

2. Finances

The need for long-term care services can occur at any age. Approximately 40% of long-term care service users are working age adults. Younger people need long-term care because of certain diseases, car accidents, strokes and other disabling events.

Planning for your future financial needs can ensure your continued independence and well-being as you age. Planning ahead has many advantages, including:

- ❑ Time to think through, clarify, and communicate your goals and needs
- ❑ Opportunity to control your choices and options
- ❑ Financial security
- ❑ Peace of mind

Long-Term Care Costs

Paying for long-term care can be financially devastating if you haven't planned for it. Most long-term care expenses are not covered by Medicare or other health care insurance plans, and the costs can be staggering should you require around-the-clock care. The average one-year stay in a New Jersey nursing home in 2009 is estimated to cost \$80,300. At that price, a lifetime of savings could quickly dwindle away.

Long-term care insurance can help control costs and protect family assets. For more information, see the **Insurance** section as well as the document, *Who Pays for Long-Term Care?* located in **Appendix BB**.

Financial Planning

You may be worried about how to make the best long-term care decisions without compromising your family's overall economic security. The following questions may help you clarify your concerns:

- ❑ What is your financial picture?
- ❑ What long-term care services can you afford?
- ❑ Does insurance cover any of these expenses?
- ❑ How can you find out if you are eligible for assistance paying for long-term care services?
- ❑ Is there any financial assistance for lower-income and middle-income families?
- ❑ Who in the family needs to be consulted about paying for long-term care services? Can other family members help pay for services?

Start Planning Now

Start planning now for your future needs or those of your loved ones. A good financial plan for everyone should include:

- ❑ A monthly budget with income and expenses.
- ❑ A budget for large capital expenses over a three-to-five-year period.
- ❑ A review of health insurance plan(s) to determine what is covered and what is not.
- ❑ An overview of all assets and debts.
- ❑ A plan for someone to handle finances and decision-making in case you are unable to.

Resources to assist you include:

- ❑ **Medicare** has a long-term care planning tool posted on their website at www.medicare.gov/LTCPlanning.
- ❑ **The U.S. Department of Health and Human Services** maintains a website on long-term care planning at www.longtermcare.gov.
- ❑ **AARP** has an extensive section on investing and retirement planning on their website at www.aarp.org/money.

To begin planning for yourself or a loved one, or to prepare for working with a financial planner, you will need to analyze two things:

- ❑ Cash flow – determined by calculating current income and expenses including health insurance
- ❑ Net worth – the current value of all assets (including your house) after you have subtracted all debts

Start by locating all important financial and legal records and documents. Use the *List of Important Documents (Appendix CC)* to help you. It is also important to review beneficiary designations on any life insurance policies, annuity contracts, and 401K/IRA accounts to make sure they are current. You should also have a Power of Attorney or letter of permission for the individual who is to assist you, so that information, including financial accounts and insurance policies, can be discussed in your absence. A good financial analysis should include the following:

- ❑ Current income
- ❑ Current expenses
- ❑ Insurance coverage
- ❑ Assets
- ❑ Debts

Professional Financial Planners

You may want to think through these difficult financial and legal issues by talking with a professional financial planner, an attorney specializing in elder or disability law, or a geriatric or disability care specialist. These are good places to find such assistance and useful information about financial and long-term care planning.

- ❑ **Financial Planning Association**, telephone: **1-800-322-4237**; website: **www.fpanet.org**.
- ❑ **New Jersey State Bar Association**, telephone: **732 249-5000**; website: **www.njsba.com**.

Financing Long-Term Care

There are several options available to finance long-term care expenses. Some options may not be appropriate or available for everyone. It is important to assess your circumstances when evaluating each of these options.

Home Equity Conversions

Home equity conversions are methods that allow homeowners access to the equity tied up in their homes without being forced to move or repay a loan from limited income. While there are several forms of home equity conversions, the most common are sale/leaseback and reverse mortgage.

Sale/Leaseback

Under a sale/leaseback, an investor purchases the homeowner's home and grants the seller a life tenancy. The seller may receive a lump sum payment from which a life annuity is purchased, or may receive monthly mortgage payments from which the rent is deducted. The specific arrangement is often dictated by tax considerations. An advantage of this approach is that the seller's income is protected against the buyer's default by the mortgage and annuity purchased at the time of sale.

