

# Financial VISIONS

PARTNERS IN LIFE PLANNING  
THROUGH SOUND FINANCIAL STRATEGIES

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## What's Next For the Markets and the iPhone?

The year was 1984 and the TV broadcast was Super Bowl XVIII. That platform provided Apple with the opportunity to debut the first Macintosh PC with one of the most famous TV commercials in history. Over the years, Apple has learned to deal with both the success of products such as the Macintosh, as well as the bitter failure of product such as the Macintosh TV in 1993, discontinued less than six months after its introduction. One thing has been consistent over the years, Apple has enjoyed a strong record of designing and selling innovative products that helps to shake up the competition. For the first half of this year Apple employed its marketing tactics and created anticipation and hype for the consumer that is rarely seen for a new product leading up to the introduction of the iPhone.

Now it's time to deliver what was promised! In the months to follow we are sure to hear reviews expressing various degrees of pros and cons for the product. Apple has a goal of capturing one percent share of the wireless market over the next year. While that may not sound overly ambitious, it is a formidable task for a company that is brand new

to the wireless marketplace. Achievement of that goal will go a long way to determining whether investors will remain upbeat about the company for the foreseeable future.

Speaking of being upbeat, will investors continue to be optimistic about the stock market as we move into the second half of the year? Second quarter performance certainly provided sufficient hype of its own for investors. The Dow Industrials were up 8.5%, the S&P 500 up 5.8%, and the Nasdaq up 7.5%. This performance contributed to the positive results for the first half of the year across the board. However, despite the strong gains, each of these benchmarks was slightly negative for the month of June, the quarter's final month. The Dow was down 1.6%, the S&P 500 down 1.8%, and the Nasdaq down 1%. Consequently, the quarter ended with some tension in the technical makeup of the market. However, considering the daunting hurdles that the stock market had to jump over in June, from much higher bond yields to the potential collapse of several hedge funds, it is impressive that the market showed as much resilience as it did.

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- CHOOSING A LONG TERM CARE POLICY

### PERFORMANCE OF SELECTED INDICES: PERIOD ENDED JUNE 30<sup>TH</sup>, 2007

	Quarter to Date	Year to Date
NASDAQ Composite Index	7.50%	7.78%
Dow Jones Industrial Average	8.53%	7.59%
S&P 500 Composite Index	5.81%	6.00%

	Quarter to Date	Year to Date
Lehman Brothers Aggregate Bond Index	-0.52%	0.98%
MSCI World ex USA Index	6.98%	11.27%

*Individuals cannot invest directly in any index. Past performance is no guarantee of future results.*



# Medigap Policies

By Neal A. Deutsch, CFP™

Medigap policies are supplemental health insurance policies sold by private insurers and designed to fill some of the “gaps” in health coverage provided by Medicare. Although Medicare covers many health care costs, you still have to pay certain coinsurance and deductible amounts, as well as paying for services that Medicare does not cover. The following information provides some overview of what needs to be considered when anticipating the purchase of a policy.

## Who Can Buy a Medigap Policy?

Generally, you must be enrolled in the original Medicare Parts A and B before you need to purchase a Medigap insurance policy. Other types of health insurance coverage, such as Medicare Advantage, other Medicare health plans, Medicaid, or employer-provided health insurance, do not work with Medigap policies.

## Standardized Policies

Under federal regulation, private insurers can only sell “standardized” Medigap policies. From 1992 to 2005 there were 10 standardized Medigap policies, termed plans A, B, C, D, E, F, G, H, I, and J. In 2005, two additional plans, K and L, were added.

These 12 standardized plans are not available to those living in Massachusetts, Minnesota, or Wisconsin; there are separate Medigap policies available for residents of these states.

The standardized policies allow you to compare “apples with apples.” For example, a plan F policy will provide the same benefits, no matter which insurance company it is purchased from. However, a plan C policy will provide different coverage than a plan D policy. All Medigap policies must provide certain “core” benefits.

## Choosing a Policy

There are two primary factors to consider when choosing a Medigap policy.

**NEEDED BENEFITS:** Carefully consider what benefits you are most likely to need; you may not need the most comprehensive plan.

**COST:** Once you have decided which benefits you will need, shop for the policy that provides those benefits at the lowest cost.

## Policy Costs Can Differ

There can be a wide variation in the cost of a standardized Medigap policy, due to a number of factors:

**DISCOUNTS:** Some insurers may offer discounts to certain classes of people, such as women, non-smokers, or married couples.

**MEDICAL UNDERWRITING:** An insurance company may require you to fill out a detailed questionnaire on your health. The information you provide is used to determine whether or not a policy will be issued, or what premium to charge.

