WEALTH MANAGEMENT STRATEGIES

Living Well

Your Guide for Lifelong Health and Wealth Planning

Northern Trust

EXECUTIVE SUMMARY

Chances are you may consider your health and your wealth as separate and distinct aspects of your life. More and more high-net-worth individuals, however, are discovering the relationship between maintaining good health through the years and effectively planning and managing their financial affairs.

With two-thirds of high-net-worth households concerned that rising healthcare costs could impact their ability to enjoy retirement[1], it is clear this is a critical issue that can affect anyone's financial plans, regardless of income. And as life expectancies increase, we face not only the possibility of our own health-related expenses, but also those of our parents. For this reason, the concept of combining health and wealth considerations for a more holistic approach to financial management makes good sense.

Living Well, Your Guide for Lifelong Health and Wealth Planning provides you and your family with leading-edge perspectives on important trends affecting health and wealth and is built around the following insights:

- **Prevention:** Using thoughtful strategies, employing new tools and taking action before any health or wealth issues take root can enable you to meet your goals without sacrificing your current quality of life.
- **Proactive Planning:** Adopting a holistic, comprehensive approach that encompasses an increasing range of health and wealth options can help you obtain better long-term results.
- **Professional Relationships:** Open communication with experienced medical and financial advisors can be key to navigating complex issues and ensuring that recommended solutions reflect your physical and financial needs, as well as your overall values.

In a joint effort with PinnacleCare, a pioneer of personal healthcare advocacy, Northern Trust has created this paper to help our clients, PinnacleCare members and others in the community analyze the complex array of options available for effectively managing both personal health and financial assets.

The detailed recommendations and strategies presented here for each stage of life were designed to promote a healthy and rewarding future. By focusing on situational factors and solutions, we hope to provide you with a helpful roadmap for each life stage and offer insight into some of the issues you and your family may encounter today and in the years ahead.

CONTENTS

ESCALATING HEALTHCARE COSTS
CAN AFFECT YOUR FINANCIAL HEALTH 5

NEW APPROACHES TO PROMOTE AND
PROTECT YOUR HEALTH & WEALTH 5

FIVE PATHSTONES TO OPTIMUM HEALTH AND WEALTH 8

HEALTH & WEALTH PLANNING: AGE-BY-AGE 12

EARLY YEARS: BIRTH TO AGE 14 12

TEENS AND YOUNG ADULTS: AGES 15 TO 24 18

PIVOTAL YEARS: AGES 25 TO 39 23

SANDWICH GENERATION: AGES 40 TO 54 26

MATURING YEARS: AGES 55 TO 65 31

PRIME TIME: AGES 66+ 35

A ROADMAP FOR LIFELONG HEALTH AND WEALTH PLANNING 41

FOOTNOTES 43

SOURCES FOR ADDITIONAL INFORMATION 44

APPENDIX: SCREENING AND IMMUNIZATIONS AGE-BY-AGE 45

ABOUT THE AUTHORS 50

ESCALATING HEALTHCARE COSTS CAN AFFECT YOUR FINANCIAL HEALTH

Wealth in America 2007, Northern Trust's survey of 1,002 millionaire investors, revealed the majority of high-net-worth individuals are worried their health, and that of their spouses, will negatively affect their finances. In addition, nearly two-thirds of these affluent households are concerned spiraling healthcare costs will significantly impact their ability to enjoy retirement.[2]

Unfortunately, many of these same families still are not taking action on the essential elements of their retirement and wealth transfer plans to ensure they will have sufficient assets to cover potential heathcare costs. This was confirmed by a survey of 792 affluent American adults, including 478 individuals with more than $1 million in investable assets.[3] Surprisingly, 37% do not have a will, directives to physicians, powers of attorney for both property and healthcare, or a trust – despite the critical importance of each in meeting basic personal and financial needs.

Looking ahead, greater consideration will need to be given to providing care to family members as well. According to the MetLife Mature Market Institute, within 25% of U.S. households, at least one adult cares for an elderly person. Of course, our obligations don't end there. Medical care costs also should be factored in for parents, siblings and other relatives.

With life expectancies rising and as many as 30 million individuals expected to reach retirement over the next 10 years – and remain in retirement for decades longer than previous generations – individuals and families alike need to determine how best to provide for their physical and financial health today and for decades to come.

NEW APPROACHES TO PROMOTE AND PROTECT YOUR HEALTH & WEALTH

Prevention

For most of medical history, the focus has been on the diagnosis and treatment of disease. However, a revolution is taking place that promises to alter both the goals and methods of medical practice – a shift from the treatment of disease to the proactive promotion of lifelong good health. Rather than waiting for disease or a chronic health problem to develop, physicians and patients alike are building strategies to actively prevent poor health and encourage optimum wellness. There have been tremendous strides in this arena, especially in the early diagnosis and treatment of life-threatening conditions such as cancer, heart disease and infectious diseases.

One factor driving this elemental change is the speed with which science is uncovering new early indicators of both disease processes and an individual's risk of developing certain illnesses. The Emory/Georgia Tech Predictive Health Initiative, a groundbreaking multi-year, multi-discipline project, is one of the leaders in the predictive medicine movement. According to Dr. Kenneth L. Brigham, Director of the Initiative, "The goal of the Predictive Health Initiative is to move the healthcare system from a disease focus to a health focus. We are developing ways to monitor an individual's health with precision so we will be able to intervene before disease or organ failure take root. What we are looking at are genetic processes that can be measured. These processes are the pre-symptomatic disturbances that underlie disease."

Seventy percent of illness in the U.S., including cardiovascular disease, cancer, lung disease, depression, high blood pressure and diabetes, is related to lifestyle.[4]

The importance of a person's lifestyle also is a proven indicator of long-term health. Dr. Martin Sullivan, a member of PinnacleCare's Medical Advisory Board, a founder of Duke Center for Integrative Medicine and head of Healthtrack, Inc., notes, "How we live our lives has a tremendous effect on our health. You can improve your life expectancy by eating a healthy diet, exercising regularly, reducing stress and cultivating strong, positive relationships with family and friends. I'm convinced that the best medicine is prevention."

The same can be said when it comes to a person's financial lifestyle. It takes preventive medicine to ensure long-term financial health. Designing a solid investment program that incorporates a sound insurance plan and proper asset allocation strategy is critical to achieving this goal.

Increasingly, people must depend on themselves to plan, save and invest for a longer, more expensive retirement, which often may involve caretaking for older generations as well. In the past, they often could rely on a number of sources such as their employer, personal savings and government benefits to support themselves during retirement years. Because there are so many unknown variables related to a family's financial resources and long-term needs, one thing is certain: we no longer can afford to wait until we are near retirement to determine whether we have done what is necessary to provide for our families.

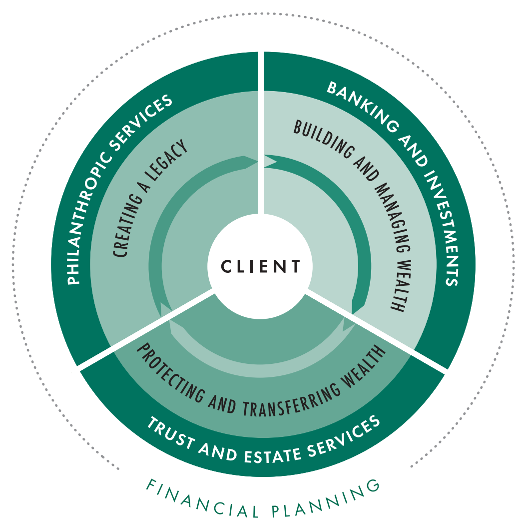
Proactive Planning

Adopting a holistic, comprehensive approach that encompasses an increasing range of alternative health and wealth options can help you obtain better long-term results, so why don't more people begin planning earlier?

For many, financial planning is very difficult to execute. Dealing with the various issues related to lifestyle, family obligations and legacy can be complex and daunting. As a result, many people wait until a crisis forces them to focus on what needs to be done. This lack of planning prevents them from benefiting from simple and proven actions that can be taken now, enabling them to determine tradeoffs between current and future needs so they can reach their goals over time – without paying high transfer taxes or sacrificing quality of life.

Effective financial planning incorporates a holistic approach – starting with a deep understanding of your values, developing a comprehensive plan around your goals and implementing solutions in a timely, cost-effective manner. As the graphic below illustrates, your plan needs to be based on an integrated analysis of the various aspects of your financial life from ongoing cash and debt management to build and manage wealth, to long-term tax and estate planning techniques to protect and transfer wealth.

OUR HOLISTIC APPROACH TO WEALTH MANAGEMENT



One sophisticated analytical tool employed by financial advisors to help high-net-worth individuals better predict future financial needs is known as a Monte Carlo Simulation. This tool enables the advisor to incorporate a client's goals and values along with a full range of financial resources to model scenarios and help estimate whether individuals have sufficient financial resources to support themselves and their families during their life expectancy.

Similarly, most financial planning software provides "what if" analyses for estate planning, insurance analysis and the like. Such cutting-edge tools allow advisors to make planning projections for a client's retirement, education and major purchase goals, ultimately giving clients a view of an outcome before they embark down a given path.

Likewise, the holistic medicine revolution emphasizes the need to look at the whole person, including analysis of physical, nutritional, environmental, emotional, social, spiritual and lifestyle values. It focuses on education and responsibility for personal efforts to achieve balance and well-being.

This new medical revolution also has been influenced significantly by complementary medicine, which combines traditional and alternative medical practices for treating the mind, body and spirit. Acupuncture, meditation and certain dietary therapies are expanding the range of options available for people who strive to proactively improve their health and enhance the effects of traditional medical treatments. No longer on the fringes of medicine, complementary medicine is practiced at world-renowned medical institutions including Johns Hopkins Hospital, Cleveland Clinic, M.D. Anderson Cancer Center and Memorial Sloan-Kettering.

Professional Relationships

Keeping abreast of the changes in medicine, as well as in financial services, requires access to knowledgeable professionals. John Hutchins, a co-founder of PinnacleCare, notes, "While new scientific and diagnostic tools are extremely valuable in both maintaining health and treating disease, one of the key foundations of a strong preventive health strategy has always been and remains a good relationship and open communication with your physician and the hands-on physical exam." According to Hutchins, by bringing the latest science and complementary medicine options into the traditional model of medical care, patients will benefit from the best these have to offer and will be prepared to work toward their best health future.

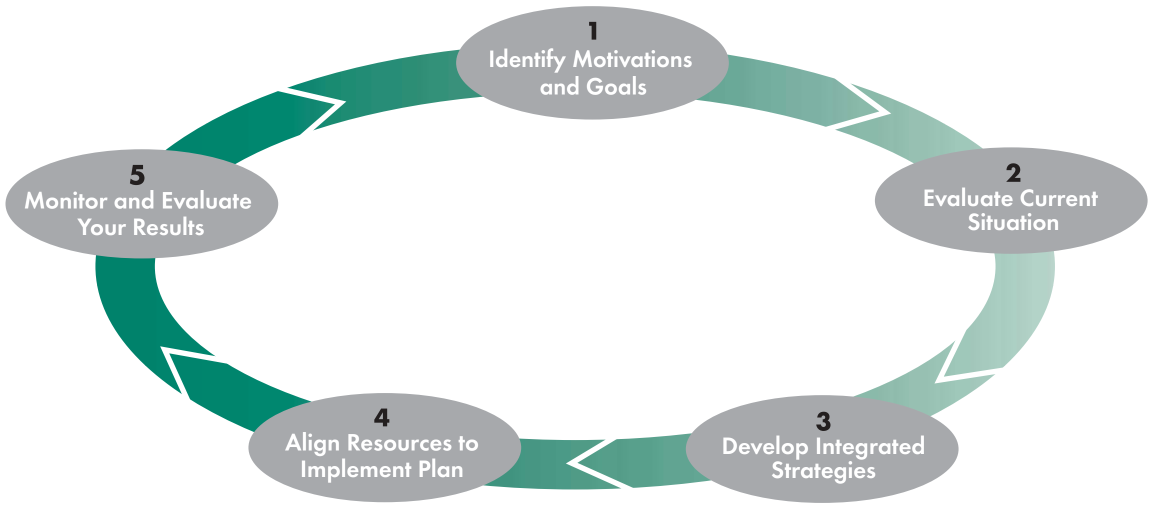
Though today's investors have instantaneous access to more knowledge and global financial data than at any other time in history, important questions still remain: What does it all mean for me? How will all this help me achieve my financial goals?

Similar to the changes in healthcare delivery, the rapid growth in global financial markets has produced more investment choices across an expanded set of asset classes and markets. In fact, at a typical private wealth management firm, there are now 14.5 billion combinations of products and client segments.[5] While these choices offer individual investors potential for both enhanced return opportunities and meaningful diversification benefits, determining the most appropriate strategy to capitalize on new investment options can be difficult and time consuming. Due to the complexity of the options and potential solutions, one of the keys to sound financial management is to engage a team of legal, financial and investment advisors who collaborate to develop and implement comprehensive plans designed around your needs.

This collaborative behavior appears to be much stronger among high-net-worth investors today than it was five or 10 years ago. Finance training through MBA programs, educational insights from a plethora of investment publications and personal experience through managing retirement accounts has led more and more affluent individuals to look to advisors in a consultative manner rather than simply delegating all decision making to them.[6]

FIVE PATHSTONES TO OPTIMUM HEALTH AND WEALTH

With the need for a foundation built on prevention, proactive planning and professional relationships clearly identified, the following five-step process can keep you on the right path toward effective health and wealth planning through the various stages of life.



Step One: Identify motivations and goals

Health

Your life goals are the starting point for your commitment to proactive self-care. Consider the following to gain a vision of yourself now and in the future, living life as you choose. This picture will keep you motivated and on a strong health track.

- Take stock of your life goals, daily and in the future.
- Assess what current and future responsibilities (job, childrearing, etc.) require your good health.
- Consider your favorite enjoyable activities which require your good health.
- Plot health milestones you would you like to reach and schedule when you want to reach them.
- Envision future life events you look forward to, such as graduations, marriages, grandchildren, etc.
- Imagine how you want to live in retirement for optimal enjoyment.

Wealth

Think about your short- and long-term goals. What do you want to accomplish during your life and how would you like to help others financially during your lifetime and thereafter?

- Manage debt prudently.
- Buy a new, second or third home.
- Save and invest more for retirement and travel.
- Pay for college education for children or grandchildren.
- Select sound investments to build wealth.
- Contribute more time or money to charity.
- Maintain appropriate insurance coverage to protect you and your family.
- Retire early and spend more time with family.
- Minimize income and transfer taxes.

Step Two: Evaluate current situation

Health

Each phase of life has its own health challenges that vary according to your genetic makeup and life situation. Getting a complete snapshot of your health, as it stands today, is essential to address current issues and to prepare for your best resistance to future challenges. Reevaluate at each life phase.

