"En Garde" Seniors!

By Evelyn R. Preston

Recently, shuffling my purse and packages, I dropped my house key in a friend's car and without an extra one outside or at neighbors, only sheer luck saved the day. Sad experience proves that as we age, we need to be ever more aware and on the alert. We need to pay attention to both the little things, like keys and wallets—and the big stuff, such as unexpected distributions in our investment funds.

Late last fall, I withdrew a lump sum from my mutual funds that would be taxed as capital gains. I was unaware of a huge, soon-to-be-sent year-end dividend— reinvested cash I should have used because it's taxed whether I withdrew it or not. The fund company had sent no notice as in previous years and I never thought to ask about a possible December payout.

Question: *Why did many mutual funds pay big dividends in 2012?*

Answer: The recovery these last few years caused an imbalance in many funds that skewed their mandated objectives. Also, many fund managers paid out this extra cash at the current low tax rates which will most likely rise in the years ahead.

Question: *I'm over 70 ½ and will need to take the required minimum distribution (RMD) from my IRA this year. Can I wait until the tax deadline in April 2014 to withdraw funds due for 2013?*

Answer: No…unlike investing in an IRA, RMDs must be withdrawn during the calendar year in which they come due. The amount is based on the previous year end/December 31 (2012) value. If possible, it's a good idea to set up an automatic annual redemption plan. A mutual fund company will make the IRS approved, age appropriate calculations. Remember, although you can withdraw the RMD from one qualified source (mutual funds, CDs, 401Ks, etc.) you must be sure to add up the total of all your tax deferred accounts or separately redeem the correct RMD amount from each.

Question: *Being older, I like having automatic bill paying, direct deposits, etc. but it's hard for me to follow all these transactions on-line. Besides constantly calling the bank and credit card companies, how can I ensure that my money is being correctly transferred?*

Answer: Time flies, active seniors keep on the go and it's all too easy to miss a payment deadline or misplace an invoice or deposit. I, too, enjoy the freedom and safety of automatic transactions, especially if I'm traveling but I'm all too wary of possible web-based or computer errors. I insist on keeping a paper trail, receiving statements and bills via mail (also doing my bit for the US Postal Service). I check receipts against credit charges and reconcile my checkbook up to the penny then match the balance to my on-line account. To keep or shred is up to the individual, but crosschecking offers mental and financial rewards. More than ever, you'll know where your money is!

Question: *My spouse used to take care of all our financial matters. Although I have an estate attorney, a CPA and an investment adviser, now that I'm alone, I'm not sure how best to handle all the smaller, day-to-day bills and accounts.*

Answer: How I wish I could ask my husband about the pool pump! However, after four years on my own, it's easy, satisfying and fun to handle my own affairs. Of course, it's cost-effective to hire experts, like a pool service, for complicated jobs that require specialized maintenance. However, I play the thermostat like a virtuoso, lower lights and only run a packed dishwasher to shave utility costs. I schedule home maintenance checks (termites, roof, sewers, etc.) to avoid expensive surprises, compare companies I hire and move forward on a partial remodel to enhance the value of my home. Being in charge, cost conscious and careful, I'm neither stinting nor over-spending. Because I pay the bills, keep clear records, ask questions and learn from—rather than lament—my mistakes, I'm solvent and sleeping well. Even a lifelong division of labor with a partner doesn't preclude knowing what it takes to carry the load alone.

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