**PRE-EXISTING CONDITIONS:** If you have a “pre-existing condition,” a known health problem, before you apply for a Medigap policy, you may have to wait up to six months before that problem is covered.

**HIGH DEDUCTIBLE:** Plans F and J are available in a “high deductible” option, which means that you must pay more of the cost before the policy begins to provide benefits. Premiums for these high deductible policies are typically less.



**Medigap Policies** *continued from page 2*

**MEDICARE SELECT:** Medicare SELECT policies are sold in a few states by a few insurers. Except for emergencies, these policies require you to use pre-selected hospitals and physicians.

**GUARANTEED RENEWABLE:** Medigap policies issued after 1990 are generally guaranteed renewable. This means that as long as you pay the premiums, are honest about health issues, and the insurance company doesn't go bankrupt, the insurer can't drop your coverage. In some states, policies issued before 1990 may not be guaranteed renewable.

**INSURER PRICING METHODS:** The table below shows three common methods by which an insurance company will price its Medigap policies:

PRICING METHOD	PAYMENT	OTHER ISSUES
Community (No-Age)	Each insured pays the same premium, regardless of age	Premiums may increase due to inflation
Issue-Age	Your age when you purchase the policy	Younger buyers pay lower premiums. Premiums may increase due to inflation.
Attained-Age	Premiums are based on your age each year, thus premiums increase annually	Younger buyers pay lower premiums. Premiums can increase each year. Premiums may also increase due to inflation.

**Other Resources**

Professional guidance in dealing with any aspect of a Medigap policy is strongly recommended. Other available resources include:

**MEDICARE:** The federal government's Centers for Medicare & Medicaid Services (CMS) has a great deal of information available on their website at [www.medicare.gov](http://www.medicare.gov). You can also reach them by phone at (800) 633-4227.

**STATE HEALTH INSURANCE ASSISTANCE PROGRAMS:** Many states operate health insurance assistance programs designed to provide assistance and information regarding Medicare, Medigap policies, and long-term care policies.

**STATE INSURANCE DEPARTMENT:** Each state has an insurance department that regulates the sale of all types of insurance within the state. These state agencies can provide information about Medigap policies.

The above outline is by no means intended to comprehensively cover all the possible questions that might arise as a policy purchase is contemplated. It is an important decision and all the resources outlined should be utilized. Additionally, as we have worked with many of the readers of our newsletter in the preparation of financial plans we would be happy to discuss your particular circumstances with you as you consider this important retirement issue.



# Choosing A Long Term Care Policy

By Ronald R. Niclas, CFP™, EA, MBA

Assessing the need for long-term care (LTC) insurance is an important part of any risk management program. The heavy economic burden of paying for such care should be measured against your available resources. If you need LTC for even a short period of time, what effect will that have on your estate and any legacy you may wish to leave to your heirs? The decision to purchase LTC insurance, either individually or under a group plan, generally must be made while you are still healthy. Once a disabling condition occurs, it is too late to act.

## ***Common Elements in Long-Term Care Insurance Policies***

**“QUALIFIED” LTC POLICIES:** If a LTC policy meets certain criteria established by the federal government, the premiums for the policy are considered “medical care” and thus qualify for a medical expense itemized deduction. Federal law limits the amount of qualified LTC premiums that may be deducted each year.

**AMOUNT OF THE BENEFIT:** Most policies pay a fixed dollar amount for each day you are eligible for the benefit; e.g., \$200 per day. A survey of nursing homes in the local area can help determine the desired amount.

**INFLATION PROTECTION:** Since costs inevitably increase, a policy without a provision for inflation may be outdated in a few years. Of course, an additional charge is incurred for this protection.

**GUARANTEED RENEWABLE:** Almost all long-term care policies sold today are guaranteed renewable; they cannot be canceled as long as you pay the premiums on time and as long as you have told the truth about



your health on the application. The fact that a policy is guaranteed renewable does not mean that the premiums cannot be increased; insurers typically reserve the right to raise premiums for an entire class or group of policyholders. Some policies sold in the past were not guaranteed renewable and a few of these policies may still be in force.

**WAIVER OF PREMIUM:** Some policies will waive future premiums after you have been in the nursing home for a specified number of days; e.g., 90 days.

**PRIOR HOSPITALIZATION:** This policy provision requires one to be hospitalized (for the same condition) prior to entering the nursing home or no benefits will be paid under the policy. Although prior hospitalization clauses have been prohibited in all states, some older policies still in force may contain this provision. Policies currently sold do not contain prior hospitalization clauses.

**PLACE OF CARE:** Does the policy require that the nursing home be licensed or otherwise certified by the state to provide skilled or intermediate nursing care? Must the facility meet certain record keeping requirements?