- Undergo age appropriate medical screenings.
- Ensure necessary immunizations.
- Consider family medical history.
- Learn ideal ranges for key health factors (e.g. height/weight equations).
- Identify lifestyle factors that impact your health.
- Consolidate medical records of each family member.
- Gain sense of health baseline for each family member.

Wealth

You (and your spouse) need to analyze your current financial situation.

- What do you own?
- How much do you spend/owe?
- How are your investments allocated?
- What is your insurance coverage?
- What is the status of your estate plan?
- How much will you need for retirement?
- What is your income tax bracket?
- If you were to die tomorrow, how much transfer tax would be due?

Step Three: Develop integrated strategies

Health

Effective strategies need to be centered on you and your family's goals and values, while also integrating various considerations, such as existing health conditions, risks and dreams.

- Keep current on latest scientific findings on health, disease and prevention.
- Understand each family member's health baseline in order to measure reasonable progress towards each near-term and long-term goal.
- Integrate your family members' goals for maximum mutual support.
- Build contingency strategies based on health histories and outlooks.

Wealth

Effective financial strategies should be centered on your goals and values, integrating considerations across many areas, including:

- Net worth analysis
- Retirement and cash flow
- Business succession
- Investments and asset allocation
- Compensation and benefits
- Stock options
- Single stock exposure risk management
- Insurance
- Education and major goal funding
- Estate planning and charitable giving
- Income taxes

Step Four: Align resources to implement plan

Health

Once goals and strategies are constructed, it is time to align a team to ensure staying on track. Busy lives require stalwart, credible allies in the march to good health.

- Consider professional healthcare advocacy to integrate implementation of your family health plan.
- Ensure full communication of strategies among family members and physician team.
- Add other allies such as teachers, supportive friends and other non-medical allies who can support your family's health and welfare.
- Assess physician team in terms of compatibility with health goals, accessibility and expertise vis-à-vis your family's needs.
- Ensure your consolidated records are accessible to all health partners so they can handle medical issues proactively as they arise.

Wealth

Having a team of experienced, highly qualified financial advisors to help you implement financial decisions is often the difference between having a good plan and achieving good results.

- Consider using a financial planner to be your family's financial quarterback among all your advisors.
- Ensure proper communication among investment, estate, tax and insurance professionals.
- Assess advisors in terms of qualifications and compatibility with your own goals and style.
- Ensure that your financial team has a complete accounting of your financial life.
- Ensure your consolidated records are accessible to all partners so they can handle financial issues and proactively take advantage of opportunities.

Step Five: Monitor and evaluate your results

Health

On an ongoing basis, you need to evaluate your health status and determine where you are in relation to your health goals and plans. Are your strategies on course? Are your allies and physicians the right team to keep you on course?

Are new resources needed to achieve your best health? Given today's rapid medical advances, it is essential to stay abreast of new developments and adjust your plan accordingly.

Wealth

Also on an ongoing basis, you need to evaluate your financial resources and where you stand compared to your financial plan. Changes in the economy, markets and tax law should be monitored to determine if your financial plan requires adjustment. You need to consider what has been accomplished and what more needs to be done. This is particularly true as your family grows and life events change or impact your circumstances and objectives.

HEALTH AND WEALTH MISTAKES TO AVOID

Based on our collective experience working with affluent individuals, the following common mistakes have been identified to help ensure you avoid any potential difficulties.

TEN COMMON HEALTHCARE MISTAKES

1. Not having a plan – not preparing for age-related health issues
2. Not knowing your or your family's health history
3. Not having swift access to key medical records
4. Being passive or withholding questions during doctor visits
5. Ignoring lifestyle factors proven to affect health, vitality and longevity (e.g., smoking, weight, exercise, etc.)
6. Ignoring symptoms, therefore preventing early detection
7. Allowing a busy professional life to prevent you from vital screenings (e.g., mammograms, colonoscopy)
8. Getting only one opinion in the case of a serious diagnosis
9. Traveling without medical preparation
10. Being unaware of rapidly changing medical advances

TEN COMMON FINANCIAL MISTAKES

1. Not having a financial plan until crisis happens
2. Not having (monitoring) a good credit history
3. Not having a sufficient cash reserve
4. Letting someone else "take care of the finances" without review or awareness
5. Inadequate health, life, disability, property and casualty insurance
6. Living beyond your means
7. Chasing the "hottest" investments
8. Improper beneficiary designations on retirement plans and life insurance
9. Not updating estate documents as life events occur
10. Not reviewing your income taxes annually

HEALTH & WEALTH PLANNING: AGE-BY-AGE

Now that you have the Five Pathstones to provide a helpful process for effective health and wealth planning, insight into some of the issues you and your family may encounter along the way is important. Depending on your age and life stage, it's only natural that from time to time, some areas may seem more relevant or of greater concern to you than others. This guide explores by age group the issues and events that impact the key factors of successful health and wealth management. Regardless of your stage in life, you need to take into account the following major factors that can affect you and your family today and in future years:

Health

- Lifestyle factors
- Risk assessment
- Key screenings and immunizations
- Prevention strategies

Wealth

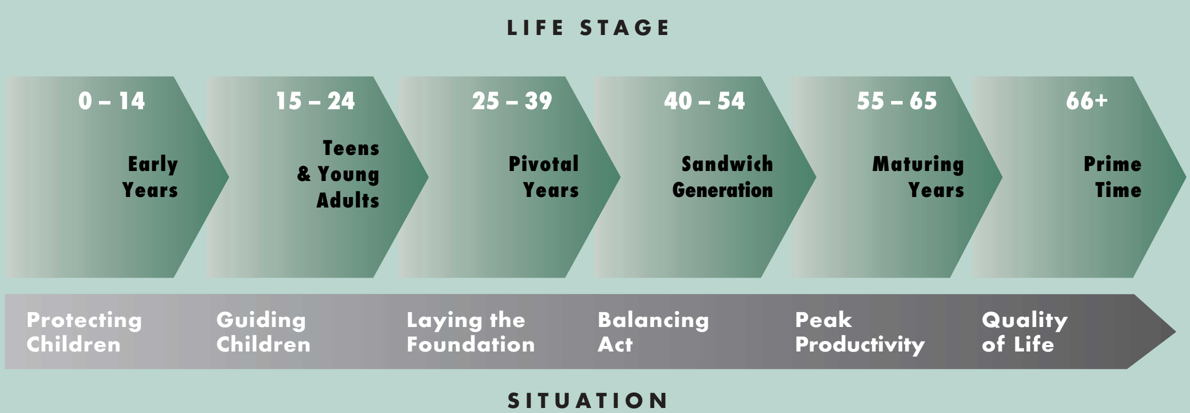
- Cash flow and debt management
- Investment planning
- Retirement planning
- Wealth transfer planning

We begin our discussion with the Early Years, birth to age 14. Our insights at the early stages are designed to help adults implement decisions regarding their children or grandchildren's overall well-being, health and education, as well as prepare them for the privileges and responsibilities of later years. Throughout the remaining discussion, our goal is to help adults better understand their opportunities and responsibilities at each life stage. Strategies presented can be employed either individually or with other family members to achieve optimum health and financial success.

Early Years: Birth to Age 14

Most experts agree that this first stage in life is all about establishing a solid foundation where immediate needs are met and children can grow and prosper. Important considerations involve protecting children through regular health screenings, immunizations and proper schooling. It also is an ideal time to begin creating a strong financial base and building financial character. This may include establishing education plans, wills, trusts, and modeling good financial habits such as saving, budgeting, philanthropic giving and volunteering.

ROADMAP FOR PLANNING AGE-BY-AGE



EARLY YEARS: BIRTH TO AGE 14

Health Considerations

Lifestyle Factors

Children grow and change quickly during this period, so it is important to monitor their physical, social and emotional development. A child's first decade and a half is the best time to help him or her develop good health habits and a lifelong commitment to preventive care. Critical to success is for parents to prioritize health values and show commitment. It's important to model sound dietary and exercise routines and verbalize good health lessons such as "strive for five" vegetables per day.

Risk Assessment

Watchfulness is key. You should work with your child's physician to anticipate and gauge developmental milestones, protect against diseases that may have repercussions in adult life and observe non-verbal signals of health issues. For children up to age 14, good health – both physical and mental – may depend on you serving as your child's interpreter and "voice."

Key Health Screenings and Immunizations

Most parents are aware of the need for health screenings, a well-tracked immunization schedule and yearly well-child visits to the pediatrician. Early childhood screenings include testing for hearing, amblyopia ("lazy eye"), strabismus (crossed eyes), defects in visual acuity and elevated lead levels in the blood. Later childhood screenings focus on weight and height, blood pressure and substance abuse.

As you would expect, proper immunizations are monitored carefully by pediatricians, state agencies and school administrations. Recently, the Centers for Disease Control and Prevention (CDC) Advisory Committee on Immunization Practices (ACIP) recommended that infants and young children be vaccinated against rotavirus with a newly available vaccine RotaTeq.™ The CDC notes that rotavirus is responsible annually for more than 400,000 doctor visits, more than 200,000 emergency room visits, 55,000–70,000 hospitalizations and 20–60 deaths in U.S. children under age five.

Parents also are advised to have their 11- to 12-year-olds vaccinated against meningitis at their annual check-up. High school graduates who never have received the vaccine also should be vaccinated before they begin college. In June 2006, ACIP unanimously supported the gardasil vaccine for girls before age 13. The vaccine prevents the sexually transmitted human papillomavirus (HPV) infection known to cause cervical cancer and is recommended at an early age to ensure protection before the onset of sexual activity. *Refer to the appendix for a complete list of screenings and immunizations for each stage of life.*

Prevention Strategies

Important allies for health include your child's pediatrician, school administrators and teachers along with a professional advocate who can keep you informed of new science related to keeping children healthy and avoiding new health risks. For example, after years of dormancy, measles have resurfaced as a major childhood health risk in some communities.

Communication is crucial among your allies as a united team of watchdogs and advocates for your children and is a key tool for their health and safety.

Communication is crucial among your allies as a united team of watchdogs and advocates for your children and is a key tool for their health and safety. Being an activist on behalf of your family, learning from reliable sources, voicing concerns and being an active partner in the healthcare process is recommended for all stages of life.

EARLY YEARS: BIRTH TO AGE 14

Wealth Considerations

Cash Flow and Debt Management

The birth of a child often motivates parents to take a more formalized approach to managing the family's finances. With the cost of raising children increasing dramatically, a solid financial plan is essential for managing expenses today and for future needs. According to the U.S. Department of Agriculture, families with more than $72,600 of annual taxable income should expect to spend nearly $300,000 to raise a child from birth to age 18.[7] For affluent families, some estimate this figure may be closer to $1 million.[8]

As a part of your planning, review your insurance program to ensure that you have sufficient life, disability and health insurance coverage. If you do not have coverage, this is the time to establish a program to provide for your family in the event of death, disability or severe illness.

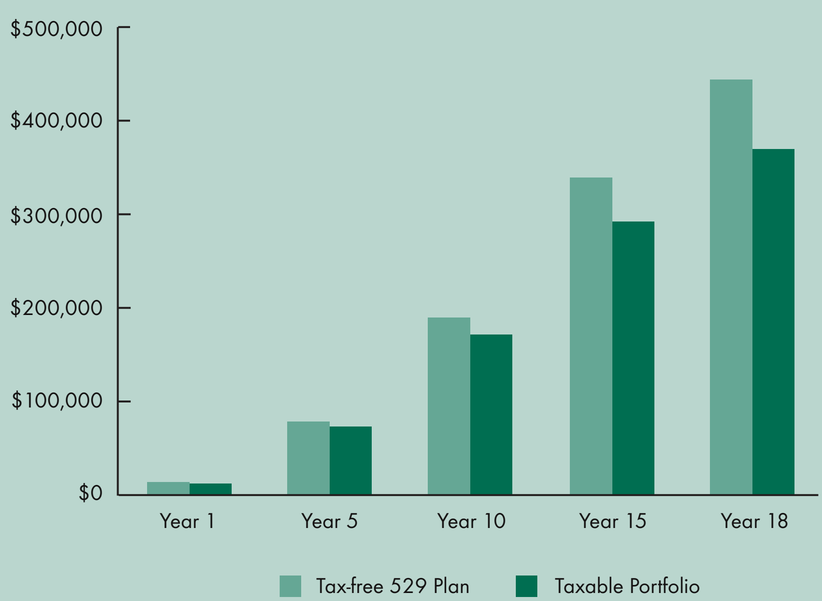
Investment Planning

With children comes a new investment goal: investing for the children's education. Two preferred vehicles are 529 plans (named after the Internal Revenue Code section that authorizes them) and Coverdell Education Savings Accounts (ESAs). Contributions to either will qualify for the $12,000 annual gift tax exclusion. Both also allow contributions to grow tax-free until withdrawal; and withdrawals for qualified educational purposes are also tax-free. Given the power of tax-advantaged investing, it generally makes sense to use these tax-exempt accounts wherever possible.

A Coverdell ESA, unlike a 529 plan, can be used for elementary and secondary education as well as for college and graduate school costs. However, contributions to a Coverdell can be made only until the child reaches age 18; in addition, aggregate contributions

THE POWER OF 529 PLANS

$12,000 Annual Contributions over 18-Year Period



ASSUMPTIONS:

Contributions:
$12,000 annually on January 1.

Asset allocation:
Adjusted over time, beginning with 80% U.S. equities and 20% fixed income, ending with 20% U.S. equities and 80% fixed income.

Equity and fixed income returns:
Long-term U.S. historic averages, 10.4% for equities and 5.5% for fixed income. All dividends are qualified dividends; all gains are long-term, recognized at year-end.

Tax rates:
15% for capital gains and qualified dividends; 35% marginal income tax rate.

are limited to $2,000 per year. There are income limits on the donor as well, with the phase-out for married couples filing jointly beginning when adjusted gross income exceeds $190,000. For all these reasons, a Coverdell ESA generally should be used in conjunction with a 529 plan.

A special feature unique to 529 plans: a single, large contribution can be treated as five separate annual contributions spread over a five-year period, e.g. $60,000 treated as five annual contributions of $12,000. This technique can boost tax-free earnings – and still take advantage of the $12,000 annual gift tax exclusion.

The chart on page 14 illustrates the benefits of using tax-exempt accounts for education savings, based on $12,000 annual contributions. Overall, the key to success is consistent contributions to well-balanced, tax-advantaged accounts over an 18–20 year timeframe.

When building your own personal portfolio, the same principles apply. First, make contributions to tax-advantaged accounts, such as traditional Individual Retirement Accounts or 401(k) plans; these assets grow tax-deferred until withdrawal, enabling you to maximize wealth. Once you have maximized contributions to tax-deferred accounts, turn your attention to your taxable accounts. These, too, will grow with consistent contributions and carefully considered asset allocation. Be sure to have an adequate liquid reserve set aside to cover emergencies and extraordinary expenses.

