Flournoy Wealth Management
Pam Flournoy, CFP®
LPL Financial Advisor
1165 Lincoln Ave #330
San Jose, CA 95125
408-271-8800
408-887-8704
pam.flournoy@lpl.com
www.flournoywealthmanagement.com

Dear Friends and Colleagues,

Elder Financial Abuse is a Growing and Costly Problem! Minda Cutcher, a financial advocate for seniors, has written an article that I have included on the first page. She discusses what you should know and be on the lookout for your family members, elderly friends and neighbors who might be being taken advantage of. Also, scam are not just for the elderly -- my daughter, Allyson, trying to sublease her apartment at U of Oregon, and in so doing, was almost scammed out of $2000 by someone posing as a student wanting to sublease her apartment. I caught it by checking on her bank account!

Please make sure that you are not falling for some of the myths about retirement! And, know that allowing a long time for your money to work to you - in the good times and bad times, the power of compound interest could make a BIG difference for you. Check out the details in the following articles.

Warm regards,

Pam

May 2013

Flournoy Wealth Management

Your Financial Future

Pursuing Life Goals Together

The Hidden Secret of Elder Abuse

As people grow older they tend to need more help from others, and many elderly people rely entirely on family or other “trusted” individuals for this help. Unfortunately, this dependence on others often makes an older person more vulnerable to abuse, and less likely to talk about that abuse if it occurs.

An older woman relying on her children to provide meals, transportation and help with financial decisions may find it difficult to complain if one of her children takes advantage of her. If, for example, the child takes her money, hits her, or neglects her care, the parent may be threatened with loss of that support from the child if she complains. The child may also use threats of violence to keep the parent in line.

It is estimated that 5-10 percent of elderly Americans are victims of abuse. According to the National Committee for the Prevention of Elder Abuse: “Spiraling rates of elder mistreatment are reported by both practitioners and researchers. In a recent national study of Adult Protective Services (APS) – typically the agency of first report concerning elder abuse – there were 253,421 reports of abuse of adults age 60 , or 832.6 reports for every 100,000 people over the age of 60 (Teaster, Dugar, Otto, Mendiondo, Abner & Cecil, 2006).”

A National Elder Abuse Incidence Study (National Center on Elder Abuse, 1998) found that “more than 500,000 persons aged 60 were victims of domestic abuse, and an estimated 84 percent of incidents were not reported to authorities, denying the victims the protection and support they need.”

Although much attention has been focused on abuse in nursing homes, most of the elder abuse in this country is at the hands of family members or other caregivers in the home.

In 2004, Utah Adult Protective Services workers investigated approximately 2,400 allegations of abuse, neglect or exploitation of vulnerable adults. The majority of the victims were females between the ages of 60-89, and 60 percent of the perpetrators were immediate family members or other relatives.

There are a number of reasons why incidents of abuse, neglect, or exploitation are not reported to Adult Protective Services or other authorities. One of the most common reasons is the victim's fear
that if the family member or other caretaker is incarcerated, or stops providing support, the victim will be left alone and expected to take care of him/herself, or be forced to live in a nursing home. Many states have implemented mandatory reporting laws to assist in the prevention of abuse, neglect or exploitation of vulnerable adults. In Utah, anyone who makes a report in good faith is immune from civil liability in connection with the report; however, any person who willfully fails to report is guilty of a class B misdemeanor.

The following is a list of indicators of abuse, neglect or exploitation. The lists are merely indicators and may not always be violations.

