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***Make New Year's goals. Dig within, and discover what you would like to happen in your life this year. This helps you do your part. It is an affirmation that you're interested in fully living life in the year to come.***
---Melody Beattie

Health, social security, parents' finances, college financial aid - it's all covered in this month's newsletter. And be sure to stay connected with us throughout the year by following us on Facebook and LinkedIn , where we share valuable information and articles to help you reach your goals.

Please call us at 1-800-440-8807 with any questions or to schedule a review of your portfolio.

Happy New Year from all of us at Bartholomew & Company!

Tom

**January 2015**



# Healthy Resolutions Can Pay Off (Literally)

If you made a New Year's Resolution to get healthy, you may get more bang for your resolution buck than you bargained for. That's because healthy habits can benefit your wallet as well as your body.

## The link between health and money

According to the Centers for Disease Control and Prevention (CDC), chronic conditions--including diabetes, heart disease, and cancer--account for more than 75% of all health-care costs nationwide. Nearly half of all Americans have a chronic disease, which can lead to other problems that are devastating not just to health but also to a family's finances. People with a chronic condition pay five times more for health care each year, on average, as those without a chronic disease.*

Many chronic diseases can be linked to four behaviors: tobacco use, excessive alcohol consumption, poor eating habits, and inactivity.* A closer look at each of these behaviors demonstrates the health-money connection.

## Tobacco and alcohol

The American Cancer Society (ACS) reports that the average price of a pack of cigarettes in the United States is $6.36. That means the average annual cost for a pack-a-day smoker is more than $2,300. However, the average health-related cost to a smoker, says the ACS, is $35 per pack--or $12,775 per year for someone who smokes a pack a day.

The National Institute on Alcohol Abuse and Alcoholism defines moderate drinking as one drink per day for women and two for men. Drinking more than that can lead to health problems, including various forms of cancer as well as impairment of your brain, heart, liver, and pancreas. Such outcomes have economic costs. The CDC reports that in 2006, the national cost of excessive alcohol consumption was $223.5 billion, 42% of which was shouldered by excessive drinkers and their families.

## Eating habits and activity level

Proper nutrition and regular exercise are vital to staying healthy, but they can also save you money. For example, reducing the amount of high-in-saturated-fat products, processed foods, and red meat in your diet can result in benefits to your heart and wallet. Replacing high-fat ingredients in some recipes with healthier, low-cost options--such as using beans instead of ground beef--can help trim your grocery bills. And replacing high-calorie meals eaten at restaurants with meals made at home using fresh, in-season ingredients can benefit both body and bank account.

Current guidelines from the U.S. Department of Health and Human Services recommend at least 2½ hours of moderate physical activity per week. Many opportunities exist in everyday life to both accumulate active minutes *and* save money. Instead of driving to your destination, walk or ride a bike. Do your own yard work or house cleaning instead of hiring help. Go for a hike or play ball with your kids rather than going to the movies or visiting an amusement park.

## Long-term considerations

Chronic disease also has indirect long-term costs. Leaving the workforce for extended periods--or having to retire early--means fewer paychecks, less chance to benefit from workplace-provided retirement plans and health-care benefits, and lower earnings to apply toward Social Security benefits. In addition, chronic diseases often necessitate home renovations, the hiring of specialized care providers, or even permanent nursing care. When viewed over the long term, taking steps today to reduce your risks of getting sick down the road may make good health *and* financial sense.

*Sources: Centers for Disease Control and Prevention, the Department of Health and Human Services, and the Partnership to Fight Chronic Disease

# No Matter What Your Age, Your Social Security Statement Matters

*Don't assume that Social Security is just for retirees; it's much more than a retirement program. According to the SSA, approximately 21% of individuals currently receiving benefits are younger than retirement age who are receiving disability or survivor benefits.* Get in the habit of checking your Social Security Statement every year to find out what role Social Security might play in your financial future.*

**Source: Fast Facts & Figures About Social Security, 2014*

Fifteen years ago, the Social Security Administration (SSA) launched the Social Security Statement, a tool to help Americans understand the features and benefits that Social Security offers. Since then, millions of Americans have reviewed their personalized statements to see a detailed record of their earnings, as well as estimates of retirement, survivor, and disability benefits based on those earnings. Here's how to get a copy of your statement, and why it deserves more than just a quick glance, even if you're years away from retirement.

## How do you get your statement?

In September 2014, the SSA began mailing Social Security Statements to most workers every five years. Workers attaining ages 25, 30, 35, 40, 45, 50, 55, and 60 who are not receiving Social Security benefits and are not registered for an online account will receive a statement in the mail about three months before their next birthday. Workers older than age 60 will receive a statement every year.

But why wait? A more convenient way to view your Social Security Statement is online. First, visit socialsecurity.gov to sign up for a personal *my* Social Security account (you must be 18 or older to sign up online). Once you have an account, you can view your Social Security Statement anytime you want, as often as you want.

