



Financial Choices

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ASSET PROTECTION

One of the biggest ways of depleting wealth for our Nation's Seniors is with medical care, more specifically, nursing home or assisted living facilities. This cost can run from \$35,000 to over \$70,000 per year. On average, it would require more than \$150,000 for the average three year stay in such a facility.

A better way than using one's accumulated wealth to pay for these costs is to out-source the risk, transferring it to an insurance company. If the cost was \$2,000 per year to be assured that the higher costs would be paid on your behalf, that is less than 1.5% per year of one's \$150,000 nestegg. If the nestegg is five times that amount, the insurance coverage is still the same price, and it becomes only three-tenths of one percent. Most would agree that this amount is negligible compared to using full value dollars from the nestegg.

It isn't rocket science, \$2,000 per year or \$50,000 per year. The hard part is not knowing if you will ever need to utilize such a facility. Here are some facts: 13% of our population is age 65 or older, and 43% of persons in that group will utilize the special services of such a facility.

Nursing homes began in the U. S., as most other countries have kept their aging and ailing parents and relatives in the homes of the grown children or other relatives. The mass movement in the United States is for families to avail themselves of the special services of independent facilities that can provide around the clock care. Such care often varies with facilities.

Full government funding checks one in at the lowest grade of care and expertise. Granted, the facility has to meet minimum standards. One paying for top care may get a country club type facility with better skilled workers. A luxury décor helps with one's comfort and feeling of well-being. Such a place is much easier to call "home".

The government rules for qualifying for Medicaid (a welfare-type State program subsidized by the Federal Government) are such that one has to be close to penniless to qualify. The details of the Medicaid program in Louisiana are featured each month in this publication in a series of articles written by Elder Law Attorney, Joe Gilsoul. You can acquire the entire series by calling his office noted on page three, or by calling Horton Financial Services.

Some folks with whom we work may use Medicaid for their parents. Sometimes, it may be only partial coverage, with the rest paid out-of-pocket by the parent or the child. Others use the fully insured plan where the insurance company pays the benefits, often including at-home services.



Raymond C. Horton, Sr.
Editor & Publisher

The "Financial Choices" bi-monthly newsletter is dedicated to the idea of making good choices, financial or otherwise, and is distributed to our firm's clients, professional peers, potential networking professionals, and potential clients to inform and to strengthen relationships, present and future.

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Stock Indexes

Standard & Poor will be coming out with a suite of new index funds this fall. Index funds are unmanaged funds that reflect the changes in the particular index, less applicable fees.

The most common stock indexes are:

- S&P 500
- S&P MidCap
- Dow Transports
- Dow Utilities
- NYSE Composite
- Nasdaq 100
- Russell 2000
- Amex Composite
- Dow Jones Wilshire 5000

One cannot invest directly into an index.

By the way...

The Senate has put off the vote on the death tax. Other pressing issues have arisen, such as Supreme Court nominees and hurricane blame. Most Republicans want to do away with the Estate Tax entirely, which the House of Representatives have already voted to do. Democrats, however, wish to hold onto it for government funding. The President is also in favor of eliminating it, but there might not be enough votes in the Senate to do that. Some sort of compromise with a higher exemption is expected by many legal and tax experts.

LIFE INSURANCE

Most persons do not understand life insurance. Most will agree that they need life insurance, and will purchase less than needed at the lowest premium possible. Others more informed will buy as much permanent life insurance as he or she can acquire and pay as much as possible into it. That statement sounds bizarre, but only to those who do not understand how it works. This applies to the brightest minds on the planet, as well as ordinary citizens. If one doesn't know, he or she just doesn't know, nothing more or less. One's biases often get in the way of one's understanding of the uniqueness of permanent life insurance with its inherent tax advantages. The typical response of one just shown how it works is "I didn't know it worked like that!" The uses of "living" benefits, with their favorable tax treatment make the properly designed product both an essential foundational asset and portfolio complement. Life Insurance is "property" in a form not commonly thought to be so.

Did You Know?

