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# Four Steps to Debt Reduction

Easy access to credit can contribute to a lifestyle that starts out with debt and gets worse as spending pressures increase. If you've accumulated debt, how can you dig yourself out?

Calculate Exactly What You Owe: List your debts and minimum monthly payments, due dates and interest rates. Rank debts from highest rate to lowest. Decide if any debt is worth keeping. Consider mortgages and college loans since interest on most mortgages is tax deductible and many college loan rates are reasonable.

Set Up a Budget and Start Eliminating Your Debt: A budget helps you decide how much extra cash you can devote to paying debt. It also helps you identify expenses that you can cut back on, which leads to more cash to further reduce your debt.

Lower Your Borrowing Costs: Compare what rates credit card firms are offering. Then get your current credit card company to match the attractive rate you discover. Or, transfer your current higher interest-rate balance to a company offering a lower rate. However, make sure you find out how long this lower rate will last and what the regular ongoing rate will be. Also, be on the lookout for balance transfer fees.

Cash Is King: Try to stick to cash and/or use a debit card. Unless you have developed a disciplined approach to pay off the balance, do all you can to avoid using a credit card. Find one card with a low rate for situations that may require one, like Internet purchases, but be sure to pay it off every month.



Advisor Corner

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Market Performance
1-1-11 to 2-28-11
DJIA ^DJI +5.60%
S&P 500 ^GSPC +5.18%
NASDAQ ^IXIC +4.88%
Russell 2000 ^RUT +5.05%
Source: http://finance.yahoo.com

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# The Ins and Outs of Long-Term Care Insurance

**Points of Interest**

- Community Living Assistance Services and Support Act. (CLASS)
- Hybrid products combine single payment Life Insurance with Long Term Care benefits
- Look to exchange an existing life insurance policy that is no longer needed for a Life-LTC combo
- Rates are rising due to rising liabilities, insurers withdrawing from the market place or proposing huge rate increases. Guardian Life just left the market to focus on Life & DI. Genworth Fin'l recently announced an 18% rate increase. JH life made a request to regulators in every state for rate increases.
- Ask us about: John Hancock's Life Care, Lincoln Nat'l Corp's Money Guard Reserve, Geneworth Fin'l Inc. Hartford Life Inc. OneAmerica Fin'l Partners, Inc.
- Before you buy talk to us about state LTC insurance partnership programs.
- For individuals who itemize-premiums may be deductable subject to upper limits based on age

When planning for retirement it would be wise to at least consider the purchase of long-term care (LTC) insurance. While not everyone needs LTC insurance, it is recommended that people educate themselves about the issues surrounding this type of coverage. There are a dizzying array of options and features you'll need to understand if you are thinking about buying such a policy.

What daily benefit will you need? The higher the daily benefit, the higher your premium. But you'll need to find a balance between daily benefit and cost. According to the 2009 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs, the average annual cost for a private room at a nursing home in 2009 was $79,935. The national average for a semi-private room was $72,270. The national average for an individual living in an assisted living community was $37,572.

How long will benefits last? The typical stay at a nursing home is between three and five years, so make sure your coverage lasts for at least that long. Think about your own family's health history when choosing benefit periods. Does longevity run in your family or is there a history of family illness? Many policies offer unlimited benefits, although that obviously gets quite expensive.

What's the elimination period? The elimination period is comparable to the deductible on your other insurance policies. Your long-term care policy won't begin paying out for a certain number of days. Most policies start with a 30- to 90-day elimination period, but you can increase that. The longer the elimination period, the cheaper your premium. Consider, too, that you may be able to pay out of pocket for a limited amount of time.

Is the benefit inflation-protected? Inflation is the rate at which the price of goods and services is increasing. If you are going to need benefits for a number of years, they need to keep pace with inflation. Most policies offer a guaranteed annual inflation increase (more expensive) or the opportunity to increase daily benefits down the road.

What level of care does the policy cover? The policy should cover all levels of care, both skilled and nonskilled. Nurses are generally the ones providing skilled care. Nonskilled care includes assistance with activities that don't require a nurse, such as bathing, walking, and dressing. You should be able to use the benefits not only for care at a nursing home but also for home health care, daycare, or assisted living.