## Check your estimated benefits

Your Social Security Statement gives you information about retirement, disability, and survivor benefits. It tells you whether you've earned enough credits to qualify for these benefits and, if you qualify, how much you can expect to receive. As each Social Security Statement notes, the amounts listed are only estimates based on your average earnings in the past and a projection of future earnings. Actual benefits you receive may be different if your earnings increase or decrease in the future. Amounts may also be affected by cost-of-living increases (estimates are in today's dollars) and other income you receive. Estimated benefits are also based on current law, which could change in the future.

### *Retirement benefits*

Although Social Security was never intended to be the sole source of retirement income, retirement benefits are still very important to many retirees. Your statement shows estimates of how much you can expect to receive if you begin receiving benefits at three different ages: your full retirement age (66 to 67, depending on your birth year), age 62 (your benefit will be lower), or age 70 (your benefit will be higher). When to start claiming Social Security is a big decision that will affect your overall retirement income, so if you're approaching retirement, this information can be especially useful. But even if you're years away from retirement, it's important to know how much you might receive, so that you can take this information into account as you set retirement savings goals.

### *Disability benefits*

Disability is unpredictable and can happen suddenly to anyone at any age. Disability benefits from Social Security can be an important source of financial support in the event that you're unable to work and earn a living. Check your Social Security Statement to find out what you might receive each month if you become disabled.

### *Survivor benefits*

Survivor protection is a valuable Social Security benefit you may not even realize you have. Upon your death, your survivors such as your spouse, ex-spouse, and children may be eligible to receive benefits based on your earnings record. Review your Social Security Statement to find out whether your survivors can count on this valuable source of income.

## Review your earnings record

In addition to benefit information, your Social Security Statement contains a year-by-year record of your earnings. This record is updated whenever your employer reports your earnings (or if you're self-employed, when you report your own earnings). Earnings are generally reported annually, so keep in mind that your earnings from last year may not yet be on your statement.

It's a good idea to make sure that your earnings have been reported correctly, because mistakes do happen. You can do this by comparing your earnings record against past tax returns or W-2s you've received. This is an important step to take because your Social Security benefits are based on your average lifetime earnings. If your earnings have been reported incorrectly, you may not receive the benefits to which you're entitled.

What if you find errors? The SSA advises you to call right away if any earnings are reported incorrectly. The SSA phone number is 1-800-772-1213 (TTY 1-800-325-0778).

# Helping Your Parents Manage Their Finances

***Postponing a discussion about helping a parent with his or her finances increases the odds that problems could arise before that discussion takes place.***

As the U.S. population gets older, more people, particularly baby boomers, are confronting a dilemma. As parents age, their ability to manage their own finances may decline. That can make it more likely that they may neglect the life savings they've worked so hard to accumulate or make costly mistakes with them. Even worse, they're more likely to fall victim to one of the fraudulent schemes that frequently target seniors. "Financial Fraud and Fraud Susceptibility in the United States," a September 2013 report prepared for the FINRA Investor Education Foundation, found that seniors were 34% more likely to lose money to fraudsters than were those in their 40s.

And yet many seniors, especially those who have always been independent and/or money-savvy, may be reluctant to accept advice or help from their children, or even discuss living expenses, health care plans, investments, or general estate planning. Sadly, postponing that discussion can increase the difficulty of tackling whatever problems may eventually arise.

## What's behind parental reluctance?

Suggesting that parents might benefit from assistance, either from their children or a professional, may remind them of their own mortality. People are living longer; if they're still active and involved, they may have difficulty accepting that their current good health and financial comfort may not always continue.

Also, some seniors may be reluctant to discuss finances because it can reinforce a sense of loss; this could be especially true if they can no longer drive or participate in activities they enjoy. Admitting that they need help with financial issues may make them feel as though one more area is no longer under their control. If this is the case, they might respond to the idea that addressing important issues now--planning for ill health or an incapacity--could give them greater decision-making power over their quality of life later.

Parents also may be uncomfortable discussing finances with only one child, preferring to involve all siblings. In this case, you may need to either try to reach a consensus about which child is best equipped to help, or divide responsibilities among siblings. For example, one child might assist with billpaying and day-to-day expenses while another reviews investments or handles health insurance, Medicare, and Social Security.

In some cases, parents may respond to the idea that taking action sooner rather than later can help prevent the loss of much of their hard-earned savings to taxes or scams. If they're uncomfortable discussing finances with you, you could suggest working with a third party who can review their situation and make recommendations that could then be discussed jointly.

## When to offer help

Here are some signs that a parent might need some assistance: confusion about whether direct-mail offers are advertising or bills; failing to pay bills or file documents properly, especially if someone has always been highly organized; complaints about being unable to make ends meet; talking about the merits of certain investments, especially unfamiliar ones and especially if a parent hadn't previously exhibited much interest in investing; unusual behavior, such as making unexpected large purchases or spending a lot of time gambling.