- Sleep deprivation is mostly physiological, voluntary and imposed by one's environment.
- "An investment in knowledge always pays the best interest." Ben Franklin
- Mexico supplies the United States more illegal drugs than any other country, including 85% of all methamphetamine in the U.S.
- The U. S. national debt is \$7.9 trillion, with annual interest of \$321.6 billion, more than the GDP of Egypt.
- Stem cells from the bone marrow of a pig have been used to regenerate the pig's damaged heart and arteries.
- Money is a tool. It has no life of its own. It can be used for right or wrong, good or evil. It has no emotion. It does not care.
- Money problems may be the manifestation of other problems, such as misjudgment, mismanagement, or a lack of good ideas.
- International investments often counter-balance those in the domestic economy, and could be used in a diversification strategy.
- As of 07/31/05 the S&P 500 Index for one year stood at 14.05%; 7.17% for the last three months, yet only 2.88% year-to-date.
- Social Security pays an average of 40% of one's pre-retirement annual wages. The average retirement is 18 years.
- Robert Pershing Wadlow, the world's tallest man at 8 feet, 11 inches, worked for the International Shoe Co. and wore size 37.
- Financial security doesn't just happen. It takes planning and commitment.
- The first Postmaster General of the United States was Benjamin Franklin in 1753.
- Wal-Mart is the world's largest corporation. 2004 sales were \$244.5 billion.
- Willie Mays began his professional baseball career at age 17 with the "Black Barons" of the Negro National League.
- Engineering students at Ohio State University produced the fastest electric car, the "Buckeye Bullet". It clocked 257 mph.
- September is National Disaster Preparedness Month.

OPINION

The will of the human mind is practically impervious, enabling us to accomplish almost anything we desire. So, why can't we figure out how to diffuse a hurricane? I believe that someday we will be able to render a category 3, 4, 5, 6, or even a 7 virtually harmless. I am not a scientist, but as a Nation, we have some bright ones, and even brighter ones to come along in the future.

Someday, one of these very bright scientists will develop a solution to the horrendous disasters these products of Mother Nature spin. I do not believe it will have anything to do with flying into the storm. I see it more likened to some sort of chemical laser beam that can be projected from a safe distance away into the hurricane, or tornado that will change its nature, its velocity, and will dump its moisture contents at the point of diffusion, or be programmed to dispense over time.

The person or persons who develop this process will hold a permanent place of honor in the history of mankind for saving future countless lives and billions or trillions in property damage. We can go to the moon. We can build architectural wonders. We can advance medical care beyond belief. We can clone animals. We can will ourselves well or sick. Why can't we stop a hurricane? This opinion is not "news"; just the editor's imagination.

THE ECONOMY

The economy grew at a 3.8% pace during the first quarter, and 3.4% (more than expected) during the second quarter. The demand for durable goods continued to grow.

Alan Greenspan, Chairman of the Federal Reserve, says that our economy is on a solid path, and he foresees the continuation of increases in the short-term interest rates in the near future. We have had eleven consecutive .25 basis points increases. Expect more of the same.

New jobs increased 270,000 in June, 32,000 in July, 144,000 in August and 96,000 in September. The nation's unemployment rate stood at 4.9% until Hurricanes pushed that number up. The disasters will no doubt create many jobs after the initial losses while also running up the national debt, which will continue to drop the value of the dollar.

Housing and construction are still doing well, supporting a good economy. Long-term mortgage rates still remain low, as they do not precisely track with the short-term interest rates. However, recent small increases have been noted.

KATRINA***Hot Ideas !***

How much can be said in a short article about the biggest natural disaster in U.S. history? Just too bad. Just too sad. The horrific suffering endured by so many persons, and the enormous loss of life and property paints a difficult scenario for a silver lining. What good can come from it?

- Rescue and relief efforts will likely improve.
- Recognition of potential disasters will likely improve.
- Jobs for many years to come will appear in rebuilding.
- Corruption and graft will become more transparent.
- Bolting many out of persistent poverty into production.
- A chance for a new life with hope for the future.
- The value of relationships may become more evident.
- The giving nature of the American people uniting us. The benefits will come from a pro-active and positive approach to recovery and discovery of new opportunities.

The “Hot Idea” for this issue is **Long-Term Care**. Who wants it? Who needs it?

There is long-term care, and then there is long-term care insurance. Not everyone wants long-term care insurance. That is, until they need long-term care. Of course, then it is too late to acquire it.

Most seniors expect their families to take care of them. The sad truth is that few children care for their aging and ailing parents, at least not completely.

Many medical conditions of seniors are progressive in nature. The senior will generally believe they will be fine staying in their own home caring for themselves. However, there usually comes a time when the senior does need special care.

The very rich and the very poor do not need the coverage. Everyone else does or will at some point in time.

10 MEDICAID MYTHS

You probably know that Medicaid will pay for your long term nursing home care if you meet certain limitations on income and assets. But, **most people misunderstand the Medicaid eligibility rules**. This series, “10 Medicaid Myths,” discusses the most common misconceptions.