Signs of abuse:
Unexplained bruises, welts, fractures, abrasions or lacerations
Multiple bruises in various stages of healing
Low self-esteem or depression
Withdrawn or passive
Soiled linen or clothing
Social isolation

Signs of neglect/self-neglect:
Dehydration, malnourishment
Inappropriate or soiled clothing
Over/under medicated
Deserted, abandoned or unattended
Lack of medical necessities or assistive devices

Signs of exploitation:
Missing/”disappearing” property
Inadequate living environment
Frequent/recent property title changes or will changes
Excessive home repair bills
Forced to sign over control of finances
No/limited money for food, clothes and other necessities

Prevention can only occur if there is awareness and action. All states have agencies that receive complaints of abuse. In some states, failure to report abuse of the elderly is a crime. To contact an abuse complaint department, call your local area agency on aging. To find an agency on aging in your area click Here

Compounding Can Add Fuel to Your Portfolio

Note: The examples in this article are hypothetical and for illustrative purposes only. They assume a steady 6% annual rate of return, which does not represent the return on any actual investment and cannot be guaranteed. Moreover, the examples do not take into account fees and taxes, which would have lowered the final results. Speak with a financial professional about how these examples might relate to your own investing circumstances.

If you enter the terms "Albert Einstein" and "compounding" into an Internet search engine, you'll discover a wide variety of quotes attributed to the great inventor. Some results say Einstein called compounding the "greatest mathematical discovery of all time," while others say he called it the "most powerful force in the universe." Despite the many variations, Einstein's point is valid: compounding can add fuel to your portfolio's growth. The key is to allow enough time to let it go to work.

Time and money can work together

The premise behind compounding is fairly simple. If an investment's earnings are reinvested back into a portfolio, those earnings may themselves earn returns. Then those returns earn returns, and so on. For instance, say you invest $1,000 and earn a return of 6%--or $60--in one year. If you reinvest, combining that $60 with your $1,000 principal, and earn the same 6% the following year, your earnings in year two would increase to $63.60. Over time, compounding can snowball and really add up.

Say at age 45 you begin investing $3,000 annually in an account that earns 6% per year, with earnings reinvested. At age 65, your $60,000 principal investment would be worth almost twice as much--about $117,000. That's not bad, right?

Now consider what happens if you begin investing at age 35, using the same assumptions. By 65, your $90,000 principal would nearly triple to just over $250,000.

Finally, consider the results if you start at age 20: your $135,000 investment would be worth a jaw-dropping five times as much--$676,524. That's the power of compounding at work.

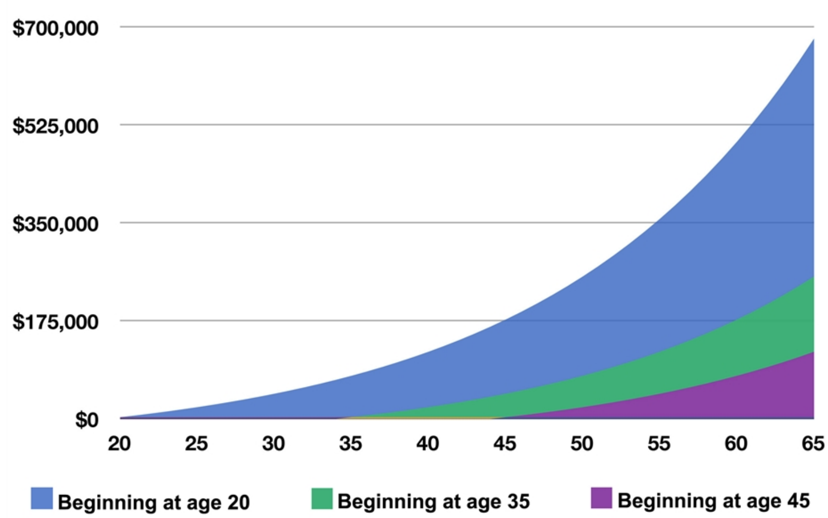
But how long do I have to wait?

If you'd like to estimate how long it might take for your investment to double, you can use a principle known in investment circles as the "Rule of 72." To use the rule, simply divide 72 by the expected rate of return. For example, if you expect to earn an average of 8% over time, the Rule of 72 gauges that your investment would double in approximately nine years. (This rule applies to lump-sum investments, not periodic investment plans such as those given as examples in this article.)