Be sure to rule out other physical problems, such as an infection or difficulties with vision or hearing, before assuming that mental confusion is automatically a sign of dementia.

## A start is better than nothing

If parents are reluctant to discuss specific figures, try to make sure that key information, including online account information and passwords, is on paper, and that someone else knows the location of those items and will be able to access them if necessary.

You might start providing assistance in stages. Offer to review checking account statements and/or credit card bills to ensure they're not paying for services they want to cancel or didn't request; this may give you insight into the overall state of their finances. Because seniors may be more willing to discuss issues such as health insurance and preferences regarding long-term care or end-of-life decisions before other topics, building trust in these areas could increase comfort levels on both sides with other matters.

If a trust has been set up, a trustee might be the logical person to handle finances, since he or she may eventually have to deal with trust-related issues anyway. The same is true for someone who has been granted a durable power of attorney, even if he or she doesn't yet have full responsibility for managing finances. And in a worst-case scenario, children can petition a probate court to name a conservator or guardian. Whatever approach you take, one of the key challenges of this process is to respect a parent's dignity while protecting his or her ongoing well-being.

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## When do I need to submit college financial aid forms?

It depends on the form you're filling out and whether your child is a new college student or a returning student.

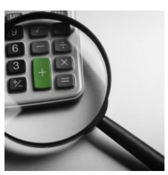
College deadlines for the federal government's financial aid form, the FAFSA, might be anywhere from February 1 to April 1 for both new and returning students. But it's in your best interest to submit the FAFSA as soon after January 1 as possible (it can't be submitted before January 1) because some government aid programs operate on a first-come, first-served basis.

The FAFSA relies on tax information from the previous year, so it's helpful to have your tax return already completed. However, if you don't, you can still file the FAFSA using estimated numbers and then go back later and update your FAFSA with final tax numbers once you've completed your tax return (the government offers an online tool--the IRS Data Retrieval Tool--that allows you to import your tax information directly into your FAFSA). The FAFSA captures two data points: the financial picture of both the parent(s) and the student for the previous year.

The main financial aid form that most colleges use to distribute their own aid, the CSS Profile, is due anywhere from February 1 to March 1 for new students applying to college regular decision (or November 1 to December 1 for new students applying early decision or early action) and by April 15 for returning students. The CSS Profile captures six data points: the financial picture of both the parent(s) and student for the previous year, and an estimated financial picture of parent(s) and student for the current year and for the following year.

Even if you don't think your child will qualify for need-based federal financial aid, you should consider submitting the FAFSA if: (1) you want your child to be eligible for an unsubsidized Stafford Loan (a non-need-based federal student loan available to any student); and/or (2) you want your child to be considered for college need-based aid--colleges generally require both the FAFSA and the CSS Profile before they will consider your child for college need-based aid.

Both the FAFSA and the CSS Profile can be submitted online, and you must file them for each year that you want your child to be considered for aid.



## Do you understand the definition of financial aid?

The term "financial aid" goes hand in hand with paying for college. But it can mean different things to different people, and often the term is used in various ways, even by colleges.

"Financial aid" is money that can help students pay for college. Many people think of student loans when they hear the term financial aid, but loans are just one part. In addition to loans, financial aid includes scholarships, grants, and work-study jobs. Scholarships and grants are gifts; they do not need to be repaid. Loans, on the other hand, have to be repaid with interest, while work-study jobs are a work obligation for the student. Aid can be need-based or non-need-based, though most people think of financial aid as being strictly need-based.

**Loans.** The main sources of loans are the federal government and private lenders. Students with the greatest financial need are eligible for the government's subsidized Stafford Loan and Perkins Loan ("subsidized" means Uncle Sam pays the interest while the student is in school and during certain other periods); all students are eligible for the government's unsubsidized Stafford Loan. The loan amounts are capped each year.

For parents, the government offers PLUS Loans, which let parents borrow up to the full cost of their child's education. Private lenders also offer student loans and parent loans. Generally, the government offers more favorable loan repayment options than private lenders, most notably several income-sensitive repayment options.

**Grants & scholarships.** Though students with the greatest financial need typically qualify for a federal Pell Grant, the main source of grants and scholarships for the majority of students is colleges. College grants and scholarships can be based on financial need (as determined by the college's own aid form) or on merit, whether academic, athletic, or some other talent. Colleges vary widely in the type (need-based or merit-based) and amount of grants and scholarships they offer. As your family researches college options, exploring these differences is probably the single biggest thing you can do to optimize your bottom line.

**Work-study jobs.** The government underwrites work-study jobs for the neediest students, but colleges may also offer campus jobs that are not necessarily based on need.