When investing money gifted to a child, a key factor is how much control you wish the child to have over the funds – and at what age. For very small gifts – or as a receptacle for small amounts that the children have saved themselves – a Uniform Transfers to Minors Act (UTMA) account may be sufficient. UTMA accounts are simple custodial accounts, set up on behalf of the minor, who is the legal owner. Assets are under control of a designated custodian (usually a parent or grand-parent) until the child reaches majority (age 18 or 21, depending on state law), at which point the child can use them for any purpose. Together, the child and the custodian can decide how savings will be invested – or how they may be spent. You will want to consider other, more formal vehicles such as trusts if you are transferring significant wealth to a minor.

A TAX-SMART WAY TO FINANCE HIGHER EDUCATION

Section 529 plans are immensely popular for several reasons:

- Tax-free growth on earnings for federal tax purposes (and under many state statutes as well)
- Tax-free withdrawals, if used for qualified educational purposes
- Ownership control lets you decide what to do with the money and modify the designated beneficiary to accommodate changed circumstances
- No estate tax consequences – the account is not included in the estate of the account owner or account beneficiary
- Generous contribution limits, as much as $344,000 in 2007 for some plans
- No income limitations on potential donors, account owners or beneficiaries; contributions can be made regardless of income.

Retirement Planning

One of the most common financial mistakes is to save for your children's education at the expense of saving for your own retirement. Prioritize capital accumulation before implementing any gifting strategies. In other words, you need to balance your long-term retirement funding needs with future education funding. An effective way to begin long-term retirement saving is through tax-deferred, employer-sponsored plans such as a 401(k) plan or by establishing an IRA. Once plans are in place for the long-term accumulation of retirement assets, then you can consider education funding.

Wealth Transfer Planning

The birth of a child, like most major life events, requires parents to establish or take a second look at their existing estate planning documents. Of paramount importance now are the guardianship provisions.

Parents are the child's natural guardians under state law, charged with protection of the child's physical and emotional well-being. If parents die when a child is a minor, state law requires the appointment of a guardian to fill the parents' role as caregivers. Guardianship is accomplished through formal court proceedings, culminating in a court order. Importantly, however, judges typically honor the guardianship designations set forth in the parents' estate planning documents; in some states, the parents' designation may even be binding on the court. What if parents fail to make guardianship designations? Unpleasant court battles among relatives and friends often result, particularly for the wealthy. The ultimate casualties often are the children.

In addition to guardianship provisions, your estate planner likely will suggest certain trust provisions for the child to take effect on the death of both parents. The trustee of the child's trust holds your legacy on behalf of the child and is responsible for your child's financial well-being. The undesirable alternative is a court-ordered legal guardian for your child's property.

The question of who to select as guardian and trustee deserves careful thought, but be careful not to allow too much time to pass before making a decision. As noted earlier, one of the 10 common financial mistakes is failure to have a plan.

Another common mistake is for parents to make provisions for children in estate planning documents – but not in beneficiary designations for retirement accounts or insurance policies. Since these assets may account for a significant portion of your estate at this stage, adequate planning is essential. Talk with your estate planner about naming the child's trust (created for your child at your death under your estate planning documents) as a contingent beneficiary for these types of assets. In the event that both parents die prematurely, failure to name the child's trust as contingent beneficiary can result in substantial assets controlled by a court-ordered guardian.

Many affluent parents or grandparents celebrate a new birth with a significant financial commitment, typically making full use of their $12,000 annual gift tax exclusion – or even part of their $1 million gift tax exemption. Key to the ultimate success of such a gift is a careful consideration of alternatives, with special focus on when control of the gifted funds will transfer to the child.

SPECIAL NEEDS CHILD

Wealth transfer planning arrangements are of particular importance if your child is physically or mentally challenged and will need ongoing care and support. A trust can be established with provisions to accommodate any special needs, while leaving your child eligible for additional financial assistance such as supplemental Social Security Income and Medicaid. Also factor the expenses needed to care for a special needs child into your family's financial plan. If grandparents are in a position to assist with these costs, they may wish to include specific provisions in their wealth transfer documents.

"NON-TRADITIONAL FAMILIES"

If you have children and you and your partner are not married, appropriate provisions should be incorporated in your estate planning documents. Since the federal government and many states do not recognize unmarried partners, you will not benefit from the various tax and estate planning benefits that are available to married couples. If you want your partner to take care of your children in case of your death, or to inherit your estate, you need a will and related documents to provide adequate protections.

TAX-WISE GIFTING

The gift tax is imposed at a maximum 45% rate on transfers of wealth to – or for the benefit of – individuals. Mercifully, the necessary care and support that parents legally are required to provide minor children are not treated as gifts. However, all other lifetime transfers from parents and grandparents, aunts and uncles – potentially are subject to gift tax.

Tax law does encourage wealth transfers to a limited extent. Chief among the "giving incentives" is the $12,000 annual gift tax exclusion. This provision allows you to give $12,000 each year to an unlimited number of people, provided that the gift is a "present interest" gift. Estate planners often refer to the $12,000 annual exclusion as the single most under-used wealth transfer strategy.

Equally important is the exclusion for direct payments of tuition and medical expense. This allows you to pay significant medical bills, health insurance premiums or tuition for a loved one without gift tax liability.

Finally, each individual has (in addition to these two exclusions) a $1 million lifetime gift tax exemption. This allows individuals to gift an aggregate of $1 million during life without paying gift tax. A skillful estate planner or financial adviser can discuss with you the many ways you can leverage this exemption, ranging from bargain sales to grantor-retained annuity trusts to charitable lead trusts.

Too many high-net-worth families attempt gifting with UTMA accounts, making an outright gift to the child with the parent as custodian. As noted above, UTMA accounts require complete distribution to the minor at age 18 or 21, when the child may not be ready to manage a $200,000–$300,000 windfall.

A somewhat better alternative may be a "2503(c) trust," named for the provision of the Internal Revenue Code that authorizes its use. Like transfers to an UTMA account, transfers to a 2503(c) trust qualify for the $12,000 annual gift tax exclusion. Unlike an UTMA account, however, a 2503(c) trust does not necessarily terminate at majority with full withdrawal. Instead, the trust terms typically allow a three-month window period for withdrawal at age 21, i.e. if the child fails to exercise the right of withdrawal, the trust can continue until a future distribution date specified in the document.

Because 2503(c) trusts have certain tax disadvantages, a better alternative may be the creation of separate trusts for each new child or grandchild. Depending on the terms, these trusts may or may not qualify for the $12,000 annual gift tax exclusion. However, because you control how the distribution provisions are drafted, you can be assured that funds will pass to children when they are older and more mature. A common strategy is to allow staged withdrawals from a trust, e.g. one-third at age 30, one-third at age 35 and one-third at age 40.

KNOWING THE NUMBERS

When thinking about your wealth transfer plan, it is helpful to keep these key numbers in mind:

- **$12,000: the gift tax annual exclusion**
- **$1 million: the gift tax exemption**
- **$2 million: the estate tax exemption**
- **$2 million: the generation-skipping tax exemption**

NOTE: Table reflects exemptions in effect in 2007. The gift tax annual exclusion is indexed each year for inflation; the estate and generation-skipping tax exemptions are scheduled to increase to $3.5 million each in 2009.

When established by grandparents, trusts for grandchildren often are called "generation-skipping trusts." Without careful planning, these trusts can become subject to the generation-skipping tax, a flat tax imposed at the rate of 45% on transfers that skip a generation. Although up to $2 million of transfers can be sheltered with the $2 million generation-skipping tax exemption, a morass of technical rules governs how the exemption is applied. Expert advice from a sophisticated estate planner is a must.

THE ROLE OF PHILANTHROPY

The roots of philanthropy run deep in the United States, with more than one million charitable organizations nationwide. Whether you are a volunteer, donor or client, it is likely that your life has been changed by a nonprofit institution. Charity plays an important role in our society, and it can play an important role in your holistic financial plan.

Beyond being a source of deep personal satisfaction, philanthropy also can

- Foster cherished values
- Maintain family solidarity
- Provide a training ground for the younger generation
- Honor loved ones
- Give purpose and perspective
- Minimize or defer income tax and
- Reduce estate, gift and generation-skipping tax

Ask your financial and legal advisors to tell you more about philanthropic vehicles that will meet your needs. A wide range of alternatives is available, from donor advised funds to family foundations to split-interest charitable trusts.

In order to put wealth in perspective, it is critical to introduce children to philanthropy. From donating their own used clothing to taking part in a food drive, there are many hands-on ways for children to learn the power of giving. Some families require that a certain amount of a child's allowance be saved for charities selected jointly by child and parent. Others use "kitchen table philanthropy"[9] as a technique to make their point: a pot of money for charity is put on the table, and each child has the opportunity to vote on how it will be spent. Perhaps the most effective philanthropic strategy at this age is family volunteering, whether assisting at the local soup kitchen or collecting data on an endangered species in a far-off location. In a world where affluent children are prey to many negative influences, it is important for them to understand, at an early age, their potential to make the world a better place.

Teens and Young Adults: Ages 15 to 24

As you may remember from your own adolescence, the teen years are devoted to finding the right path, figuring out who you are and what you want. This is an important phase of development as teens are presented with a variety of decisions – not the least of which is determining "what they want to be when they grow up." As teens make their way into adulthood, you play an important role in their development by setting a good example when it comes to physical and financial fitness. At this stage, good financial habits learned in early childhood are tested as young adults face a variety of new choices and responsibilities, including working, saving money and moving out of the family home.

Health Considerations

Lifestyle Factors

Diverse home-life scenarios confront teens and young adults: the at-home teen, the teen at boarding school, the older teen entering a college campus setting or a young adult preparing to live in his or her first apartment and beginning a career. New situations, new pressures, new people and new risky behaviors frequently present themselves to young adults between ages 15 to 24. Your hard work in your children's early years substantially shapes their core values. However, the nature of this life stage, with its frequent important changes, can loosen the footing of even the most grounded young adult.

Risk Assessment

As young adults are now in charge of many of their decisions, they may choose a path of healthfulness or a path of irresponsible habits that can impact future adulthood. This age group may confront sexually transmitted diseases, alcohol, drug and tobacco use, and a range of mental health issues including depression, anxiety and eating disorders. In addition, they face new risks as they learn to drive.

Previously, it was believed that brain development was complete around age 12. This timing corresponds with puberty, the phase when the human body becomes able to reproduce, with maturing of the genitals and development of secondary sex characteristics. Dr. Jay Giedd, a researcher at the National Institute of Mental Health, was among the first to discover that brain development continues into the teenage years.[10] He and his colleagues used MRI studies to compare the brain's development at two-year intervals. Giedd's studies over the past 14 years have found that the prefrontal cortex, which controls planning, organization and mood, experiences additional growth even after the onset of puberty.

Some researchers conclude that if the young adult brain is still a work in progress, this could be an underlying factor motivating risk-taking behaviors and poor decision-making.[11]

Key Health Screenings

During this period, young adults begin the lifelong practice of screenings for hypertension, obesity, alcohol and drug use, and sexually transmitted diseases. As young adults move into their 20s, additional screenings should be considered to detect Type II diabetes, lipid disorders, depression and early signs of skin cancer.

Prevention Strategies

Ensuring a strong medical foundation and coaching good health and wealth attitudes will help prepare young people for the coming years. While parents often feel powerless to influence their children at this point, numerous studies prove the opposite is true. Your involvement in your children's lives as keen observers, explicit counselors and models of safe behaviors is paramount in guarding their health. You can benefit through active listening to build a pattern of strong, two-way dialogue.

Providing reliable, objective information to your children, as well as access to knowledgeable, positive adults outside the immediate family, reinforces the values you impart. A primary physician with good communication skills can be an excellent ally, as can a professional family health advocate. A trusted advocate can provide credible, objective medical information and communicate directly with the young adult when additional persuasion is needed.

Wealth Considerations

Cash Flow and Debt Management

According to an annual survey of students by the Institute of Social Research at the University of Michigan, a majority of high school seniors have part-time jobs, but few bank any of their earnings or save for college. Teens also report that money is one of the top issues they argue about with their parents, even though their values about money often mirror those of their parents.[12] This underscores how important it is for you to discuss money and money-related values with your teenage children, even if it may be an uncomfortable subject at first.

Ultimately, you can help yourself by helping your teenagers understand the value of saving for a goal and rewarding themselves for successful saving. One approach is to share with them your own savings regime so they may better appreciate your efforts as they prepare for independent life.

Since leading by example can be an effective way to reinforce new skills, you should reflect on your own approach to managing money and make efforts to model responsible financial behavior. Another approach is to help your children set up a brokerage or money market account, and allow them to manage the funds and apply some of the financial knowledge and money management skills they have developed so far.

Once out in the workforce, young adults need to develop effective strategies for managing their financial obligations. One of the first steps is to prudently manage or eliminate any credit card debt they have accumulated and pay off new credit card balances every month. Many recent graduates get themselves into serious financial trouble trying to establish a comfortable lifestyle by abusing their consumer credit. In fact, according to a University of Michigan study, a growing number of parents continue to financially support adult children in their 30s.[13] Effectively handling debt and expenses can be a critical factor in establishing and maintaining financial independence, as well as a good credit rating.

Investment Planning

Despite the number of teenagers who have jobs, it is surprising that many high schools do not offer classes that educate students about financial matters. This means that parents need to teach basic finance principles, such as the difference between fixed income and equity investments, and the concept of compound returns. As previously noted, one engaging way to introduce young adults to investing is to purchase for them an investment vehicle such as a well-diversified mutual fund, and encourage them to periodically monitor the fund price and performance in daily newspapers or on the Internet.

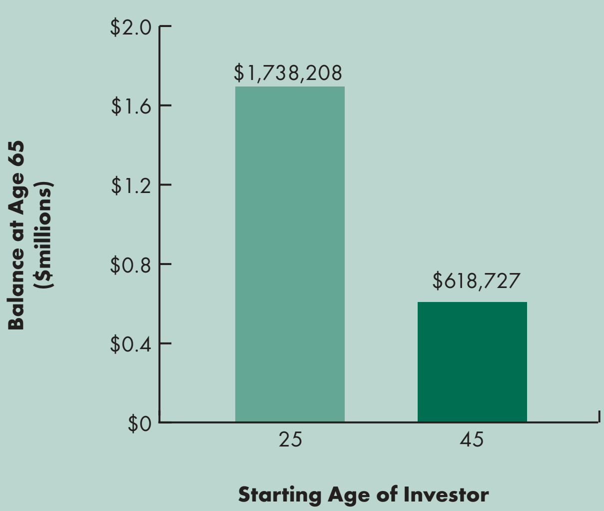
When children reach the age of majority, you should review savings vehicles established when the children were younger and, if required, transfer funds to them at that time. Be sure to review the plans carefully to determine the appropriate age at which the funds are to be transferred.