Reverse Mortgage

A Reverse mortgage is a loan made by a lender to a homeowner, which provides a lump sum, a line of credit or monthly payments to the homeowner. Typically, the loan does not have to be repaid until the homeowner moves, sells or dies. The money received from the lender is not counted as income for purposes of eligibility for public benefits, such as Medicaid, Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps) or SSI.

For additional information contact:

- ❑ NJ Department of Health & Senior Services, **Division of Aging and Community Services** by calling **1-800-792-8820**, or visit **www.aging.nj.gov**.
- ❑ **NJ Housing and Mortgage Finance Agency** at **1-800-NJ-HOUSE (1-800-654-6873)**, or visit their website at **www.state.nj.us/dca/hmfa/consu/owners/revers** to obtain their reverse mortgage fact sheet.
- ❑ See also the **Insurance** section of this handbook for information related to long-term care insurance, life insurance, and long-term care annuities.

Federal/Statewide Financial Benefits for the Aged and the Disabled

Income Maintenance

Income maintenance is not easily defined, but in principle it broadly means those state funds that enhance the capacity to earn an income or those which sustain a level of income or reduce living expenses when normal sources fail.

Social Security

The Social Security system is designed to provide insured workers and their dependents or survivors with some protection against the loss of worker's income due to retirement, disability, or death. Created in 1935, the system is administered by the U.S. Social Security Administration and is divided into four parts:

- ❑ Old Age
- ❑ Survivors
- ❑ Disability
- ❑ Health insurance programs

Coverage

The Social Security program automatically covers almost all workers. Workers in non-profit organizations and government entities should check with their employers to verify membership in the Social Security program.

Benefit Eligibility

Eligibility is based on contributions to the system during the working life of the individual. Benefits are financed by payroll taxes paid jointly by employers and employees and by the self-employed. To receive benefits, persons must have a sufficient number of credits, usually 40 (10 years of work). You can visit **www.socialsecurity.gov** and use the "Benefit Eligibility Screening Tool" to find out if you may be eligible for SSA or other benefits.

Social Security Protection Act of 2004 (Public Law 108-203)

Under this law, which covers retirements effective July 1, 2004, public employees are required to work in jobs covered by Social Security for the last five years (60 months) of their careers in order to be eligible for both Social Security and Pension Benefits.

Retirement Age/Benefits

Workers covered by Social Security may retire with full benefits at age 65 if they were born in 1937 or earlier. The normal retirement age (NRA) for full benefits will increase to age 67 in 2022.

Delayed Retirement Credit

The delayed retirement credit increases Social Security benefits for every month a person of normal retirement age remains employed and delays receiving benefits. The amount of the delayed retirement credit depends on the year you reach retirement age and the number of months you are eligible for and do not receive benefits.

Earnings Limitations

Social Security no longer places restrictions on earnings for beneficiaries above the normal retirement age.

Direct Deposit

Individuals who currently get Social Security or other federal benefits by check in the mail can now have those benefits deposited directly into their checking or savings accounts instead. Direct deposit is convenient and helps protect you from having your check and/or your identity stolen. To sign up for direct deposit call **1-800-333-1795**, or sign up on-line at **www.godirect.org**. It takes just a few minutes and can make a big difference in your financial safety.

Social Security Benefit Statement/Taxes

In January of each year, the Social Security Administration will send each beneficiary a Social Security Benefit Statement (Form SSA-1099-SM). This statement tells you how much you received in Social Security benefits during the previous year and provides a worksheet to determine if any of your benefits are taxable.

- To assist persons in knowing what their benefits are, or will be, the **Social Security Administration** maintains a nationwide, 24-hour toll-free information and assistance service at **1-800-772-1213 (TTY 1-800-325-0778)**. All information is confidential and must be requested by the recipient/prospective recipient personally.

Social Security Disability Insurance

Eligibility

Workers who become severely disabled while employed may be eligible for monthly benefits before age 65. However, to be eligible for disability benefits, a worker must be covered by Social Security and should apply for such benefits as soon as possible after the onset of the disability.

