts, hospital and medical insurance. Hospital insurance helps pay for inpatient hospital care and certain follow-up care. Medical insurance helps pay the cost of physician services, outpatient hospital services and certain other medical services not covered by hospital insurance. Detailed information can be obtained at your local Social Security Office.

*Medicare supplemental insurance* is an option that may need to be considered if you need to fill the gaps between the amounts covered by Medicare and the actual costs. These policies pay some or all of Medicare's deductibles and co-payments and some pay for other services such

as prescription drugs.

*Medicaid* is a federal and state funded program that provides health care to eligible low-income persons. Information and determination of eligibility is available through local County Assistance offices.

### **Long-Term Care Coverage**

The range of long-term care needs spans a continuum from custodial care to intermediate care to skilled nursing care. There are several ways to deal with the cost of these long term care needs:

- 1) Self-insure using your accumulated assets to cover the need. This can present problems if transitioning the farm to the next generation.
- 2) Look for family assistance to provide care of

*(continued)*

cover costs.

- 3) Protect against the potential need for this with a long-term care insurance policy. Here you must weigh the policy costs against the asset risks of self-insuring.
- 4) Spend your assets down to qualify for Medicaid.

### **Legal Issues**

Certain precautions can be taken to ensure your health and financial needs are met with a minimum of inconvenience and a maximum of dignity. The documents listed below are examples of legal precautions that you can take.

*Durable Power of Attorney for Financial Matters* gives another person legal authority to transact financial and other business matters for you. The purpose of giving another person this power is to allow him or her to conduct your financial affairs when you are not able to do so due to a temporary or permanent incapacity.

*Health Care Power of Attorney* gives another person legal authority to make your health care decisions if you are incapacitated. Your agent for health care matters will have no power to act unless two doctors determine that you are no longer able to make your health care decisions.

*Living Will* states that you do not wish to be kept alive by artificial means when the illness or injury is terminal.

### **Overall goal of Social Security Planning**

*Before retirement* the goal of many farmers is to receive the maximum amount of credit possible, since Social Security benefits are based on pre-retirement income levels. Other farmers try to minimize Social Security taxes paid prior to retirement so there is more after tax income left to invest in a private retirement plan.

*After retirement* the goal of farmers is generally to reduce earned income, at least until age 70, so maximum benefits can be received. This goal can be accomplished by planning the sources and types of income that will be received in retirement.

*Adapted from*  
Retirement and Estate Planning:  
A Guide for Wisconsin Farmers

## **RETIREMENT PLANNING (continued)**