Retirement Planning

Once young people enter the work force, they should strive to save between 10–20% or more of their pre-tax income for their retirement. This is easier said than done, however, as many young adults tend to spend most everything they earn to support their lifestyle. It is important to reinforce the message that they should "pay themselves first" by participating in their employer-sponsored 401(k) savings plan, if available. This forced savings can enable them to accumulate significant resources over time.

However, in spite of the tax advantages of making 401(k) contributions, fewer than half of those eligible to participate in company-sponsored programs do so, and according to some studies, fewer than 10% contribute the maximum allowed.

TIME VALUE OF MONEY



ASSUMPTIONS:

- 401k contribution of $5,000 at age 25
- 401k contribution increases 3.5% per year (initial contribution for investor starting at age 45 is $9,949)
- 6.8% annual rate of return

If their employers do not have a 401(k) plan, encourage your young adult children to set up an IRA. To help them get into the habit of saving, encourage them to establish regular automatic transfers from their checking account to the IRA – and to other savings or investment accounts as well. This approach can be key to get them comfortable with living off less than they earn – an important part of overall financial management. In fact, according to experts, this is the number one way to build wealth.

Wealth Transfer Planning

Death or disability can strike at any age. Once children become adults, they too need estate planning documents. The most basic of these are:

- A power of attorney for healthcare to authorize loved ones to make health care decisions on their behalf,
- A durable power of attorney for property to authorize an agent to manage their financial affairs, and
- A will to determine who will receive their assets.

Depending on state law, a separate directive to physicians also may be required to make clear the child's wishes regarding life-prolonging medical treatment under extreme circumstances.

Without these basic documents in place, loved ones will be unable to act on the young adults's behalf in the event of sickness or accident. Court proceedings then become necessary to manage significant assets. And, in the case of death, significant wealth gifted by the parent may go, in part, outright to siblings (or other relatives) under state laws of intestacy.

Equally important as planning for death or disability is preparing adult children to become beneficiaries of an existing trust, such as a generation-skipping trust established by grandparents. State law typically requires that current beneficiaries receive trust statements – but their education need not stop there. A well-informed beneficiary will be familiar with the purpose of the trust, its investment strategy, its distribution terms, its termination date, as well as the basics of trust taxation. See Keys to Creating Financial Responsibility below for more information on preparing children to become trust beneficiaries.

A third concern during this stage is anticipating the special issues that emerge when a young person of wealth decides to get married. Even in the teenage years, it is not too young to begin conversations about prenuptial agreements: what they are and how they can help protect the family fortune.

Finally, these are key years to continue to encourage involvement in philanthropy, whether it be serving on a junior board of a family foundation or volunteering on their own. Many high schools and colleges have special service programs for interested students; these can be valuable learning experiences. There also are summer programs and internships. Overall, the philanthropic connection is important to your children's future development. It gives them a new perspective on their growing awareness of personal wealth.

In a world where affluent children are prey to many negative influences, it is important for them to understand, at an early age, their potential to make that world a better place.

KEYS TO CREATING FINANCIAL RESPONSIBILITY

How do you prepare your young adult to become a beneficiary of a family trust?

- First, have confidence in yourself. If you have taught your child good financial values, both by precept and by example, it is unlikely that your child will morph suddenly into a stereotypical "trust fund baby."
- Take this opportunity to continue the conversation about family wealth – and the family's attitude toward that wealth. Talk about the family members who established the trust, perhaps sharing stories about their dreams and early struggles.
- Explain the purpose of the trust: is it intended to fund education? Retirement? A new business?
- Because trust documents can be complex, you may want to ask your estate planning attorney to provide your young beneficiary with a summary in layman's terms. What are the terms governing distributions? Is income mandatory? In what circumstances can principal be withdrawn? Who are the other beneficiaries?
- If you are the trustee of the trust, be aware that state law may require you to give your child a copy of the trust document's relevant sections as well as investment asset and transaction statements. If you are uncertain how much to say, err on the side of disclosure. Secrecy can be one of the surest roads to family discord and litigation.
- Finally, if you haven't done so already, introduce your children to the people who manage the trust – the investment manager and the trustees. Have your children sit in on meetings where investments, asset allocation and market trends are discussed. Provide them with basic books on investing so that they understand the inherent complexities and dangers. In other words, make them educated partners.

Pivotal Years: Ages 25 to 39

The Pivotal Years are all about balance. As people in this group begin to establish a career, family and network of friends, life seems to run on all cylinders. This underscores the importance of preventative care and stress management. It's also a time of independence and personal fulfillment for maturing adults. During this stage, people tend to have more of a short-term financial focus since they still may be paying off education costs, negotiating a job, buying a home, getting married and starting a family. Whatever the case, it is important to continue to master the technique of building a strong financial foundation to ensure long-term security and peace of mind.

PIVOTAL YEARS: AGES 25 TO 39

Health Considerations

Lifestyle Factors

While many people in this age group still envision themselves as invincible, preventive care and a healthy lifestyle are essential for promoting good health as they get older. Stress assaults both mental and physical health. Physicians recommend exploring healthful calming activities and incorporating them into an ongoing lifestyle. Avoiding destructive habits that may seem to provide short-term relief, such as smoking and consuming excessive alcohol, is equally crucial.

Risk Assessment

At this stage in life, personal health can be compromised by the stress of balancing home, family and career. The anxiety of making career footholds and managing new sources of debt can take a toll. Symptoms of anxiety – sleeplessness, headaches, stomach distress or frequent muscle pain – are not only troublesome, but can undermine overall health and lead to additional physical problems.

Key Health Screenings

It is important that, within the context of their busy lives, people in this age group continue vital annual screenings. If there is a family history of cardiac issues, this is the time to consider tests for coronary artery disease. If a family history indicates increased cancer risk, annual screening may include tests for early signs of skin, oral, prostate and breast cancer.

During the Pivotal Years, childbearing often becomes a health focus. In advance of pregnancy, women should review their immunization records and screen for sexually transmitted disease and asymptomatic bacteuria, a bacteria in the urine caused by a urinary tract infection. If left untreated, it can spread to the kidneys and endanger the health of the mother and baby. For pregnant women, antibody testing, screening for chickenpox and rubella antibodies and screenings for anemia, diabetes and high blood pressure are essential.

Prevention Strategies

Whether or not a pregnancy is planned, women in this stage should ask their doctors about starting a regimen of prenatal vitamins. In the first weeks of pregnancy, before the mother is aware of her condition, folic acid works to significantly reduce incidence of spina bifida in newborns. Following confirmation of a pregnancy, there are a number of tests recommended. In addition, mothers over age 35 may want to consider amniocentesis or chorionic villus sampling (CVS) to test for chromosomal problems, as the risk for such problems rises with age.

Among this age group, new predictive tests such as DNA and biomarker assessments are becoming increasingly popular. Early detection of medical problems can lead to more effective treatment. Objective, scientific information on the cumulative effects of an unhealthy diet and inactivity also is essential. As with any goal, future wellness involves commitment and planning. If you are in this age group, seek support from your primary physician or medical allies, your partner and similarly committed peers.

People who get a handle on their financial future during these years also enhance their health future. A sense of financial control provides the peace of mind critically important to optimum health. Worrying about your financial positioning for retirement and your children's educational funding causes undue stress. On the other hand, planning and taking action on your plan can have a beneficial effect on your health.

PIVOTAL YEARS: AGES 25 TO 39

Wealth Considerations

Cash Flow and Debt Management

These typically are the years devoted to buying the first home, establishing a career, starting a family and other such firsts. Effective cash and debt management can be challenging. Establishing a solid savings and investment plan within the context of significant purchases is a critical step in developing a solid financial foundation.

For starters, the general rule of thumb is to manage your expenses to save and invest 10–20% of your pre-tax income. Ideally, a significant portion of this savings should be accomplished through a tax-advantaged vehicle such as an employer 401(k) savings plan and/or an IRA. The sooner you start this habit, the less likely you will find yourself in financial difficulties later in life when it is harder to make up for lost time. It also makes sense to establish an emergency fund that covers at least three to six month's income.

Before marriage, you and your partner should discuss your views on financial and budget management, how each of you spends money and your attitudes toward paying off debt on a timely basis. It also is helpful to discuss short- and long-term financial goals and planned savings for major purchases. In a *Money* magazine/CNN survey of 1,000 spouses, 84% said that money causes tension in marriage[14], a contributing factor to the high divorce rate.

Once married, you will need to review and adjust beneficiary designations on your insurance coverage and other benefit plans. This is a good time to develop a comprehensive insurance program that includes disability, health, life and umbrella coverage. Some of the most important steps you can take as a couple are to maintain an open financial dialogue, set specific financial goals and monitor your progress over time.

You and your partner also should review and integrate health coverage as needed. A health savings account (HSA), formerly called a medical savings account, can be an effective way to accumulate funds to cover eligible medical expenses. The two components of an HSA include a health savings account and a high-deductible health plan. These tax-exempt trusts or custodial accounts enable you to contribute and grow pre-tax funds to cover both routine and serious medical expenses, and funds can be rolled over from one year to the next.

LIFE EVENTS REQUIRING REVIEW OF WEALTH TRANSFER DOCUMENTS

- Marriage or divorce
- Birth or adoption of children or grandchildren
- Child develops mental or physical problems
- Wealth increases or decreases significantly
- Tax law changes
- Move to another state
- Plan to give or sell business to your children or others
- Purchase or sale of major property
- Care of elderly parents or other relative
- Death of spouse, child or parent
- Serious illness

Investment Planning

This is the time to establish a more disciplined, comprehensive plan for reaching your investment objectives. In creating your plan you need to consider a long-term horizon (up to age 90). Developing a diversified investment portfolio targeting long-term growth is usually most appropriate. Investments held in your 401(k) also should be taken into account here.

As younger investors, this group has more investment options available than previous generations – and the luxury of time in which to accumulate and grow assets for the long-term. As a result, alternative investment options such as private equity, hedge funds and real estate should be considered as part of an overall asset allocation strategy. Real estate is a much easier asset class to access with the use of mutual funds. According to the Wealth in America 2006 study, two-thirds of younger millionaires anticipated allocating at least some new savings to alternative asset classes.[15]

Retirement Planning

Unfortunately, too many people – even those with high incomes – fail to achieve their required savings levels. Continuing your efforts to save 10–20% of your income toward retirement and maximizing contributions to retirement plans such as 401(k) plans and IRAs are relatively simple, effective strategies for accumulating assets for retirement. Also, as mentioned previously, it is crucial that you do not postpone saving for retirement or reduce contributions to retirement plans while saving for your children's college education. College is an important financial consideration, but consider all options available to fund it. Overcoming shortfalls in early savings for retirement is extremely difficult once you lose the benefit of years of compounding on investment returns.

Wealth Transfer Planning

Ages 25–39 bring many changes – domestic partnership, marriage, the birth of children, perhaps a divorce – and you will need to update your wealth transfer documents. The basic set of estate planning documents should be supplemented with a revocable trust to facilitate asset management in the event of death or incapacity. In addition, wills, powers of attorney and medical directives all need to be reviewed to reflect changing relationships. For example, instead of naming a parent as trusted agent, people in this age group typically name a spouse, a partner or a close friend. Guardianships and new trusts need to be considered for minor children.

Ideally, this is the time when you will formulate a more formal review process to manage current and future wealth transfer issues. Such a process might begin with an inventory of recent life changes and concerns, move on to a discussion with a spouse or partner, proceed to a meeting with a trusted and skilled estate planner, and culminate in document review and execution. Despite your hectic lifestyle, it is important to initiate and complete this critical planning cycle every three to five years. Too many high-net-worth individuals fail to establish this routine. The result can be chaos: outdated documents, unsigned agreements, broken promises.

At this stage in particular, those with families and emerging careers may have limited assets and heavy cash flow needs. An irrevocable life insurance trust can serve as a safeguard, providing protection in the event of untimely death or disability. Importantly, the proceeds of policies held in an insurance trust (unlike the proceeds of policies held directly by the insured) generally escape taxation in the insured's estate. An irrevocable life insurance trust, like other wealth transfer documents, should be drafted by a knowledgeable estate planning attorney.

If you marry later rather than earlier, it is likely that you already will have accumulated substantial assets. Or you may have the prospect of a substantial inheritance. In either situation, it is worthwhile to consider negotiating a prenuptial agreement with provisions for the division of property in the event of divorce. As a 2003 study by Harvard Law School Olin Fellow Heather Mahar concluded, "the more wealth people have, the more likely they are to ask for a prenup."[16] (See box opposite.) And, of course, whatever agreement is executed should be shared with your estate planning attorney and integrated into your estate plan.

Finally, amidst all this activity, it is important to preserve the momentum of philanthropic participation. Skills learned in earlier stages now can be applied to serving on the board of a family foundation or volunteering with family members or business colleagues. Involvement with others in the culture of giving, as always, will keep everyday stresses in perspective and bring much personal satisfaction.

PRENUPTIAL AGREEMENTS

A prenuptial agreement allows prospective couples to resolve potentially divisive financial issues in writing before their marriage. A prenup can be particularly helpful in the following situations:

- One or both parties have children from a prior marriage
- One or both parities have or expect to inherit substantial family property
- One or both parties have a substantial closely held business or professional practice
- One or both parties have substantial debt

Ideally, a prenuptial agreement evolves from the informal discussions about finances that should precede any marriage. Although each state's laws are different, a prenuptial agreement will generally not be enforceable if:

- One party is coerced into signing
- There is not full disclosure of each party's assets
- The agreement attempts to limit or waive future child support, custody or visitation rights
- The agreement provides a financial incentive for divorce

Sandwich Generation: Ages 40 to 54

Many individuals in this age group often feel sandwiched between the dual responsibilities of taking care of children and caring for aging parents. When setting financial goals, those in the sandwich generation may need to factor in this support or assistance, as well as determine whether sacrifices to their current lifestyle are required to ensure meeting life goals down the road. These multiple responsibilities can create unique health-related financial burdens.

Health Considerations

Lifestyle Factors

Many in this age group enter a lifestyle cycle of all-work-and-no-play to the detriment of their health. Sleep deprivation and self-neglect take a cumulative toll on your ability to fight illness, as does untreated depression. In his 18 years as a cardiologist at Duke University Medical Center, Dr. Martin Sullivan came to understand the importance of the mind-body connection. "The strongest risk factors for coronary artery disease are depression and anxiety. These increase your risk four-fold," notes Dr. Sullivan. Committing yourself to regular vacations and enjoyable time with friends is enormously important to remaining positive and boosting your immunities.