Medicaid Myth # 8

“If I put my children on my bank accounts, the money will be considered theirs when I apply for Medicaid.”

Sounds too easy, and it is. If you allow someone else’s name to be added to a bank account, the account is still yours. For “joint” accounts, the rule in Louisiana is that the true owner of the account is the person who deposited the money into the account.

It is even possible that your name is not on the account at all and it will be considered yours, if the person named on the account is just holding the money for you. To divest yourself of an asset, you must give it away completely, with no strings attached – no right to reclaim it and no understanding between you and the other person, usually your child, that the money is really yours.

Aside from Medicaid, joint accounts are often a bad idea. The person who is listed as co-owner has the legal right to withdraw the money without your consent. This loss of control may not be what you had in mind. There are better ways. And what if the co-owner is sued or dies? You may then have to prove that the money is yours, which can force you to pay a lawyer a lot of money just to enforce your right to keep it.

Finally, when you die, the co-owner may withdraw the money without court order. This may be ok with you, so long as you want that one child to have the money, but your executor may demand that the child return the money to your estate to pay debts or to distribute to your other heirs.

For more details and a free booklet on Medicaid Planning in Louisiana, and/or Estate Planning in Louisiana, please call my office and ask to speak to one of my staff, or just email your request to me.

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Meeting Financial Challenges Every Day!

**We are on the web. Visit us
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About Our Practice

For forty years, we have been helping people solve financial problems. The slogan of Horton Financial Services is **“Meeting Financial Challenges Every Day”!**

Our firm is paid for distributing insurance and investment products, but the nature of our business is **“planning”**, working with each client, one at a time, to help them achieve certain financial objectives.

We have never focused upon our personal income, but upon doing the right thing for the client, always considering the income a by-product of our service.

We have impacted over 3,000 lives in a positive way over the years, and continue to grow our business, typically upon referrals from existing satisfied clients, investors and contract holders.

Our pledge to you is that we will always strive to do the right thing for you, and to merit your trust and confidence.

Raymond C. Horton, Sr.

THIS ‘N THAT

- An “estate tax” was an essential element in Karl Marx’s 1848 essay **“Communist Manifesto”**. It was seen as a socialistic tool to re-distribute the wealth.
- Cigarettes, used as directed, kill more than 400,000 Americans every year. 87% of all lung cancer is caused by cigarettes. A female, non-smoking spouse of a smoker is 30% more likely to die of lung cancer, than a female, non-smoking spouse of a non-smoker.
- Use of sex as an advancement tool at work or flirting in the workplace has been determined to be detrimental to a woman’s career by management scholars and researchers at Tulane University. Those who did typically had low self-esteem and were devalued by their co-workers. Could it also be that those who did not use sexuality at work did not feel a need to do so?
- Women who had regularly eaten French Fries as children have a 27% greater change to have breast cancer. In adulthood, among the best preventive measures is proper diet and exercise to boost the immune system and general good health.
- There are more than ten thousand mutual funds. This vast number is largely a reflection of their great appeal to society, particularly for providing a way for most citizens to buy into corporate America with very low minimum deposits.
- Charitable contributions are so popular that one million charities are currently operating in the U.S. The one trillion dollar industry is bigger than the gross domestic product of all but six countries. Charitable gifts play a big part in Estate Planning.
- Then there was the fellow who sat in his banker’s office and proclaimed, “I want to borrow enough money to get out of debt”.
- The Illinois Supreme Court reversed a \$1.08 billion judgment against State Farm Insurance Company that had to do with the insurer using generic parts in vehicle repairs, saying the plaintiff failed to establish damages.

Past Issues

Past issues of **“Financial Choices”** can be seen on our website, [“www.HortonFinancial.com”](http://www.HortonFinancial.com).

Sources include:

- The National Underwriter Company
- Wall Street Journal
- Fox Financial News
- The Shreveport Times
- Dow Jones
- National Assn of Ins. & Fin. Advisors
- American Health Insurance Assn.
- The Associated Press
- Million Dollar Round Table
- Cable News Network
- Society of Financial Service Professionals
- Reuters News Service
- Center for Disease Control & Prevention
- Employee Benefit Research Institute
- Fortune
- Worth
- Carillon Investments, Inc.
- Advisor Today
- Bureau of Labor Statistics
- ABC, NBC, CBS, CNBC, Fox News
- Editorial knowledge