With compounding, the more patience you have, the better off you may be over the long term. The examples in this article assume a steady 6% rate of return each year; however, in reality, no investment return can be guaranteed. Your actual earnings will rise and fall with the changing economic and market conditions. That's why it's so important to stay focused on the long term. Over time, the ups and downs may average out, and your earnings can potentially go to work for you.

Perhaps that's why Einstein called compounding "man's greatest invention." Or was it the "eighth wonder of the world"? Regardless ... you get the idea. When it comes to investing, time can be the power behind your potential success.

Potential Growth of $3,000 Invested Annually



Flournoy Wealth Management

Four Retirement Saving Myths

At every stage of your life, there will be competing financial needs. Don't make the mistake of thinking it will be easier to save for retirement in just a few years. It won't.

Before investing in a mutual fund, consider its investment objectives, risks, charges, and expenses, which can be found in the prospectus available from the fund. Read it carefully before investing.

No matter how many years you are from retirement, it's essential to have some kind of game plan in place for financing it. With today's longer life expectancies, retirement can last 25 years or more, and counting on Social Security or a company pension to cover all your retirement income needs isn't a strategy you really want to rely on. As you put a plan together, watch out for these common myths.

Myth No. 1: I can postpone saving now and make it up later

Reality: This is very hard to do. If you wait until--fill in the blank--you buy a new car, the kids are in college, you've paid off your own student loans, your business is off the ground, or you've remodeled your kitchen, you might never have the money to save for retirement. Bottom line--at every stage of your life, there will be competing financial needs. Don't make the mistake of thinking it will be easier to save for retirement in just a few years. It won't.

Consider this: A 25 year old who saves $400 per month for retirement until age 65 in a tax-deferred account earning 4% a year would have $472,785 by age 65. By comparison, a 35 year old would have $277,620 by age 65, a 45 year old would have $146,710, and a 55 year old would have $58,900.

Note: *This is a hypothetical example and is not intended to reflect the actual performance of any specific investment.*

Why such a difference? Compounding. Compounding is the process by which earnings are reinvested back into a portfolio, and those earnings may themselves earn returns, then those returns may earn returns, and so on. The key is to allow enough time for compounding to go to work--thus the importance of starting to save early.

Now, is it likely that a 25 year old will be able to save for retirement month after month for 40 straight years? Probably not. There are times when saving for retirement will likely need to take a back seat--for example, if you're between jobs, at home caring for children, or amassing funds for a down payment on a home. However, by starting to save for retirement early, not only do you put yourself in the best possible position to take advantage of compounding, but you get into the retirement mindset, which hopefully makes you more likely to resume contributions as soon as you can.

Myth No. 2: A retirement target date fund puts me on investment autopilot

Reality: Not necessarily. Retirement target date mutual funds--funds that automatically adjust to a more conservative asset mix as you approach retirement and the fund's target date--are appealing to retirement investors because the fund assumes the job of reallocating the asset mix over time. But these funds can vary quite a bit. Even funds with the same target date can vary in their exposure to stocks.

If you decide to invest in a retirement target date fund, make sure you understand the fund's "glide path," which refers to how the asset allocation will change over time, including when it turns the most conservative. You should also compare fees among similar target date funds.

Myth No. 3: I should invest primarily in bonds rather than stocks as I get older

Reality: Not necessarily. A common guideline is to subtract your age from 100 to determine the percentage of stocks you should have in your portfolio, with the remainder in bonds and cash alternatives. But this strategy may need some updating for two reasons. One, with more retirements lasting 25 years or longer, your savings could be threatened by years of inflation. Though inflation is relatively low right now, it's possible that it may get worse in coming years, and historically, stocks have had a better chance than bonds of beating inflation over the long term (though keep in mind that past performance is no guarantee of future results). And two, because interest rates are bound to rise eventually, bond prices could be threatened since they tend to move in the opposite direction from interest rates.

Myth No. 4: I will need much less income in retirement

Reality: Maybe, but it might be a mistake to count on it. In fact, in the early years of retirement, you may find that you spend just as much money, or maybe more, than when you were working, especially if you are still paying a mortgage and possibly other loans like auto or college-related loans.