Risk Assessment

If you are in your 40s or early 50s, chances are you are confronting a number of competing pressures and priorities. Therefore, it is more vital than ever to make time not only for preventive care but also relaxation to diffuse stress. Increased stress can wreck havoc on your health as well as your financial peace of mind.

Caught between job responsibilities and the acute demands of the young and the old, the first thing that slips through the cracks for caregivers is usually the healthcare and psychological support essential to their own well-being.

Many people are caught unprepared for their new role of caregiver for older relatives. The stress of caregiving is a proven source of negative health issues. As parents age, people in the sandwich generation often care for a parent suffering from a form of dementia. According to information gathered by the CDC, approximately 6–10% of people age 65 and older may suffer from some form of dementia. That percentage rises rapidly with age, moving closer to 20% as people age from 65 to 74 to 30% for those age 85 and older.[17]

The job of caring for a family member suffering from Alzheimer's disease or other forms of dementia can have a huge, negative impact on the caregiver's own health. A paper presented at the 2003 Proceedings of the National Academy of Sciences by Drs. Janice-Kiecolt Glaser and Ronald Glaser showed that the stress of caring for a family member with dementia has a negative impact on the caregiver's immune system for up to three years after they stop providing care – increasing their chances of developing a chronic illness.[18] To minimize the mental and physical health problems caused by caregiving stress, healthcare professionals advise making preventive care a priority and sharing the burden with other family members or professional respite care providers.

Key Health Screenings

Although many health screenings are recommended at an earlier age for diseases such as breast cancer and prostate cancer, the risk for these conditions increases most significantly after age 40. Unfortunately, this increased risk occurs just at the age when many are caring for others and neglecting their own needs. As you enter your 50s, it is crucial to add a colon cancer screening through colonoscopy. A pap smear also is still recommended every one to three years for women, except those who have undergone a total hysterectomy related to a benign disease. In addition, a new assessment tool, the Biophysical250 blood test, measures 250 individual biomarkers to give earlier clues of potential disease, far in advance of noticeable symptoms.

Prevention Strategies

This stage of life is a midway point in age and longer-term health goals. The 50-year mark can prompt a new commitment to remaining in vital, good health in the years to come. An integrated approach of traditional medicine should now incorporate lifestyle and proven preventive approaches. A physician's review of your exercise, diet and complete medications list is imperative before enacting a new preventive regime. Grounded by information on your medical footing, an individualized plan will lead to better health outcomes and fewer injury risks. Also ask your doctor whether it is wise to begin a small daily dosage of aspirin for heart attack prevention. This is a common practice among cardiologists and many other physicians as well.

For women entering menopause, advances in alternative therapies such as certain herbal remedies, massage, diet adjustments and meditation are offering significant relief. Extensive hormone therapy was the norm for many years; however, links to an increase in certain cancer risks have prompted physicians to exercise special caution in prescribing hormone treatment. Now, when hormone therapy is chosen, lower doses often are recommended with careful cancer screenings and limited duration of use. At this life stage, healthful eating and exercise help alleviate menopausal symptoms as well as play a role in preventing future illness.

EXECUTIVE PHYSICALS:
Performed at leading medical centers, an executive physical is far more comprehensive, specialized and integrated than a routine annual physical. New advanced diagnostics are applied; multiple specialists convene to measure health of specific areas; and the result is a highly detailed picture of your health. The measurements serve as a baseline as well as help detect early indications of the onset of disease.

Sandwich Generation: Ages 40 to 54

Wealth Considerations

Cash Flow and Debt Management

Maintaining a disciplined savings program and prudently managing debt are important cash management strategies. At the same time, don't lose sight of preparing for the unexpected calamity. This is especially important at this stage of life since the number of years available to recover from a serious financial mishap are greatly diminished compared to the Pivotal Years (ages 25–39).

Regularly review your insurance program to evaluate the proper disability, health and life insurance coverage. Statistics indicate there is a much greater chance of being disabled than dying prematurely, yet many have not considered how they and their family would survive financially if there were a significant drop in their income caused by a disability or illness.

At this stage in life, you may have begun to accumulate sufficient assets that should be protected. Maintaining an umbrella policy for personal liability is very important – particularly to ensure adequate funds are available to cover legal defense costs.

You also should consider conducting a cost-benefit analysis for long-term care insurance for you and/or your parents. The younger you are when you purchase coverage, the lower the premium amounts, which continue during the life of the policy. Depending on the policy, this insurance covers nursing home or assisted living care, as well as home-care services. If you purchase it in your 50s, the costs typically run \$2,000 – \$4,000 per year. However, the price escalates with age and poor health. If your parents are still in relatively good health, you may want to consider purchasing coverage for them, as having this coverage will protect their assets and yours, giving the steep cost of long-term care as outlined in the chart on page 29. This is also a good time to discuss with your parents their projected cash flow needs so that you can begin to plan accordingly for any future expenses that may impact your own plan.

CALCULATING THE COSTS OF LONG-TERM CARE

When considering how best to cover potential long-term care costs, the numbers below can help determine what the costs might be. Note, however, that many of these costs are increasing faster than the inflation rate.

RESIDENTIAL FACILITIES:

Assisted living facility	
Room/board and assistance	$1,742–$5,197/month
Nursing home	
Room/board and skilled nursing care	$3,224–$17,918/month

HOME CARE SERVICES AND PROGRAMS:

Custodial care (*nonmedical*)	$12–$29/hour

Sources: MetLife Mature Market Institute Survey of Nursing Home and Home Care Costs, September 2006; MetLife Mature Market Institute Survey of Assisted Living Costs, October 2006.

Investment Planning

As you continue to implement your investment program, it's important to monitor your portfolio on an ongoing basis, and rebalance asset class exposures as appropriate – being particularly mindful of significant concentrations of employer stock or other single stock holdings. Be sure to compare the performance of your investments with your goals. Consider alternative asset classes for increased diversification and return. Through your review, you may find that you need to replace investment solutions or managers that fail to meet your program objectives. Additionally, you may need to realign your investment expectations based on current market conditions.

To maintain a prudent investment strategy, it is important to continue to maximize employer-sponsored savings plan participation. Because federal and state income taxes will be one of your biggest expenses throughout your life, adopting strategies for maximizing the use of tax-advantaged savings vehicles such as 401(k) plans and IRAs, along with health savings accounts, can have a significant impact on the level of wealth you accumulate.

Retirement Planning

As you contemplate retirement, another goal should be to identify when you want to retire. To gain a realistic picture of your finances, you'll need to determine how much retirement will cost and if you are on track financially to reach your goals. Most individuals and couples find they need to increase their level of saving and investing in order to maintain their lifestyle during retirement.

Those 50 and older are permitted to make additional or "catch-up" contributions to IRAs and to many qualified plans, including 401(k)s: the amount of these contributions is governed by the type of retirement vehicle. Catch-up contributions can have a significant impact on IRA retirement savings, as illustrated in the accompanying chart.

For couples, it's especially important to discuss and coordinate plans with a spouse or partner. When issues arise, it is typically because couples do not work together to develop a view of their retirement activity plans, which is an obvious recipe for stress.

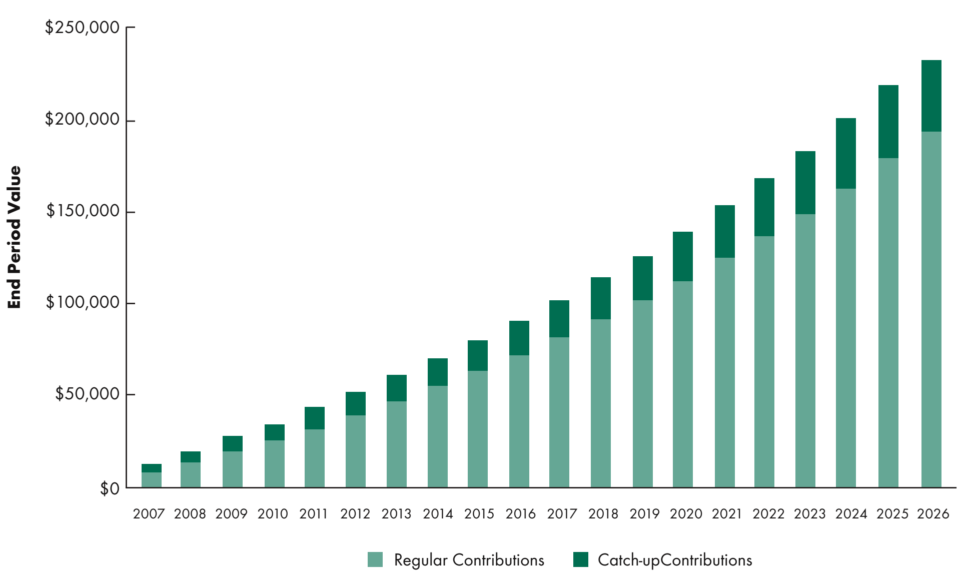
In order to gain a realistic perspective of your potential retirement costs, it is also important to discuss financial resources with your parents to determine whether they will be financially self-sufficient in their retirement. Adult children often are less comfortable than their parents in discussing matters related to disability or mortality – either their parents' or their own. The key is not to wait for a crisis to discuss your parents' situation, plans and wishes.

Wealth Transfer Planning

For members of the Sandwich Generation, the wealth transfer process presents new challenges. For perhaps the first time, there are three generations to think about – grandparents, parents and children. If grandparents are affluent, one key issue is integrating the family's estate plan to prevent unnecessary taxation or a proliferation of trusts with inconsistent terms. In some situations, it may make sense to have grandchildren be the primary individual beneficiaries of the grandparents' estate plan as transfers that "skip a generation" may save significant estate tax for parents.

On the other hand, if grandparents are dependent on their children for support, very different issues arise. In this situation, support trusts may be considered to ensure that the older generation is well provided for even if the children should predecease them. These types of considerations require careful thought, forthright discussions between the generations and prompt communication with the drafting estate planning attorney.

IRA ACCUMULATION: IMPACT OF REGULAR AND CATCH-UP CONTRIBUTIONS



ASSUMPTIONS:

- 6% rate of return
- Maximum catch-up contributions of $1,000 at the end of every year
- Maximum regular IRA contributions at the end of every year ($4,000 in 2006 and 2007, $5,000 in 2008 and beyond)
- Tax-deferred growth
- Investment horizon of 20 years

Other types of life-stage considerations are important here as well – divorce, remarriage, inheritance, the addition of in-laws to the family or succession planning for a family business. Be prepared to work hard with your professional advisors to keep your plan up to date and complete. As you do so, remember that your estate plan and your overall financial plan are tightly related – and consider ways in which you can make that relationship an efficient one. At this stage, as at every stage, change should be an impetus for thoughtful analysis of consequences and opportunities.

As an example, if you are implementing an annual gifting program, consider how the program will impact not only your cash flow but also your investment strategy. Do you need to shift your asset allocation in order to replace the income from gifted assets? If you are about to receive a large bonus (and already have maxed out your retirement plans), would some offsetting charitable contributions be consistent with your overall philanthropic plan? If you are a business owner, have you factored business succession into your estate plan? Are there lifetime gifting strategies that would ease the succession process and save transfer tax at the same time?

BUSINESS LIQUIDITY EVENT CONSIDERATIONS
To maximize return from a liquidity event, business owners must start planning for succession or disposition well in advance. There are many factors to consider, both personal and financial. For example, one key issue is what to do if some, but not all, family members are involved in the operation of the business. Working through personal, financial and tax considerations can be a complicated process and most high-net-worth individuals choose to work with a professional financial strategist who will help develop and implement appropriate scenarios.

As you move closer to the peak of your earnings potential, also consider your lifetime gifting strategy. If you are not doing so already, when will you begin making annual exclusion gifts? Are you still making scattered gifts to a large number of charities? When will you formulate a coordinated philanthropic plan? These are additional issues to consider with family members and your financial advisors.

Maturing Years: Ages 55 to 65

After perhaps raising a family, building a business or achieving a successful career, this is the time to enjoy the rewards of well-earned success. The transition from work to retirement can be as significant a life event as getting married or having children. It is imperative that couples discuss plans in advance to ensure they keep a firm grasp on their destiny. As this group enters the mature phase of their life, they often want to take control and focus more on making the right decisions to position themselves for a comfortable and fulfilling next phase of life. Retirement isn't as straightforward as it used to be, as people create their own definition that reflects their goals and values and involves creative work-life balance scenarios. Travel becomes more of a possibility as incomes rise and freedom from childrearing responsibilities increases.

After all the planning and investment in family, friends and career, there often is a feeling that "life is good!"

MATURING YEARS: AGES 55 TO 65

Health Considerations

Lifestyle Factors

New attitudes, knowledge and scientific insights are making this stage a time of peak productivity and vibrancy. Chronological age is just one factor in determining "real age." Proactive health management can lower your body's real age substantially.

Risk Assessment

During this decade in life you must realistically address aging issues in a positive, proactive way. The challenge is undergoing appropriate screenings so disease can be caught early, and coordinating the treatment and preventive care for a range of conditions, such as joint problems, eye diseases, cardiovascular disease, hearing loss and more. Once a full health picture is assembled, resources coordinated and issues monitored appropriately, many problems can be addressed early for better outcomes.

Key Health Screenings

At this stage, men should consider prostate cancer screening, and women need to undergo screenings for osteoporosis. It is not too late to build new bone through lifestyle changes and, if necessary, medications to stop the progression of loss. If you have not considered an executive physical before, this is an opportune time to invest the time for extensive, whole-body baseline measurement and disease detection.

For many men and women, released from daily responsibilities of a career climb and raising children, world travel becomes a leisure priority. Be sure to investigate destination-specific illnesses and risks in advance, in order to get necessary immunizations and prescribed medications. In addition, as exotic destinations become more popular, access to quality medical care takes on even greater importance.

Medical travel insurance not only protects you from potentially considerable medical costs abroad, it also can allow you entry into medical facilities. In many countries, hospitals require large upfront cash payment before admitting a patient with a medical emergency – even a life-threatening one. Medical evacuation coverage also is recommended.

Should you have a special condition, it is wise to identify specialists within the area you are visiting and have your physician make contact in advance of your trip. Also take along key medical records so that treating physicians will have a crucial frame of reference. For example, a heart patient's electronic records can include a diagram indicating the placement of a cardiac stent to ensure proper treatment should medical attention be required.

Prevention Strategies

For healthy adults in their late-50s, this is the time to take full advantage of all the exciting advances in medical prevention. Staying healthy requires smart planning and professional teamwork.

Like caring for a house, cumulative care versus neglect can make a difference in your health as well as in your quality of life in the years ahead. How do you want to live for the next 30 years? Now is the time to look forward and understand that you may live to be age 90 or older. New findings prove genetics are only part of the equation. And though it takes more planning and more deliberate effort to keep your body strong than in younger years, rigorous attention to health details is the best defense against medical problems in your senior years.