Initial Determination of Impairment

In NJ, the Department of Labor and Workforce Development makes the initial determination of disability. They will use the medical evidence from your doctors and hospitals, clinics or institutions where you have been treated and all other

information, which must show as a result of the impairment, “substantial gainful” employment cannot be performed for at least twelve months. In addition to medical impairments, vocational capacities, including age, education, and work experience, is evaluated.

- Because Disability Insurance is one of the most complicated of all Social Security programs, you should call, visit or go on-line to Social Security’s website for more in-depth information.

Survivors Benefits

Social Security Survivors Insurance provides monthly cash benefits to the spouse/divorced spouse or unmarried child(ren) of a deceased worker based on the worker’s earnings record. If the beneficiary is employed, his/her earnings and age will affect the amount of monthly benefits received. Survivor benefits can be paid only if the deceased worker had credit for a certain amount of work in employment/self-employment covered by Social Security. The exact number of work credits needed depends on the age of the worker at time of death.

Lump Sum Death Payment

In addition to any monthly survivor insurance benefits, there is a special one-time payment of \$255. This payment can be made to your spouse or child if they meet certain requirements.

- Information on the above programs is available at local **Social Security** offices, from their toll-free service at **1-800-772-1213 (TTY 1-800-325-0778)**, or on their website, **www.socialsecurity.gov**.

Veterans’ Death Benefits

Death benefits may be provided to eligible widow(er)s, and children of qualified veterans. Survivors may also take advantage of burial expense assistance – burial flags, headstone or grave markers, burial plot in a national cemetery, memorial marker, or memorial plots. If the death is service related, the VA will pay up to \$1,500 toward the burial expenses. If the death is non-service related, the VA will pay up to \$300 toward burial and funeral expenses and a \$150 plot interment allowance.

- To contact the **U.S. Department of Veterans Affairs (VA)** call **1-800-827-1000**, or your local VA Office (**Appendix R**), or visit them on the web at **www.va.gov**.

Supplemental Security Income (SSI) Program

The Supplemental Security Income Program (SSI) is a federally administered program that provides income to eligible persons 65 or older, or individuals who are blind or disabled. It provides cash to meet basic needs for food, clothing, and shelter. People who get SSI usually also qualify for Supplemental Nutrition

Assistance Program (SNAP, formerly known as Food Stamps) and Medicaid/NJ FamilyCare. SSI differs from Social Security in that it is based on a person's income and resources (assets), and is funded by the general revenues of the US Treasury, not by the Social Security Trust Fund.

SSI Income Limitations

The amount of income you can have each month and still get SSI depends partly on the State in which you reside and your living arrangement. Social Security does not count all of your income in deciding eligibility. For example, as of 2009, they do not count:

- ❑ The first \$20 of SSD (Social Security Disability) income received in a month
- ❑ The first \$65 a month you earn from working and half the amount over \$65
- ❑ Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps) Most food, clothing or shelter you get from private nonprofit organizations
- ❑ Most home energy assistance
- ❑ Scholarship assistance for most tuition and fees
- ❑ Earnings of a disabled child (18-21) who is a student

SSI Resource Limitations

Resources are things you own, such as personal belongings, bank accounts, cash, or stocks and bonds. A single person may be able to get SSI with resources of up to \$2,000; a couple may be able to get SSI with resources of up to \$3,000. Not counted as resources are:

- ❑ The home you live in and the land it's on
- ❑ Personal and household goods, depending on their value
- ❑ Car, if used for essential transportation, or if worth \$4,500 or less
- ❑ Certain monies set aside for burial are not counted
- ❑ If you are blind or have a disability, some items may not count if you plan to use them to work or earn extra income

SSI Applications, Appeals, Information

Persons who have been denied SSI, or had their payments stopped or reduced, have certain appeal procedures available to them free of charge.

- ❑ To apply for SSI, initiate an appeal, or request more information, please contact the nearest **Social Security** office, call their toll-free service at **1-800-772-1213 (TTY 1-800-325-0778)**, or visit their website at **www.socialsecurity.gov**.