Even if you pay off your mortgage and other loans, you'll still be on the hook for utilities, property maintenance and insurance, property taxes, federal (and maybe state) income taxes, and other insurance costs, along with food, transportation, and miscellaneous personal items. Wild card expenses during retirement--meaning they can vary dramatically from person to person--include travel/leisure costs, health-care costs, financial help for adult children, and expenses related to grandchildren. Because spending habits in retirement can vary widely, it's a good idea as you approach retirement to analyze what expenses you expect to have when you retire.

Flournoy Wealth Management
Pam Flournoy, CFP®
LPL Financial Advisor
1165 Lincoln Ave #330
San Jose, CA 95125
408-271-8800
408-887-8704
pam.flournoy@lpl.com
www.flournoywealthmanagement.com

What are health Exchanges and do I have to buy health insurance through them?

A health insurance Exchange is essentially a one-stop health insurance marketplace. Exchanges are not issuers of health insurance. Rather, they contract with insurance companies who then make their insurance coverage available for examination and purchase through the Exchange. In essence, Exchanges are designed to bring buyers and sellers of health insurance together, with the goal of increasing access to affordable coverage.

The Patient Protection and Affordable Care Act does not require that anyone buy coverage through an Exchange. However, beginning in 2014, each state will have one Exchange for individuals and one for small businesses (or they may combine them). States have the option of running their own state-based Exchange or partnering with the federal government to operate a federally facilitated Exchange. States not making a choice default to a federally run Exchange.

Through an Exchange, you can compare private health plans based on coverage options, deductibles, and cost; get direct answers to questions about coverage options and eligibility for tax credits, cost-sharing reductions, or subsidies; and obtain information on a provider's claims payment policies and practices, denied claims history, and payment policy for out-of-network benefits.

Policies sold through an Exchange must meet certain requirements. Exchange policies can't impose lifetime limits on the dollar value of coverage, nor may plans place annual limits on the dollar value of coverage. Insurance must also be "guaranteed renewable" and can only be cancelled in cases of fraud. And Exchanges can only offer qualified health plans that cover essential benefits.

In order to be eligible to participate in an individual Exchange:

- You must be a U.S. citizen, national, or noncitizen lawfully present in the United States
- You cannot be incarcerated
- You must meet applicable state residency standards

I already have health insurance. Will I have to change my plan because of the new health-care reform law?

For the most part, no. The Patient Protection and Affordable Care Act (ACA) does not require you to change insurance plans, as long as your plan, whether issued privately or through your employer, meets certain minimum requirements. In fact, the ACA may add benefits to your existing plan that you have not had before.

Your present insurance plan may be considered a grandfathered plan under the ACA if your plan has been continually in existence since March 23, 2010 (the date of enactment of the ACA), and has not significantly cut or reduced benefits, raised co-insurance charges, significantly raised co-payments or deductibles, and your employer contribution toward the cost of the plan hasn't significantly decreased. However, if a grandfathered plan significantly reduces your benefits, decreases the annual dollar limit of coverage, or increases your out-of-pocket spending above what it was on March 23, 2010, then the plan will lose its grandfathered status.

Some provisions of the ACA apply to all plans, including grandfathered plans. These provisions include:

- No lifetime limits on the dollar cost of coverage provided by the plan
- Coverage can't be rescinded or cancelled due to illness or medical condition
- Coverage must be extended to adult dependents up to age 26

The ACA doesn't apply to all types of insurance. For example, the law doesn't apply to property and casualty insurance such as automobile insurance, homeowners insurance, and umbrella liability coverage. The ACA also doesn't affect life, accident, disability, and workers' compensation insurance. Nor does the law apply to long-term care insurance, nursing home insurance, and home health-care plans, as long as they're sold as stand-alone plans and are not part of a health plan. Medicare supplement insurance (Medigap) is generally not covered by the ACA if it's sold as a separate plan and not as part of a health insurance policy.

Flournoy Wealth Management