In a MetLife survey conducted in 2003, the majority of respondents between ages 56 and 65 underestimated the life expectancy of a 65-year-old. When asked the likelihood that a 65-year-old would live past age 85, only 37% correctly responded that the chances are 50%. Surprisingly, 77% didn't think that longevity was a significant risk in planning for retirement.[19] Clearly, most people do not understand how medical and related costs incurred during the decades of retirement, along with inflation, can rapidly deplete retirement assets.

Wealth Considerations

Cash Flow and Debt Management

As you near retirement, it is critically important to gain a clear understanding of how much it takes to fund your current lifestyle and how much you expect to need during retirement. If you are still in the practice of spending more than what you earn, there is still time – before retirement – to make adjustments. This is also a good time to take a look at your current debt and liabilities and evaluate whether the elimination of debt is an appropriate move for your circumstances. For example, if you have a favorable mortgage rate and can earn a higher rate on your investments, maintaining your mortgage may be a prudent strategy.

Insurance and healthcare coverage is another area that you should consider more closely as you get closer to retirement. Carefully review the insurance benefits that are available from your employer, and if there is a gap, consider purchasing outside life, medical care or long-term care insurance. Part-time work in retirement also may be a viable solution if insurance is provided.

Be sure to include the cost of healthcare and long-term care insurance into your retirement expense planning to help ensure that an illness will not derail your financial plans. Given few employers offer retiree medical insurance, annual medical expenses not covered by Medicare can be substantial. Some studies estimate that those retiring today without retiree healthcare coverage from their employer may have to spend $200,000 or more for supplemental Medicare insurance and out-of-pocket medical expenses over the course of their remaining lives.[20] If your parents are still living, you also need to discuss financial and other issues with them to determine whether they may need your help financially.

Investment Planning

As you may have 25 to 35 years of life ahead, your investment portfolio should reflect wealth preservation strategies that counter inflation and meet your projected long-term cash flow needs. Examining your strategic allocations can help you better determine the sources and stability of this cash flow. The equities should be well diversified among small-, mid- and large-cap stocks as well as international investments. Pay particular attention to single stock exposure or other highly concentrated holdings.

Retirement Planning

As you near retirement, take the time to discuss with your spouse or partner your plans for how and where you want to spend your retirement. You not only will need the financial resources to support your lifestyle, but also meaningful pursuits that will help replace the social, emotional and intellectual benefits of your career. Unfortunately, most couples wait until one or both have left a job or sold a business before having this discussion. Discord or even divorce can result if a couple fails to reconcile differing views on this vital subject. In determining what you and your partner plan to do in retirement, it may make sense to consult your advisors to help you estimate what it will cost.

To calculate your future income, first consider distributions from retirement savings and investment vehicles including your 401(k) or 403(b), IRAs and other tax-deferred and taxable accounts. Next, determine what funding may come from your investment portfolio. If you are contemplating downsizing your home, you may wish to include potential proceeds from a sale in your estimated total assets. You also should include plans to fund health insurance if you leave your job before age 65. Conventional wisdom suggests you will need 70–85% of the amount of your working income to maintain your lifestyle during retirement. Of course, you may need more depending on your lifestyle.

Before you retire, determine what you will do with your employer-sponsored retirement plan assets and when you will elect to receive Social Security. Most retirees choose to defer tax by rolling over their plan assets to an IRA. If you roll over to an IRA, make sure it is a direct rollover (assets are transferred directly from the plan to your IRA) to avoid income tax withholding by the IRS.

As you choose a retirement location, be sure to weigh state income taxes. Some states such as Florida, Nevada and Texas do not have state income taxes. Others, like California, can have rates of more than 9% and can be aggressive in pursuing income tax obligations. To illustrate, if you are a California resident and if your pension and investment income is $200,000 in retirement, you could save approximately $16,000 annually by retiring to one of the states that does not impose state income taxes. Another factor to consider is the applicable state estate tax. If you own real estate in several states, you may be subject to estate tax in more than one state.

Did you know you can make a charitable gift using an IRA?

As a part of The Pension Protection Act of 2006, donors now can make lifetime gifts directly to certain charities from their IRAs. This provision is set to expire at the end of 2007, but may be extended. Consult your advisor to discuss the details of this gifting option.

Wealth Transfer Planning

This is a good time to reassess, reevaluate and reconsider your estate planning and beneficiary designations.

- Are the provisions in your estate planning documents consistent with current maturity levels and current financial sophistication?
- If you are unmarried but have a new partner, have you made adequate arrangements in the event you are the first to die?
- If you are single, have your ideas changed about who should be the recipient of your wealth?

Beneficiary designations on retirement plans and accounts are an important part of the reassessment process.

- Do current beneficiary designations take advantage of the latest tax law developments?
- Are beneficiary designations integrated with your overall estate plan?
- Are the beneficiaries themselves now independently wealthy?

Your estate planner likely will emphasize that lifetime gifting is critical if you are to achieve your overall wealth transfer goals efficiently. There is no doubt that lifetime gifts save taxes. Equally importantly, lifetime gifting can be a way to test the financial skills of future beneficiaries. And it can bring the giver much joy.

For those with extended families, one important issue is scope. For example, should in-laws be included as well as children and grandchildren? What about nieces and nephews? Another important question is whether gifts should be made outright or in trust. For the best result, supplement your personal assessment with advice from a skilled estate planner – your questions are not unique.

On the philanthropic front, the need to reassess, reevaluate and reconsider may mean deciding to focus more energy on a more limited number of charities. Some donors decide that this is the time to establish a family foundation or a donor advised fund. Others strive to support "the best of the best" with outright gifts in a special field of interest, whether that field is cancer research or historical preservation. Still others achieve philanthropic goals through vehicles that also transfer wealth to family members, such as charitable remainder trusts or charitable lead trusts. From a lifetime of giving, what evolves is a strategy that reflects the particular passions of the giver.

Prime Time: Ages 66+

With retirement begins a new period of reflection – as you look back on your life accomplishments and contemplate what lies ahead in your well-earned freedom. These days, it's not so much about taking care of others as it is it about focusing on the quality of your own life and your ability to enjoy the fruits of a life well lived. As decreasing career demands allow more time for leisure activities, now is the time to benefit from the good habits developed over the years. This also could be your opportunity to enjoy your next career.

DELAWARE TRUSTS

When considering trust strategies with your financial advisors, remember that you can choose where the trust will be established and administered. Trust laws, tax rates and judicial climate vary greatly from state to state, making some jurisdictions much more trust-friendly than others. For example, for many drafters and their clients, Delaware is the state of choice: its trust law is well-developed and flexible, and its courts are highly experienced. Moreover, in a properly structured Delaware irrevocable trust with nonresident beneficiaries, accumulated income grows free of Delaware income tax. Particularly in situations where a highly appreciated asset is to be sold in trust, the tax savings can be significant.

Several different types of Delaware trusts are briefly summarized below:

- **Administrative or direction trust.** Under most state statutes, the trustee controls investments. In contrast, in a Delaware "administrative" or "direction" trust, a party other than the trustee has the exclusive power to direct investments. This can be useful if a family wishes to retain control over, for example, stock of a family business.
- **Lifestyle trust.** Similarly, under most state statutes, the trustee controls distributions. In contrast, in a Delaware "lifestyle" trust, a party other than the trustee has the exclusive power to make distribution decisions. This arrangement can be attractive if, for example, the grantor wishes to impose "lifestyle" standards on distributions to trust beneficiaries; all involved may feel more comfortable if the"distribution advisor" is a close family member.
- **Dynasty trust.** In a Delaware dynasty trust, wealth transfers to successive generations in perpetuity without the imposition of estate or generation-skipping tax. Many states have still not abolished the statutory rule that prevents the creation of such trusts.
- **Asset protection trust.** In a Delaware asset protection trust, the grantor's assets are, once a statutory period has expired, safe from the claims of creditors. Delaware is one of a handful of states permitting the creation of trusts which safeguard the grantor's assets, while allowing the grantor a continuing interest in potential distributions of income and principal from the trust.
- **Total return trust.** In a Delaware total return unitrust, income beneficiaries receive a percentage of the total value of the trust, determined on an annual basis, rather than trust accounting income. This strategy allows income beneficiaries to share in the appreciation of trust assets, rather than being limited to receiving trust accounting income.

It's also the time to stay active and engaged in your physical and financial situation. Because entering retirement can be a major financial and emotional transition, you will want to make sure you have a clear understanding of your financial and lifestyle needs and that you've done the proper planning to prepare for it.

PRIME TIME: AGE 66+

Health Considerations

Lifestyle Factors

Contrary to notions of the past, it is not too late to initiate an exercise and strength training plan approved by a physician who knows your complete medical history. Exercise still plays a key role in the ability to fight illness and avoid injury, not to mention enjoy the good life you've worked hard to build.

According to Dr. Martin Sullivan, "Health is not the absence of disease, but living life to the fullest." That belief is even more important for people age 70 and older. Quality of life and the ability to take part in activities you enjoy matter as much as the appropriate treatment and management of disease.

With good planning to maintain physical and mental acuity, the later years can be healthier years. Dr. Samuel C. Durso, AGSF, Clinical Director of Geriatric Medicine at the Johns Hopkins School of Medicine, believes keeping older people physically and mentally active can have a significant benefit on their overall health. "There is exciting research emerging that suggests staying active is the best protection against aging," he explains. "An ongoing project known as Experience Corps brings older adult volunteers, some of whom have not been in good health previously, into elementary schools to assist in the classroom. Studies have shown that the adults have better functional fitness, improved cognitive function and are less depressed."

In addition, a University of Michigan 2002 study found older people who serve as volunteers live longer than those who do not. Dr. Durso advises older people to stay engaged with "real life" tasks and remain socially active, using their skills to solve problems and get modest physical exercise. The Prime Time years are not the time to disengage from activities and friends that have provided joy for decades. It is the time for a greater determination to stay engaged. The effect of these pleasures is more than pure enjoyment; it boosts health and overall wellness on a physical level as well.

Risk Assessment

A myriad of health issues can arise and often be misunderstood as aging progresses. Your body may respond in a new way to familiar activities, foods or allergens that never affected you before. Aging changes your biology, affecting how the body processes illness and medications. Multiple prescriptions and their interactions can make matters worse. It is vital to stay fully informed of all medications and physician recommendations. Should a complex issue arise, seniors are wise to take an advocate or family member to physician visits for note taking and review. Treatment coordination and frequent monitoring of all health issues is particularly valuable in this stage of life.

A 74-year-old woman had been diagnosed with Alzheimer's disease and given medications to slow its progression. Her condition worsened with more memory loss and problems with balance, which also diminished her physical activity. Her concerned adult son insisted she receive a full geriatric assessment. The assessment revealed her Alzheimer's diagnosis was wrong. Once corrections were made to her medications and new helpful therapies were established, the woman achieved the mental acuity and physical health of years earlier. Her son remarked, "We feel like we got our mom back."

Key Health Screenings

A detailed geriatric evaluation is an excellent tool to form the right strategies for multiple health issues. Your physician may look for signs of depression, diminished mental acuity and physical weakness. Advances in anti-aging science and technologies indeed have occurred, and yet there is no substitute for a personal, strong physician-patient relationship where nuances of change may indicate a need for intervention. More frequent attention to symptoms is the key to good health in later years.

Prevention Strategies

A prevention strategy for the later years is best achieved by undergoing a thorough geriatric evaluation, applying proven strategies for staying strong and disease-resistant and seeking a doctor-patient relationship with mutual watchfulness and open communication. Seniors can be reluctant to voice their concerns and address minor aches and pains with their physicians. Caught early, many symptoms can be made better for far greater quality of life. Consider designating someone as an ally to speak up for your healthcare needs, either a proactive relative or professional healthcare advocate. For optimum senior health, extra communication and attention are essential.

PRIME TIME: AGE 66+

Wealth Considerations

Cash Flow and Debt Management

Now is the time to enjoy the benefits of decades of long-term financial planning. Some even take on a new career, as increasingly more people are choosing to work during retirement. Even working part-time will keep more of your tax-deferred assets growing tax-free. Beyond the financial benefits, the good news is that people who continue to work in retirement report feeling healthier and have a greater sense of well-being. When managing your finances in this new stage, be sure to review your insurance coverage, and factor in any work plans as well as any other changes that may be needed to accommodate your ongoing lifestyle or health-care needs.

CONSIDER USING A TRUSTEE FOR LARGER IRAS

Most IRAs are established as self-directed custody accounts. If you want freedom from administrative burdens, consider an IRA trust. The trustee will:

- **Work with you to establish an investment strategy that reflects your objectives, risk tolerance and cash flow needs,**
- **Determine your required minimum distributions and monitor withdrawals, and**
- **Manage and apply your retirement assets for your benefit if you become disabled.**

An IRA custodian will not perform these functions for you.

Investment and Retirement Planning

As in earlier stages, it is important to take a long time horizon into account as you continue to evaluate investment allocation and performance. For example, if you were considering a greater weighting in fixed income securities at this stage, you would need to balance immediate cash flow needs against long-term inflation risk.

Inflation and spending can reduce assets significantly over the decades of retirement. To keep yourself on track, it is important to develop a strategy with respect to withdrawals from your taxable and tax-deferred accounts. In general, it makes sense to take funds first from your taxable investment accounts — so that the assets in your retirement accounts can continue to grow tax-deferred for as long as possible. To ensure you have sufficient assets through the balance of your lifetime, consider limiting your aggregate withdrawals (from both taxable and tax-deferred accounts) to 4–5%, depending on your lifestyle, portfolio construction and rate of inflation.

At age 70-1/2, of course, you will be required under the tax rules to take minimum distributions from your traditional IRAs and qualified retirement plans. These minimum required distributions will need to be calculated each year and factored into your overall cash flow, investment and wealth transfer plans.

THE THREE PHASES OF RETIREMENT

Phase I:

During the first 10 or so years, retirees' expenses likely will increase with the potential risk that they will overspend and not have enough to support their lifestyle.

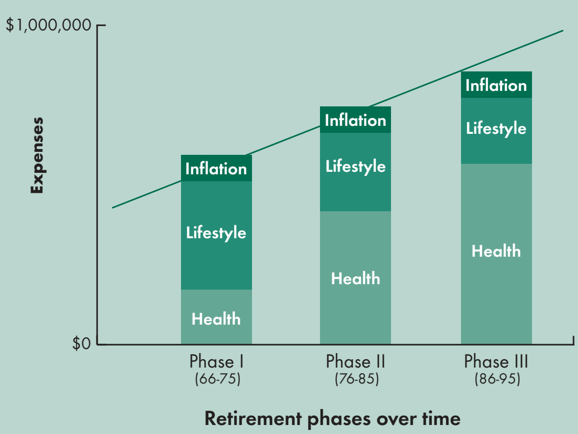
Phase II:

For retirees in their late 70s and early 80s, lifestyle costs likely will be reduced; however, healthcare and related expenses typically increase, and inflation will continue to erode the value of investments – depending upon asset allocation

Phase III:

Without the appropriate insurance coverage during the later years of retirement, serious health problems can increase expenses dramatically and deplete assets.