Railroad Retirement

Under the Railroad Retirement and Railroad Unemployment Insurance Acts, the

federal Railroad Retirement Board administers retirement and survivor, unemployment and sickness benefit programs for railroad workers and their families. In addition, the Railroad Retirement Board has administrative responsibilities for certain benefit payments and/or Medicare coverage for railroad workers.

Railroad Retirement Board 1-877-772-5772 (automated) or 312-751-7139 (TTY 312-751-4701); www.rrb.gov	
Veteran's Administration Building 20 Washington Place, Room 516 Newark, NJ 07102-3127	NIX Federal Building 900 Market Street, Suite 301 Philadelphia, PA 19105-0327

Federal Civil Service Retirement

The Federal Civil Service Retirement System provides retirement, survivors, disability, and death benefits to most federal government employees.

For further information contact: **Retirement Information Office, US Office of Personnel Management**, 1900 E Street, N.W., Washington, DC 20415, telephone toll-free **1-888-767-6738**.

Veterans Pension

To qualify for veterans' compensation and pensions, you must have a service-related disability and received an honorable discharge. Veterans who have served in war, whose incomes are low, will not be considered totally disabled and eligible for a pension unless the VA determines that they are not employable.

New Jersey Disabled Veterans

New Jersey offers a Disabled Veterans Pension under certain conditions to veterans identified by the U.S. Department of Veterans Affairs as having 100% disability ratings as a result of wartime service. Other benefits for such persons include – 100% real estate tax exemptions; various licenses at no charge (provided they meet the necessary qualifications); and, for NJ Civil Service Open Competitive examinations, veterans are automatically being placed at the top of the list if they pass. In addition, a blind disabled veteran is eligible for a no-fee registration for one family-use automobile.

For further information, contact your **Local Veterans Service Office** or call the **NJ Department of Military & Veterans Affairs'** toll-free number **1-888-8NJ-VETS (1-888-865-8387) or 609-530-6868** or visit their website at **www.state.nj.us/military**.

Private Pensions

Many persons are covered by a pension plan in addition to Social Security. Generally, all employers must continue pension benefit accruals for persons working beyond a plan's normal retirement age. Plan limitations on the amount of benefits, years of service, or years of participation are permissible if imposed without regard to age.

Interpretation

The US Internal Revenue Service (IRS) has responsibility for interpreting minimum standards of the federal private pension laws and ensuring that company and union pension plans are in compliance with those laws. The basic law covering private pension plans is the Employee Retirement Income Security Act of 1974 (ERISA). This law established the federal pension insurance program and provided for individual rights, funding requirements, and investment rules.

- Persons having a question about the interpretation of a specific provision of these laws should contact the **Employee Plans Technical & Actuarial Division of the IRS** at 1111 Constitution Avenue NW, Room 6525, Washington, DC 20224, telephone toll-free **1-877-829-5500** Monday through Thursday, 8:00 AM - 6:30 PM exclusive of holidays.

Termination

If a private defined pension plan is terminated, the federal **Pension Benefit Guaranty Corporation (PBGC)** offers protection against the loss of certain benefits. For information about protection under a terminated plan, please contact the PBGC at 1200 K Street, NW, Washington, DC 20005-4026, telephone **202-326-4000**. Be sure to have the name of the pension plan and the employer's "Employer's Identification Number" (EIN).

For more information on pension plan regulations in general, or to file a complaint, contact:

- US Department of Labor, **Employee Benefits Security Administration**, Division of Technical Assistance & Inquiries, 200 Constitution Avenue NW, Room N-5658, Washington, DC 20210, telephone **1-866-444-3272 (TTY 1-877-889-5627)**, www.dol.gov. For additional retirement and health benefit plan questions, call toll-free **1-866-275-7922**. English, Spanish and Mandarin Language service available.
- Additional information, referral or assistance for general inquiries is available by calling **1-800-400-7242** or **202-326-4000**. For inquiries about plan administration please call **1-800-736-2444**; for general legal inquiries, please call **202-326-4020**. Information is also available from the **Pension Rights Center**, 918 16th St., NW, Suite 704, Washington, DC 20006, telephone **202-296-3776**.

- Age-related complaints should be filed with the **US Equal Employment Opportunities Commission**, 1 Newark Center, 21st Floor, Newark, NJ 07102, telephone toll-free **1-800-669-4000** or **973-645-6383**.

