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POA: PUZZLE OF ADVERSITY

By Fred Dunbar

Generally for this issue, I like to add some holiday cheer for all and to keep everything uplifting. It doesn't always work since every once in a while, something happens in life that is unexpected.

As I write this article on Oct. 24, we have less than two weeks before the midterm elections. There are 35 Senate seats up for election this year along with all 435 seats in the House of Representatives. If I could provide one gift to you, it would be an election that would restore peace and harmony throughout our country. The outcome of the election might have a bearing on how your investments perform through year-end, next year, and into 2020.

Year-to-date, we have had two significant market downturns: Jan. 26 to Feb. 8, and March 9 to 23. Each time, people would have a sense of panic that maybe this is the big one. We're now in our third downturn this year, one that started Oct. 3 and is still dropping as I write. One thing you might not have heard too much about this year is that the Chinese Stock Market (Shanghai composite) is down almost 30 percent. Brad McMillan, the chief investment officer at Commonwealth Financial Network, has said, "... don't panic. Don't treat this volatility as a disaster. Do pay attention. Use it as an opportunity to prepare yourself and your portfolio to ride out anything that happens next, good or bad."

Here are a couple of things you should focus on as we approach the end of the year. First and foremost, look to rebalance your portfolio to make sure that you are comfortable with your risk level. Review your non-retirement investments to see if you can make any changes that allow you to harvest tax losses. If so, look to trim some of the capital gains that you might have in these accounts in light of the strong stock-market returns we have had over the past 9 years.

It appears that the Federal Reserve will continue to raise interest rates. Many believe we will see one more rate increase this year and as many as three rate increases in 2019. That is not a shock. Next year appears to be one where many will be focused on inflation. It also appears that most financial analysts are pointing at 2020 for when our economy will be affected by a recession. That does not mean that on Jan. 1, 2020, the economy will sink into a recession. It could happen a quarter or two earlier in 2019 or midway through 2020. So, make sure you do your homework and that you are extremely comfortable with the risk you have in your portfolio.

Also, year-end is the perfect time to review your estate documents. For most, this encompasses your last will and testament, advanced healthcare directive, durable power of attorney, and maybe a trust document.

Today, I want to focus on the durable power of attorney document. A durable power of attorney is nothing more than a document that stays in effect if you become incapacitated and you're not able to handle your affairs. The individual you name in a durable power of attorney document is called the agent (POA) and must acknowledge by signature that he or she is willing to act as your agent on your behalf. Usually your POA is someone you know and trust, someone who cares about you in return, so the effort made in keeping up your affairs is imperative to reduce both the emotional and situational burden on your loved ones.

Now, just because you have a durable power of attorney document in place doesn't mean you're done. Make sure you have a plan in place if there are any issues.

We had a couple in which the spouse (we'll call her Marie) was diagnosed with Alzheimer's several years ago. This couple became more reclusive with the progression of Marie's disease. Not wanting to make things worse, the husband (we'll call him Francis), who was the caregiver, might or might not have shared with Marie the severity of her disease. Even if he did, she wouldn't have remembered. There were a few years difference in age, but he figured he would outlive her. Being the loving husband, Francis never told Marie she was no longer allowed to drive but kept her car in the driveway. When she wanted to drive, he would say, "No, honey, let me drive," which she always did. This couple also did the right thing even when it came to their mail. Instead of throwing out certain junk mail (credit-card applications, loan offers, etc.), they shredded them. Francis and Marie never decided to downsize their home and move into an all-inclusive community, which was something we discussed over the last two years. The concern was to make sure Marie could get into a retirement community while she could still pass the cognitive tests.

Well, unfortunately Francis died first at age 64. Unexpected, for sure, but no worries, he had his estate in order – or did he? Marie was the executrix of his estate but could not do it. That's OK, there was a successive executor named. There was a POA for Marie with Francis as agent. Again, that was fine since there was a successive agent named in the POA.

Now the surprise for the agent of the power of attorney: There was no plan in place for Marie's health care. The POA not only had to straighten out her finances, but he also had to come up with a health-care plan for Marie due to her Alzheimer's. Eventually, this woman will be moved to an assisted-living facility with a memory-care unit. In the meantime, she is receiving care 24 hours a day, seven days a week, in her home. Oh, by the way, Marie also suffers from sundown syndrome. Sundowning can cause a variety of behaviors such as confusion, anxiety and aggression, which can get worse in late afternoon or evening. Also, Marie does not want anyone in her home. I mentioned that Francis and Marie did the right thing by shredding certain pieces of mail. Well, the POA cannot find any bills, since evidently Marie shreds everything as soon as the mail is received. Again, it's not the end of the world, but

this makes it more difficult on the POA. For the POA, it is like doing a puzzle from the center out with no borders. It can be done, but it's extremely difficult. Conversations with Marie are sometimes challenging, as the most common answer to any question is, "I don't know."

So, if this story seems familiar to you, please give your loved ones a gift, especially for the person who will act on your behalf at your death or as an agent under a POA. Make sure you have a plan in place for your spouse or partner. Don't leave it to chance. If you are aware of a problem, deal with it, and decide while you can. Certainly, Francis did not expect to pass before his Marie.

I hope you and yours have a joyous holiday and that 2019 is a year of good health, happiness and prosperity!

Fred Dunbar, CLU, ChFC, RFC, AIF®, is President of Planning Directions, Inc., a registered investment adviser, and Common Cents Planning, Inc. He is also a registered representative of and offers securities through Commonwealth Financial Network, member FINRA/SIPC. Advisory services offered through Planning Directions, and fixed insurance products and services offered by Common Cents Planning, are separate and unrelated to Commonwealth. Fred may be contacted at 800-647-0762, by e-mail at fdunbar@commoncentsplanning.com or by mail at 239 Baltimore Pike, Glen Mills, PA, 19342. He's always happy to meet with you 'down the shore' at 6606 Central Avenue N. Sea Isle City, NJ. 08243.