POTENTIAL IMPACT OF HEALTH ON WEALTH DURING RETIREMENT YEARS



Wealth Transfer Planning

Once you become a member of the Prime Time generation, you understand through experience the importance of a solid, well-considered wealth transfer plan. You know that changes – such as a death or change in your state of residence – likely will require changes in your estate plan as well. You have seen first-hand how an up-to-date document that reflects the decedent's wishes can alleviate stress and anxiety at even the most painful of times. Your generation is the most likely to make regular visits to the estate planner and talk candidly with a spouse or partner about wealth transfer concerns.

More difficult for some, however, is sharing an estate plan with their grown children. This communication is essential for many reasons. First, it helps ensure there are no misunderstandings, no feelings of being slighted or less favored. Second, it allows the younger generation to proceed with its own estate planning. Knowing the structure of their inheritance, they can create a plan that both incorporates and is in harmony with that structure.

Third, with greater communication comes greater insight into potential problems that a planned disposition might create. For example if you are creating trusts for grandchildren, parents are likely to have useful insights into your grandchildren's ability to manage potential trust distributions.

Your conversation with your children also may need to clarify how a second spouse (or a late-in-life partner) is to be provided for in your estate plan. An explanation directly from you can be reassuring and mitigate future conflict.

Also critical at this time is a review of durable and healthcare powers of attorney. The child or nephew you chose as agent may have moved away. Do you need a new agent, someone closer at hand? Perhaps you have moved to another state as well. Do you need a new power of attorney because a different state law now applies? Again, communication with all your loved ones and with your estate planner is helpful in finding workable solutions.

Another area that deserves attention is planning your final disposition. Where and how would you like your remains to be disposed of? What kind of final ceremony would you prefer? Who should be invited? What expenditures are appropriate? Written instructions to loved ones on these matters are likely to be much appreciated. In some states, such as Illinois and Texas, state law specifically authorizes the appointment of a special "agent to control disposition of remains."

The Prime Generation typically is a generous one. Lifetime gifting programs and charitable strategies should be in place and running smoothly. However, as we have seen, part of the challenge of the wealth transfer process is having the flexibility to change plans according to changed circumstances. For example, if cash flow needs increase suddenly due to a catastrophic illness or disability, then gifting of all types may need to be reevaluated and revised. Similarly, if a child suddenly is divorced or unemployed, part of a would-be inheritance may become a current lifetime gift.

In the end, your wealth transfer plan is, first and foremost, a reflection of your intentions, your needs and your financial assets. It is the product of your conversations with loved ones and with financial and legal advisors. It is your lasting legacy. As Winston Churchill put it, "We make a living by what we get, but we make a life by what we give."

PRIME TIME CONSIDERATIONS: A CHARITABLE REMAINDER TRUST?

Charitable remainder trusts have both individual(s) and charity(ies) as beneficiaries. Often, they are funded with low-yielding assets such as stock or real estate – by donors who wish to maximize cash flow and defer capital gains tax. The donor typically (but not always) is the initial beneficiary of the trust.

- Because the trust is tax exempt, capital gains tax on the sale of contributed assets is deferred, and sale proceeds are not reduced by capital gains tax
- Proceeds from the sale of contributed assets are typically used to create a diversified portfolio for the trust
- Asset diversification typically results in enhanced cash flow for trust beneficiaries
- The donor(s) can be both initial beneficiary and trustee, if desired
- The trust term usually begins when the trust is funded and ends with the death of the initial beneficiary(ies)
- On termination, the balance of the trust goes to one or more charities, generally as designated by the donor(s) in the trust agreement

CONCLUSION

Regardless of one's age or income, individuals and families alike owe it to themselves to determine how best to stay in shape both physically and financially. While each stage of life presents its own opportunities and challenges, the similarities in the paths we need to follow to meet our health and wealth goals are unmistakable. By adopting a holistic approach that includes prevention, proactive planning and professional advice, and following the Five Pathstones presented here, you and your family will be on your way to ensuring a healthy and rewarding financial future.

To help you take the first steps on the road to *Living Well*, please use the enclosed **A Roadmap for Lifelong Health and Wealth**. We hope this serves as a convenient checklist for monitoring your progress as you and your family experience key milestones at each stage of life.

A ROADMAP FOR LIFELONG HEALTH AND WEALTH:

FINANCIAL PLANNING

Age by Age	EARLY YEARS: Birth to Age 14	TEENS & YOUNG ADULTS: Ages 15–24	PIVOTAL YEARS: Ages 25–39	SANDWICH GENERATION: Ages 40–54	MATURING YEARS: Ages 55–65	PRIME TIME: Age 66+
Stage of Life	FOUNDATION	DEVELOPMENT	INDEPENDENCE	INTERDEPENDENCE	RENEWAL	REFLECTION
Key Situational Factors	PROTECTING CHILDREN	GUIDING CHILDREN	LAYING THE FOUNDATION	BALANCING ACT	PEAK PRODUCTIVITY	QUALITY OF LIFE
Cash Flow & Debt Management	❑ Consider budgeting on average $300,000 for child-raising expenses from birth to age 18 ❑ Consider purchasing life and disability insurance ❑ Begin to teach your children about money and the importance of saving	❑ Establish and maintain a good credit rating ❑ Model and discuss responsible financial behavior for your children ❑ Continue to teach your children the value of budgeting and saving	❑ Minimize non-deductible debt ❑ Establish a comprehensive insurance program including disability, health, life and personal liability coverage; couples should review and integrate ❑ Gain an understanding of expenses and budget for an emergency fund to cover 3–6 month's income ❑ Discuss financial plans with partner ❑ Consider health savings accounts	❑ Manage credit card debt to maintain good credit rating ❑ Review and update insurance program including disability, health, life and personal liability coverage ❑ Consider purchasing long-term care insurance for you and your parents ❑ Discuss your parents' cash flow needs and factor into your own plan ❑ Consider health savings accounts	❑ Evaluate the pros and cons of eliminating debt ❑ Factor in cost of healthcare and insurance coverage (e.g., life, medical care or long-term care insurance)	❑ Factor in work plans and inflation during retirement ❑ Review insurance coverage and adjust (e.g., consider added healthcare coverage) ❑ Factor in changing lifestyle and healthcare expenses during course of retirement
Investment Planning	❑ Begin education funding – consider 529 Plans ❑ Use tax-deferred accounts wherever possible ❑ Establish appropriate savings vehicles (e.g., UTMAs)	❑ Help children purchase an investment vehicle and monitor its performance over time ❑ Review accounts and transfer UTMAs to children at majority	❑ Plan for a long-term horizon, at least to age 90 ❑ Review allocations – consider adding alternatives to core holdings to diversify portfolio	❑ Maximize tax-deferred savings and retirement contributions ❑ Review and rebalance asset allocations – consider adding alternatives to core holdings to diversify portfolio	❑ Examine sources and stability of cash flow and adjust allocations appropriately ❑ Review asset allocations to stay ahead of inflation and taxes ❑ Diversify single stock exposure and other highly concentrated holdings	❑ Continue to diversify investments ❑ Monitor and reallocate investments to maintain diversification
Retirement Planning	❑ Prioritize capital accumulation over gifting strategies ❑ Balance long-term retirement funding with education funding	❑ Encourage adult children who work to start saving at least 10–20% of income ❑ Adult children should take advantage of employer 401(k) plans and/or set up a Roth IRA with automatic transfers	❑ Coordinate plans with spouse or partner ❑ Strive to save 10–20% of income ❑ Maximize retirement plan contributions (e.g., 401(k) plans, IRAs)	❑ Determine target retirement age ❑ Discuss parents' financial needs and evaluate implications ❑ Maximize employer-sponsored retirement plans (e.g., 401(k) plans, IRAs), including available catch-up contributions	❑ Discuss retirement plans with spouse/partner and children ❑ Begin to consider where you'll retire – factor in state income and estate taxes ❑ Make catch-up contributions to retirement plans	❑ Implement plans ❑ Establish appropriate withdrawal amounts, factoring in about 3–4% per year for inflation
Wealth Transfer Planning	❑ Incorporate trusts for children into your estate plan; name a guardian for children ❑ List trusts for children as secondary beneficiaries on retirement plans and life insurance policies ❑ Consider establishing irrevocable life insurance trust, and generation-skipping trusts ❑ Make annual exclusion gifts ❑ Introduce children to personal giving and volunteering	❑ Adult children should establish a will, directives to physicians and durable and healthcare powers of attorney ❑ Prepare your children to become beneficiaries of an existing trust ❑ Discuss premarital financial planning ❑ Involve your children in charitable plans and activities	❑ Update will, directives to physicians, durable and healthcare powers of attorney ❑ Establish and implement premarital financial planning strategies ❑ Continue to involve your children in philanthropy	❑ Update all estate planning documents factoring in any changes to your family situation ❑ Discuss your parents' estate and wealth transfer plans and adapt your own plan as needed ❑ Integrate your estate plan within your overall financial plan ❑ Consider creating a lifetime gifting strategy for family and/or charities	❑ Review and update estate planning documents and retirement plan beneficiary designations ❑ Develop charitable giving strategies ❑ Implement lifetime gifting strategy	❑ Review and update estate planning documents to reflect your intentions ❑ Share wealth transfer plans with family and other beneficiaries ❑ Implement wealth transfer and philanthropic strategies ❑ Re-evaluate gifting strategies ❑ Consider the emotional and financial benefits of establishing a funeral plan

A ROADMAP FOR LIFELONG HEALTH AND WEALTH:

HEALTH PLANNING

Age by Age	EARLY YEARS: Birth to Age 14	TEENS & YOUNG ADULTS: Ages 15–24	PIVOTAL YEARS: Ages 25–39	SANDWICH GENERATION: Ages 40–54	MATURING YEARS: Ages 55–65	PRIME TIME: Age 66+
Stage of Life	FOUNDATION	DEVELOPMENT	INDEPENDENCE	INTERDEPENDENCE	RENEWAL	REFLECTION
Key Situational Factors	PROTECTING CHILDREN	GUIDING CHILDREN	LAYING THE FOUNDATION	BALANCING ACT	PEAK PRODUCTIVITY	QUALITY OF LIFE
Lifestyle Factors	❑ Prioritize your health values and secure common commitment with your spouse ❑ Instill children's commitment through repetition and modeling of healthy behaviors and habits: – Daily exercise – Optimal nutrition – Sleep adequacy	❑ Understand the onslaught of pressures and changes in this life stage ❑ Deliberately identify and encourage positive role models outside of the nuclear family ❑ Commit to modeling healthy decision making within your home ❑ Continuously seek positive engagement with your young adult children through healthy, shared interests such as spectator sports and the arts ❑ Reinforce healthy habits learned in childhood	❑ Learn and apply wholesome lifestyle practices for current and future health ❑ Learn and substitute healthy responses to stress vs. alcohol consumption, caffeine addiction or destructive behaviors ❑ Enlist specific support activities from key family members to reduce stress ❑ Understand the unhealthy stress of financial uncertainties; take control of your financial future	❑ Plan for self-care practices ❑ Maintain regular, sufficient sleep patterns ❑ Assess life balance issues and address deficiencies in physical, emotional and spiritual practices	❑ Consciously maintain a youthful attitude through ongoing education, meditation and exercise ❑ Learn strategies for safe and healthy travel, as well as emergency preparation ❑ Deliberately maintain social interaction and pleasurable group activity	❑ Maintain consistent communication with adult children ❑ Be proactive in planning social engagements and scheduled activity, including volunteering ❑ Pursue increased mobility; resist resigning yourself to less physical activity
Risk Assessment	❑ Observe young children carefully for unexpressed health issues ❑ Learn and track medical benchmarks for physical development	❑ Watch carefully for the beginnings of high-risk behaviors ❑ Observe incidences that reflect judgment development and supervise activity accordingly	❑ Critically assess myriad stress factors of this life stage: career, family and community demands ❑ Attend to symptoms of emerging disease and stress-related issues of anxiety, skin disorders and physical distress	❑ Understand the link between caregiving stresses and your physical and emotional health ❑ Recognize tendencies for self-neglect ❑ Observe stress symptoms and address at early stages to prevent illness	❑ Take note of emerging aging effects including declining visual, hearing and mental acuity ❑ Focus on vigorous early detection for optimum prevention and management	❑ Pay close attention to the interaction of prescriptions with changes in metabolism due to aging ❑ Assess potential hazards to avoid injury ❑ Assess your social network and how you are expanding the people and activities within your life
Health Screenings	❑ Follow CDC-recommended vaccinations in a timely fashion ❑ Be aware of new recommendations such as those for rotovirus for young children and HPV for pre-teens ❑ Screen for emerging issues of disease and disabilities such as hearing and visual acuity	❑ Observe signs of depression, mental health issues, eating disorders and substance abuse ❑ Enlist your pediatrician to provide clinical screenings for mental and addictive conditions ❑ Follow recommended screenings for emerging diseases, based on family history and crucial baselines for lifelong comparisons	❑ Test for fertility, pregnancy and childbearing medical issues, including undetected sexually transmitted disease ❑ Commit to date-certain screenings of emerging disease, as life complexity may cloud recognition of symptoms and family risks	❑ Raise vigilance in screening, prioritizing colonoscopy and mammogram ❑ Undergo an Executive Physical for crucial baseline information and early detection ❑ Learn about breaking findings on advanced diagnostics	❑ Ensure proper travel immunizations with careful consideration of special destination risks and emergency preparedness ❑ Apply special vigilance to symptoms and screenings for early-stage heart disease, prostate cancer, breast cancer and osteoporosis	❑ Get a top-level extensive geriatric evaluation from a proven specialist ❑ Screen for mental acuity, physical strength and flexibility and depression
Prevention Strategies	❑ Establish communication ties with valuable health allies: pediatrician, school contacts, fellow parents and teachers ❑ Ensure information source for medical breakthroughs and new research	❑ Observe subtle behaviors to assess need for intervention ❑ Through active listening, build a pattern of steady parent/child communication ❑ Reach out to gain health counsel from your primary physician and family health advocate	❑ Begin proactive collaboration with physicians for prenatal health regimen, including vitamins, predictive testing, optimum exercise and nutrition ❑ Consider professional health support: a family health advocate and selected therapists for physical and emotional needs	❑ Enact individualized plans around key issues such as perimenopause ❑ Take a realistic view of caregiving "workload" and outsource selected caregiving responsibilities ❑ Enlist a healthcare advocate to coordinate medical appointments, etc., for loved ones	❑ Organize your individualized plan for high-level disease prevention, using new science and therapies ❑ Enlist a healthcare advocate to help activate, coordinate and enhance your prevention strategies	❑ Integrate your medical support for the frequently changing aspects of aging ❑ Do strength training to prevent injury and recover faster from medical incidents ❑ Enlist a healthcare advocate to assert your needs, clarify your complete medical picture and monitor changes