Additional Federal and New Jersey-Specific Finance and Tax Information

Federal Income Tax Benefits

In general, federal income tax laws apply to all taxpayers regardless of age. However, there are certain provisions that give special treatment to older persons. At age 65, the standard deduction, if you do not itemize deductions, is increased for both single taxpayers and married taxpayers filing jointly. The Internal Revenue Service (IRS) also allows an addition to the standard deduction for blindness, regardless of age.

Federal Tax Credit for the Elderly and Disabled

Persons with low income, who are age 65 or over, or under 65 and retired on permanent and total disability, may be eligible for a Tax Credit for the Elderly and Disabled, a program that reduces that amount of income tax you owe. In addition, you must be a U.S. citizen or resident at the end of the tax year, and have received taxable disability income, and did not reach mandatory retirement age before the tax year.

For further information, consult **IRS Publication 524, "Credit for the Elderly or Disabled."** This publication may be obtained by calling the IRS Publications/Forms toll-free telephone **1-800-829-3676**.

Taxpayer Advocate Service

The Taxpayer Advocate Service is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. This service of the IRS may be requested through filling out **IRS Form 911**.

- For further information, call the **IRS Taxpayer Advocate** toll-free number, **1-877-777-4778 (TTY/TDD 1-800-829-4059)** or visit their website at **www.irs.gov**.

IRS Tax Counseling/Assistance

Through the Tax Counseling for the Elderly (TCE) and the Volunteer Income Tax Assistance (VITA) programs, IRS-trained volunteers go to various neighborhood locations during tax season to help individuals age 60 and over complete their tax returns. For further information regarding site locations, contact your Area Agency on Aging.

- ❑ For information on exemptions and deductions in calculating taxable income, please contact the **Division of Taxation, NJ Department of the Treasury** toll-free at **1-877-225-1312** or **1-800-323-4400** (pre-recorded information), or at **609-292-6400**.

Property Tax Relief Programs

Homestead Rebate Program

The Homestead Rebate Program reduced the amount of taxable income (credit reduces amount of tax due) for eligible homeowners and tenants who pay property taxes directly or through rent. FORM NJ-1040 (or form HR-1040) must be filed by the designated deadline.

The homestead property tax rebate is in addition to the State's other property tax relief programs. You can still apply for and receive benefits under those programs if you qualify.

You may be eligible for a homestead rebate if you meet the following conditions:

- ❑ You must have lived in a principal residence as a homeowner or tenant in New Jersey on October 1 of the tax year; and
- ❑ Your gross income for the entire year must meet the income guidelines; and
- ❑ Your principal residence must be subject to local property taxes, and property taxes must have been paid on that residence; and
- ❑ Your principal residence is a full living unit with its own separate kitchen and bathroom. Tenants living in dwellings that are not subject to local property tax are not eligible for the rebate.

- ❑ For additional information, please contact the **Division of Taxation, NJ Department of Treasury**, 50 Barrack St., PO Box 266, Trenton, NJ 08646-0266, telephone toll-free, **1-888-238-1233** or **609-292-6400 (TDD/TTY 1-800-286-6613)**.

Senior Citizens/Disabled Property Tax Deduction

If you are a property owner in New Jersey, you may be entitled to an annual property tax deduction of up to \$250. To qualify, you must be age 65 or older (less than 65 if permanently and totally disabled), or a qualified surviving spouse or civil union partner (age 55 or older and not remarried or recommitted), **and meet the following conditions:**

- ❑ You are a legal resident of New Jersey for at least one year prior to October 1st;
- ❑ You reside in and own the dwelling claimed; OR you reside in and own the dwelling that is assessed as real property; OR you reside as a

tenant shareholder in a cooperative or mutual housing corporation; and it is your principal place of residence;

- ❑ Your income, exclusive of Social Security (or similar governmental pension, disability and retirement program) does not exceed \$10,000 during the year for which the deduction is granted;
- ❑ You are a surviving spouse or civil union partner 55 or more years of age before December 31st of the previous year, and were 55 or more years of age at the time of the death of the decedent and have not remarried or recommitted.

