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**MENTOR**  
C A P I T A L

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## Mentor Monthly Missive

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### 7 tips for seniors – managing your money in tough economic times

Times are tough for everyone, but this economy is especially tough on seniors and those with fixed incomes. It has also hit older Americans who are looking to retire in a few years. The biggest problem is uncertainty - no one knows how this will all play out.

The one common theme that comes from all of the experts is that there is no common theme. Some of them are forecasting deflation, others are forecasting huge inflation and a few are forecasting a return of stagflation. So given that no one -even the experts can predict what will happen in the months ahead, here are some things you can do:

**1. Keep your money for short-term expenses safe** - Parking money in safe places like Treasury bills, CDs, TIPS, bond funds/ETFs and money market funds is a great idea at this time to cover one to three years of expenses. Keep your money in investments that pay whatever yield you can get but are safe from large drops. These fixed investments should be combined with equity positions to create a well diversified investment strategy for the long-run. The correct mix of fixed income versus equities will depend on the individual's tolerance for risk. Equity exposure is vital to off-setting the negative effects inflation has on purchasing power.

**2. Reduce Debt** - When credit is tight interest rates rise. In uncertain economic times one of the best things you can do is reduce your debt. Start with your credit cards and then get on your car loans. Once these are down or gone, you have the choice of making extra payments on your mortgage. When you are on a fixed income any debt you can reduce increases your free cash flow -or spendable income. With investment yields as low as they are now, if you are putting money away for savings and earning 1% interest, you would be better off using that money to pay off loans or credit cards that may have interest rates of 10% -15% or more.

**3. Raise Cash** - We are entering a period where cash is king. If you can find extra cash you can use it to pay off your debts or use it to purchase things you need without putting them on a credit card. Look around your house. Everyone has something they don't need any more. It is the time of year for a garage sale, and you can also sell things on eBay or Craigslist. If you have stuff you can part with that won't sell, is it something you can donate to a thrift shop. If you pay taxes, gifts to thrift shops are tax deductible. If you have any taxable income at all these tax deductions can really add up.

**4. Control your generosity** – We are not advising you to become a scrooge, but take a look at what you are spending on others. We all enjoy giving to charities and buying nice presents for our children and grandchildren, but think about cutting back a little this year. You can still give them nice things that are less extravagant than gifts in the past. At the same time, ask them to please not spend a lot of money on you. Please also be aware of adult children that “mooch” and see you as a piggy-bank.

**5. Start a budget and stick to it** -There is an old saying that you can't budget your way out of debt, but just having a budget makes you think about it every time you spend money. It can also make you feel better. Just the act of

getting all bills and expenses down on paper and planning for pending expenses will give you a feeling of control.

**6. It's never too late to hire a financial planner** - If you are already retired or about to retire, ideally you would have hired a professional financial planner years ago. But most people didn't. It's not too late. A professional financial planner can help you save money, reduce taxes, protect your investments and help with your estate planning. Besides protecting your retirement income this can also give you piece of mind.

**7. Consider refinancing your home** - As this is written the Federal Reserve is moving into the markets and buying up debt. This has caused increased inflation pressure and higher interest rates. Rates were below 5% a few weeks ago, but they are still at historic lows. Now is a great time to analyze your debt structure and consider refinancing to lock in these low rates. Reducing your monthly mortgage payment can greatly increase your free cash-flow.



## **Financial crimes against the elderly**

Fraud generally involves deliberately deceiving the victim with the promise of goods, services, or other benefits that are nonexistent, unnecessary, never intended to be provided, or grossly misrepresented. There are hundreds of frauds, but offenders generally use a small subset of these against the elderly. The frauds typically occur within a few interactions.

### **Prizes and Sweepstakes**

These frauds generally involve informing the victim that he or she could win, or has already won, a "valuable" prize or a lot of money. The victim is required to send in money to cover taxes, shipping, or processing fees. The prize may never be delivered or, if so, is usually costume jewelry or cheap electronic equipment worth less than the money paid to retrieve it.

### **Investments**

Because many seniors live on fixed incomes, they often want to increase the value of their estate and ensure they have sufficient funds to meet basic needs. In investment scams, offenders persuade the elderly to invest in precious gems, real estate, annuities, or stocks and bonds by promising unrealistically high rates of return. The investments often consist of fake gemstones, uninhabitable property, or shares in a nonexistent or unprofitable company.

### **Charitable Contributions**

Playing on some seniors' desire to help others, offenders solicit donations to nonexistent charities or religious organizations, often using sweepstakes or raffles to do so.

### **Home and Automobile Repairs**

Offenders may recommend an array of fraudulent "emergency" home repairs, often requiring an advance deposit. They may subsequently fail to do any work at all, start but not finish the work, or do substandard work that requires correction. Common frauds include roof repairs, driveway resurfacing, waterproofing, and pest control. The offenders are often transient, moving among neighborhoods, cities, and even states. Dishonest auto mechanics may falsely inform customers that certain repairs are needed, or they may bill for services or repairs that were not requested or were not completed.

### **Loans and Mortgages**

Seniors may experience cash flow shortages in the face of needed medical care or home repairs. Predatory lenders may provide loans with exorbitant interest rates, hidden fees, and repayment schedules far exceeding the elderly's means, often at the risk of their home, which has been used as collateral.

### **Health, Funeral, and Life Insurance**

Many seniors are concerned about having the funds to pay for needed medical care or a proper burial, or to bequeath to loved ones upon death. Unscrupulous salespeople take advantage of these concerns by selling the elderly policies that duplicate existing coverage, do not provide the coverage promised, or are altogether bogus.

## **Health Remedies**

The elderly often have health problems that require treatment. Preying on this vulnerability, offenders market a number of ineffective remedies, promising "miracle cures." Unfortunately, given this false hope, many seniors delay needed treatment, and their health deteriorates further.

## **Travel**

Compared with younger adults, seniors often have more leisure time and are attracted to low-cost travel packages. However, many of these packages cost far more than market rates, provide substandard accommodations, or do not provide the promised services.



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