Does the policy cover help at home? Some policies will cover the costs of bringing people into your home to help with physical therapy, bathing, dressing, walking, and so on. Make sure the policy doesn't require a prior hospital stay before this benefit is available.

How financially stable is the insurer? Research the financial rating of the company offering the policy. Check out ratings at A.M. Best's Web site. If you have a policy with a company that goes under, you still have a binding contract with that company.

What are "limited pay" options? A relatively new feature in long-term care policies is the ability to pay the entire cost at once or in a specified number of payments. This can help ensure that you don't have price increases in the future. For example, with a "single pay" option, you would pay all costs at once in one premium.

# The Two Rules of Options

**Additional Points**

- Hedging programs are not perfect. Adjustments must be made in real time.
- Consider; Trailing Volatility
- VIX
- Implied Volatility on long-dated options
- Feel free to request a copy of the Options Disclosure Document or download it at optionsclearing.com/components/docs/riskstoc.pdf

While options can seem incredibly complex at first glance, in practice they can be both easy and rewarding to use - helping to reduce the risk in an investor's portfolio. That's why at Horwitz & Associates, we like to recommend options as part of a portfolio to help produce attractive rates of return. We insist the before investors enter the option writting world, they commit the two rules of option writing to memory. Repeat after me: 1. Never, ever sell a call on a stock that you do not want to sell. 2. Never, ever sell a put on a stock that you do not want to buy.

Here's how we can put these rules into practice. Suppose an investor would normally buy 1,000 share of ABC stock selling at $30 for a $30,000 total position. An alternative strategy that makes use of options could be: We buy only half the amount: 500 shares of ABC at the $30 market price, for an outlay of $15,000. We sell 5 calls, against this purchase, committing to sell our 500 shares if the stock rises above a particular strike price. Let's say the strike price is $30, for which the premium might be $1,500 ($300 x 5 options). We back up the puts by placing another $15,000 in Treasuries Bonds or money market/cash account.



What happens? It's likely at least one, and possibly both options will be exercised against us. In essence, we're being "paid" to accept the obligation to double the number of shares we originally bought at $30 per share, regardless of how low the stock may go.

Right away, we receive two premiums: a premium on the calls and a premium on the puts - lowering the cost out of pocket of our inital purchase. We also earn income on the money temporarily placed in Treasuries or held in cash, and we have the possibility of some appreciation on the ABC shares. The net of it all can be a rate of return that allows investors to sleep well at night - which is the whole purpose of smart investing.

By Gerald A. Horwitz

# Bittersweet

**Continued from page 1**

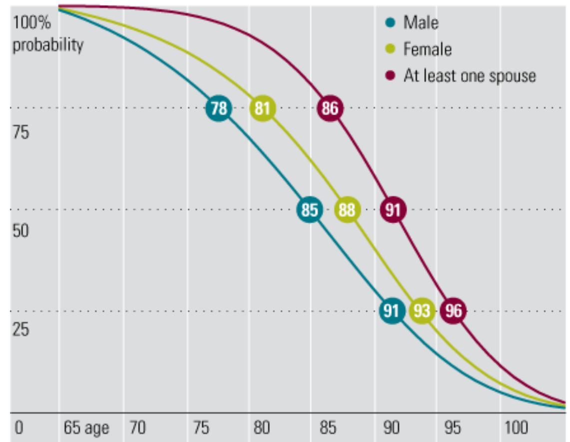
- Useful sites:
- Annualcreditreport.com
- Creditcardguide.com
- Cardhub.com
- Nerdwallet.com
- Billshrink.com
- Askmrcreditcard.com
- Bankrate.com

The Merriam-Webster Dictionary defines bittersweet as something that is pleasant alloyed with pain. This could also be associated with retirement. The sweet part is that people are living longer thanks to innovations in healthcare. The bitter reality is that when people live longer they risk outliving their assets.

Longevity risk is the possibility of outliving one's retirement savings. While longevity is generally a good thing, the risks associated with it are becoming a major concern for individuals entering retirement.

Luckily, longevity risk can be managed through proper planning and products. To plan properly, consider when you would like to retire, the number of years you anticipate in retirement, and your desired income level.

## Probability of a 65-Year-Old Living to Various Ages




Source: Annuity 2000 Mortality Tables—Transactions, Society of Actuaries, 1995–1996 Reports.





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