❑ To find out if you qualify for the tax deduction, please contact your Municipal Tax Assessor. For additional information, please contact the **Division of Taxation, NJ Department of the Treasury** toll-free at **1-877-225-1312 (TDD/TTY 1-800-286-6613) or 1-800-323-4400** (pre-recorded information), or **609-292-6400**.

Property Tax Reimbursement Program (Senior Freeze)

The Property Tax Reimbursement Program reimburses eligible senior citizens and disabled persons for property tax increases. The amount of the reimbursement is the difference between the amount of property taxes that were due and paid in the “base year” (the first year that you met all eligibility requirements) and the amount due and paid in the current year for which you are claiming the reimbursement, provided the amount paid in the current year was greater. You must meet all eligibility requirements for the base year and for each succeeding year, up to and including the current year to qualify for the reimbursement. Income limits for this program increased in 2009. As a result, you may be eligible for a reimbursement even if you were denied in previous years due to income.

You may be eligible if you meet all the following requirements:

- ❑ You are age 65 or older or receiving Federal Social Security disability benefits;
- ❑ You have lived in New Jersey continuously for at least the last 10 years, as either a homeowner or a renter;
- ❑ You have owned and lived in your home (or have leased a site in a mobile home park on which you have placed a manufactured or mobile home that you own) for at least the last 3 years;
- ❑ You have paid the full amount of property taxes (or site fees if you are a mobile home owner) that were due on your home for the base year and for each succeeding year, up to and including the year for which you are claiming the reimbursement;
- ❑ You meet the program’s income limit; and
- ❑ You file the application by the specified date.

- For information about the **Property Tax Reimbursement Program (Senior Freeze)** call **1-800-882-6597**.

Disabled Veterans' Property Tax Deduction

Under certain conditions, permanently and totally disabled war veterans or their surviving spouse or civil union partner may be granted full property tax exemption on their dwelling house and lot. An application for the deduction must be filed in duplicate with your municipal tax assessor on or before December 31 of the pre-tax year. Once the claim is filed and allowed by the municipal tax assessor, it will continue in force from year to year without the necessity for further claim so long as the claimant is entitled to a veterans' deduction.

Veterans' Property Tax Deduction

Veterans who were honorably discharged or released under honorable conditions from active service during a time of war may claim real estate tax deductions of \$50 annually on homes they own and occupy in New Jersey. A surviving spouse or civil union partner is also entitled to the deduction as long as the widow, widower or civil union partner does not remarry or recommit. If both husband and wife or civil union partners are veterans, each may claim the deduction for a total of \$100 annually. There are no income limitations for the Veterans' Deduction.

To determine if you qualify for the Disabled Veterans' Property Tax Deduction or the Veterans' Property Tax Deduction, or to obtain the necessary form, please contact your municipal tax assessor.

Realty Transfer Fee

Sale of Principal Place of Residence

On both federal and state tax returns, persons age 55 or older who sell their principal place of residence may exclude from their gross income up to \$250,000 for single filers or \$500,000 for joint filers of the capital gain on a one-time basis, provided they owned and occupied the residence for two of the five years ending on the date of sale. IRS Form 2119 must be filed with the Internal Revenue Service and the NJ Department of the Treasury the year in which the property is sold.

Partial Exemption

If you are age 62 or older, blind or disabled, you may be entitled to partial exemption on your New Jersey Realty Transfer Fee when you sell your principal place of residence (one or two-family residential dwelling only). Where the value of the deed is more than \$350,000, an additional "general purpose fee" and other changes in fees and clarification in the provisions governing realty transfer fees may be applicable.

- To obtain the proper form, contact your municipal tax assessor, or the **Local Property Tax Branch, Division of Taxation**, NJ Department of the Treasury at **609-292-1793**.

Bank Accounts

Funds belonging to or held in the name of the decedent, which are deposited in financial institutions, and which are payable at death to the surviving spouse or civil union partner, parent(s), grandparent(s), child(ren) or grandchild(ren), may be transferred without prior clearance from the Division of Taxation. If, however, there is real estate in the decedent's name alone, clearance for transfer must still be obtained from the Division of Taxation.

- For further information, please contact the **Inheritance Tax Branch, Division of Taxation**, NJ Department of the Treasury at **609-292-5033**.