FOOTNOTES

1. Northern Trust, *Wealth in America 2007.*
2. Ibid.
3. PNC Advisors, *Survey of High-Net-Worth Americans*, 10 January 2006.
4. Dr. Martin Sullivan, cardiologist, executive director of Healthtrack, Inc., *PinnacleCare Member Health Update,* June 2006; www.pinnaclecare.com/resources/ref/newsletters.
5. VIP Forum research, 2005.
6. Spectrem Group, *High Net Worth Advisor Insights*, 2005.
7. Kathy Chu, "Parents of Teens Ride Wave of Expenses," *USA Today*, 15 May 2006.
8. Eileen Daspin and Ellen Gamerman, "Family: The Million Dollar Kid," *The Wall Street Journal*, 3 March 2007.
9. Charles Collier, Wealth in Families, 2006.
10. J.N. Giedd et al., "Brain Development During Childhood and Adolescence: A Longitudinal MRI Study," *Nature Neuroscience*, 1999.
11. Claudia Wallis and Christina Dell, "What Makes Teens Tick," *Time* magazine, 10 May 2004.
12. June Kronholz, "Kids & Money, The Other Talk: Teens and Spending," *The Wall Street Journal*, 27 March 2006.
13. Anna Bahney, "The Bank of Mom and Dad," *New York Times*, 20 April 2006, sec E1: 2.
14. Pat Regnier and Amanda Gengler, "Men, Women...and Money," money.cnn.com, 14 March 2006; www.money.cnn.com/2006/03/10/pf/marriagemain_moneymag_0604/index.htm.
15. Northern Trust, *Wealth in America* 2006.
16. "Olin Fellow Heather Mahar Examines Prenuptial Agreements," www.law.harvard.edu/news/2003/09/25, 25 September 2003.
17. P. Chapman et al, "Dementia and Its Implications for Public Health" Preventing Chronic Disease, serial online, www.cdc.gov/pcd/issues/2006/apr/05_0167.htm., April 2006.
18. Janice K Kiecolt-Glaser et al., "Chronic Stress and Age-Related Increases in the Proinflammatory Cytokine IL-6," *Proceedings of the National Academy of Sciences of the United States of America*, 22 July 2003, Vol. 100, No. 15, www.pnas.org/cgi/content/full/100/15/ 9090, 30 May 2006.
19. State Street Global Advisors and Knowledge @ Wharton, "High-Net-Worth/High Net Risk: Meeting Retirement Goals," Special Report, 2005, citing 2003 Metlife survey.
20. Ellen Mc Girt and Andy Serwer, "Can We Talk?" citing Fidelity 2006 Retirement Index. www.money.cnn.com/2006/06/13, 13 June 2006.

SOURCES FOR ADDITIONAL INFORMATION

Medical Prediction and Prevention

These websites offer a wide range of information about the emerging field of predictive medicine and prevention. To receive monthly updates on leading-edge medical research from PinnacleCare contact:
http://www.pinnaclecare.com/contact.html

Predictive Medicine

Emory Predictive Health Initiative
https://www.admin.emory.edu/StrategicPlan/reports/StrategicPlan4.11.06/Predictive.doc

"Predictive Medicine Tailors Therapies to Patients," CBS MarketWatch.
http://www.alwayson-network.com/comments.php?id=P4174_0_6_0_C

"How the Human Genome is Transforming Medicine," Science, Kathleen Wren.
http://msnbc.msn.com/id/6291903/

Prevention

U.S. Preventive Services Task Force
http://www.ahrq.gov/clinic/uspstfix.htm

CDC, Health Promotion
http://www.cdc.gov/node.do/id/0900f3ec80059b1a

CDC, Healthy Aging
http://www.cdc.gov/aging/

CDC, Adolescent Health
http://www.cdc.gov/node.do/id/0900f3ec801e457a

Alternative and Complementary Medicine

University of Maryland Complementary Medicine Program, Cochrane Collaboration
http://www.compmed.umm.edu/Cochrane/index.html

National Center for Complementary and Alternative Medicine, National Institutes of Health
http://nccam.nih.gov/

Wealth Management

The following resources provide additional tools and information for effective financial planning, philanthropy along with retirement and college savings. You can also access additional information and articles on financial planning and wealth management topics of interest at northerntrust.com

Financial Planning

Certified Financial Planner – Board of Standards (Locate Professional) *http://www.cfp.net/*

Financial Planning Association *http://www.fpanet.org*

Philanthropy

Books

Wealth in Families by Charles Collier

Raising Financially Fit Kids by Joline Godfrey

Family Wealth: Keeping It in the Family by James E. (Jay) Huges, Jr.

Just Enough: Tools for Creating Success in Your Work and Life" by Howard Stevenson and Laura Nash

Websites

Charity Navigator, *www.charitynavigator.org*

The Chronicle of Philanthropy, *www.philanthropy.com*

Council on Foundations, *www.cof.org*

Foundation Center, *www.foundationcenter.com*

Giving USA, *www.givingusa.org*

Guidestar, *www.guidestar.org*

Internal Revenue Service, *www.irs.gov/charities*

New Tithing Group, *www.newtithing.com*

Volunteer Match, *www.volunteermatch.org*

Retirement and College Savings

https://www.financialengines.com

http://www.savingforcollege.com

"Creating a Properous Retirement: Your Retirement Planning Guide" by Northern Trust

Wealth Management and Transfer Strategies

"The Diversity of Giving" Series by Northern Trust

"Estate Planning: Strategic Wealth Transfers During Life and at Death" by Northern Trust

"Medicare and Your Choice: What You Need to Know Now" by Northern Trust

"Raising Financially Responsible Children" by Northern Trust

"Why Delaware?" by Northern Trust

APPENDIX

Screenings and Immunizations Age-by-Age

The key to maintaining optimal health is adopting a proactive approach to managing healthcare needs. One of the best strategies includes keeping up with recommended screenings and immunizations.

Early Years: Birth to Age 14

- Newborn hearing and metabolic screening
- Hemoglobin screening between age 6–12 months for infants at risk for sickle cell disease
- Screening for ambylopia ("lazy eye"), strabismus (crossed eyes or "wall-eyed" alignment), and defects in visual and aural acuity in children under age 5
- Screening for elevated lead levels at 12 months for children at risk for lead exposure
- Oral fluoride supplementation for children over 6 months whose water source is not fluoridated
- Blood pressure measurement during doctor's office visit for children and adolescents
- Obesity screening
- Receiving all appropriate childhood vaccinations (now including newly available rotavirus vaccine in early childhood, and meningitis and HPV vaccinations at age 11–12)
- Age-appropriate screening and counseling for alcohol and drug abuse and tobacco use

Teens and Young Adults: Ages 15 to 24

Basic screenings ages 15 to 24

- Annual hypertension screening
- Syphilis screening for high risk individuals
- Screening and counseling for alcohol and drug abuse
- Screening for tobacco use and providing interventions
- Obesity screening
- HIV infection screening
- Annual Pap smears within three years of becoming sexually active (females)
- Screening for Chlamydia infection for sexually active women

Additional screenings ages 20 to 24

- Annual Type II Diabetes Mellitus screening for individuals with hypertension and/or hyperlipidemia (high cholesterol)
- Consider routine annual screening for asymptomatic individuals for Type II Diabetes Mellitus
- Screening for lipid disorders if there are other risk factors of coronary artery disease (overweight, family history, smoking)
- Depression screening
- Consider routine skin and oral cancer screenings
- Discuss prostate cancer screening appropriateness with physician if at increased risk (male)
- Pap smear every one to three years (female)
- Discuss screening for BRCA 1 and BRCA 2 genes if family history suggests increased breast cancer risk (female)

APPENDIX

Pivotal Years: Ages 25 to 39

Basic screenings ages 25 to 39

- Annual hypertension screening
- Annual Type II Diabetes Mellitus screening for individuals with hypertension and/or hyperlipidemia (high cholesterol)
- Consider routine annual screening for asymptomatic individuals for Type II Diabetes Mellitus
- Screening for lipid disorders if there are other risk factors of coronary artery disease (overweight, family history, smoking)
- Depression screening
- Consider routine skin and oral cancer screenings
- Syphilis screening for high risk individuals
- Obesity screening
- HIV screening for high risk individuals
- Screening for tobacco use and providing interventions
- Discuss prostate cancer screening appropriateness with physician if at increased risk (male)
- Pap smear every one to three years (female)
- Chlamydia screening for sexually active women
- Discuss screening for BRCA 1 and BRCA 2 genes if family history suggests increased breast cancer risk (female)

Additional screenings ages 34 to 39

- Consider screening for coronary artery disease (ECG, ETT or ECBT) if there are risk factors
- Routine screening for lipid disorders (male)

If pregnant:

- Screening for syphilis, Chlamydia, and asymptomatic bacteuria (bacteria in the urine from a urinary tract infection; left untreated, it can spread to the kidneys endangering the health of both mother and baby)
- Screening for hepatitis B, HIV infection, and Rh (D) type antibodies at the first prenatal visit
- Repeat antibody testing for Rh (D) negative women at 24 to 28 weeks of pregnancy unless the father is known to be Rh (D) negative
- Screening for chickenpox and rubella antibodies to discover immunity to these diseases
- Anemia screening (low red blood count may cause pre-term labor)
- Screening for sugar and protein in the urine which may indicate diabetes and high blood pressure respectively

Sandwich Generation: Ages 40 to 54

Basic screenings ages 40 to 54

- Annual hypertension screening
- Consider aspirin for heart attack prevention
- Annual Type II Diabetes Mellitus screening for individuals with hypertension and/or hyperlipidemia (high cholesterol)
- Consider routine annual screening for asymptomatic individuals for Type II Diabetes Mellitus

APPENDIX

- Screening for lipid disorders if there are other risk factors of coronary artery disease (overweight, family history, smoking)
- Depression screening
- Consider routine skin and oral cancer screenings
- Consider screening for coronary artery disease (ECG, ETT or ECBT) if there are risk factors
- Syphilis screening for high risk individuals
- Obesity screening
- HIV screening for high risk individuals
- Screening for tobacco use and providing interventions
- Discuss prostate cancer screening appropriateness with physician if at increased risk (male)
- Routine screening for lipid disorders (male)
- Breast cancer screening via mammogram every one to two years
- Discuss screening for BRCA 1 and BRCA 2 genes if family history suggests increased breast cancer risk (female)

Additional screenings ages 50 to 54

- Colon cancer screening with colonoscopy

Maturing Years: Ages 55 to 65

- Annual hypertension screening
- Colon cancer screening with colonoscopy
- Consider aspirin for heart attack prevention
- Annual Type II Diabetes Mellitus screening for individuals with hypertension and/or hyperlipidemia (high cholesterol)
- Consider routine annual screening for asymptomatic individuals for Type II Diabetes Mellitus
- Screening for lipid disorders if there are other risk factors of coronary artery disease (overweight, family history, smoking)
- Depression screening
- Consider routine skin and oral cancer screenings
- Consider screening for coronary artery disease (ECG, ETT or ECBT) if there are risk factors
- Syphilis screening for high risk individuals
- Obesity screening
- HIV screening for high risk individuals
- Screening for tobacco use and providing interventions
- Discuss prostate cancer screening appropriateness with physician if at increased risk (male)
- Routine screening for lipid disorders (male)
- Pap smear every one to three years; not recommended in women with total hysterectomy for benign disease or women 65 and older with adequate recent negative screens not at high risk for cervical cancer (female)

APPENDIX

- Breast cancer screening via mammogram every one to two years (female)
- Discuss screening for BRCA 1 and BRCA 2 genes if family history suggests increased breast cancer risk (female)
- Consider screening for dementia at age 60 and older
- Routine screening for osteoporosis in women at high risk at age 60 and older

Prime Time: Ages 66+

- Annual hypertension screening
- Colon cancer screening with colonoscopy
- Consider aspirin for heart attack prevention
- Annual Type II Diabetes Mellitus screening for individuals with hypertension and/or hyperlipidemia (high cholesterol)
- Consider routine annual screening for asymptomatic individuals for Type II Diabetes Mellitus
- Screening for lipid disorders if there are other risk factors of coronary artery disease (overweight, family history, smoking)
- Depression screening
- Consider routine skin and oral cancer screenings
- Consider screening for coronary artery disease (ECG, ETT or ECBT) if there are risk factors
- Syphilis screening for high risk individuals
- Obesity screening
- HIV screening for high risk individuals
- Screening for tobacco use and providing interventions
- Discuss prostate cancer screening appropriateness with physician if at increased risk (male)
- Routine screening for lipid disorders (male)
- Pap smear every one to three years; not recommended in women with total hysterectomy for benign disease or women age 65 and older with adequate recent negative screens and not at high risk for cervical cancer (female)
- Breast cancer screening via mammogram every one to two years (female)
- Consider screening for dementia at age 60 and older
- Routine screening for osteoporosis in women at high risk at age 60 and older
- One time ultrasound screening for abdominal aortic aneurysm for men between age 65 and 70 who have never smoked

NOTES

ABOUT THE AUTHORS

Northern Trust

Northern Trust Corporation (NASDQ:NTRS) is a leading provider of investment management, asset and fund administration, fiduciary and banking solutions for affluent individuals, corporations, and institutions worldwide. Northern Trust, a multibank holding company based in Chicago, has a growing network of 84 offices in 18 U.S. states and has international offices in 13 countries. As of March 31, 2007, Northern Trust had assets under custody of $3.8 trillion, and assets under investment management of $756 billion. Northern Trust, founded in 1889, has earned distinction as an industry leader in combining high-touch service and expertise with innovative products and technology to deliver integrated solutions for clients and their professional advisors. For more information, visit northerntrust.com

PinnacleCare

PinnacleCare is a premium leader of the new and growing industry of personal healthcare advocacy. A membership-based company, PinnacleCare provides its Members assigned professionals known as PinnacleCare Advocates™ to manage family and executive healthcare, access world-renowned specialists, provide the world's most advanced medical research, coordinate appointments and help Members enact proven preventive strategies for optimum longevity and health. Since its founding in 2002, PinnacleCare has drawn acclaim from Members, leading physicians and specialists worldwide. For more information, visit pinnaclecare.com

northerntrust.com/livingwell

Northern Trust