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## Choosing a Long Term Care Policy *continued from page 4*

**PLAN OF CARE:** A plan of care is part of the health care claims process. It is the result of an assessment prepared by the insured's physician, and a multi-disciplinary team, including practical nurses, social workers, and other health care professionals. The plan outlines the appropriate level of care needed to assist the insured in performing the activities of daily living.

**LEVEL OF CARE:** There are three generally recognized levels of care in an institutional setting:

- **SKILLED CARE:** Daily nursing and rehabilitation care under the supervision of skilled medical personnel; e.g., registered nurses and based on a physician's orders.
- **INTERMEDIATE CARE:** The same as skilled care, except it requires only intermittent or occasional nursing and rehabilitative care.
- **CUSTODIAL CARE:** Help in one's daily activities including eating, getting up, bathing, dressing, use of toilet, etc. Persons performing the assistance do not need to be medically skilled, but the care is usually based upon the physician's certification that the care is needed.

**PRE-EXISTING CONDITIONS:** Depending on the state, a policy may limit coverage of preexisting conditions to discourage persons who are already ill from purchasing a policy. Many policies will provide benefits if the pre-existing condition was overcome six months or more prior to applying for the policy. Also, some policies will not pay benefits if the pre-existing condition re-occurs within six months after the effective date of coverage.

**DEDUCTIBLE OR WAITING PERIOD:** Most LTC policies require you to "pay your own way" for a specified number of days (generally ranging between zero and 120 days) before the insurance company will begin to pay benefits. Of course, the shorter the waiting period, the higher the cost will be. This is usually referred to as an "elimination period."

**ALZHEIMER'S DISEASE:** Most policies now include coverage for organic brain disorders like Alzheimer's disease.

**HOME HEALTH CARE (HOME CARE):** Many long-term care policies can provide coverage in the insured's home. It is most often offered as a rider (requiring an additional premium) to nursing facility coverage, and reimburses the cost of long-term care received at home.

**RATING THE COMPANY:** Companies should be financially sound and have a reputation of treating policyholders fairly.

### **Seek Professional Guidance**

A perfect LTC policy does not exist. Many policy features must be compared and evaluated. As a general rule, the more benefits included in a policy, the higher the premium will be. The design of a LTC program that works best for each individual is a process not unlike choosing different parts of a "menu." Professional guidance is strongly recommended and your *Chestnut planner* will be happy to assist you.



**What's Next For the Markets....** *continued from page 1*

So what are some of the issues that we take into the second half of the year? From the energy standpoint, crude oil ended the quarter above \$70 a barrel creating worries over the availability of summer supplies and rising global tensions sending crude to a new nine month high. The U.S. housing market is still weakening. The inventory of previously owned homes rose to a sixteen year high in relation to sales in the month of May. The inventory of new homes fell in May, but the overstock still represents more than a seven month supply, well above the more typical four month supply.

Coupled with the housing market, the issues of sub prime loan defaults remain in the headlines. Though not gathering as much attention, the fact is also that prime and near prime adjustable rate mortgage's that were originated since 2003, at much lower interest rates, are resetting to higher interest rates. The consequence of this is that there is less discretionary income in the consumer's pockets.

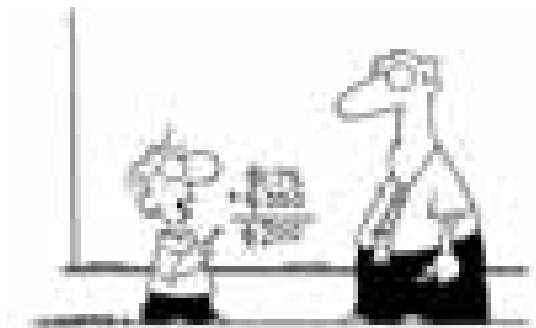
It is important to remember that it has been the consumer that has been the driving force behind the strength of the U.S. economy over the past several years. Any significant decline in spending may be evi-

dence of consumer fatigue that could affect our economy's ability to sustain reasonable growth.

The positive note, and possible white knight, for Corporate America to sustain a reasonable growth rate may be the global economy. That economy has shown repeated signs of no longer being leveraged to the U.S. economy. The emerging economies have been very robust and there has been a resurgence of growth in Europe. So U.S. companies may be able to export economic growth to satisfy Wall Street. The weak dollar certainly helps and the fact is that about 40% of the S&P 500's operating profit is already coming from overseas.

So now we turn our attention to the second half of the year. If any of our readers were fortunate enough to obtain an iphone (assuming they wanted one), we congratulate you on your apparent perseverance in achieving your objective. More importantly, we hope it lives up to all of your expectations. Apple wants to hear that and the markets do also. It sure would be nice to see the U.S. consumer continuing to play an active role in support of the economy. Have a great summer!

**The greatest compliment  
our clients can give  
is the referral of their  
friends and loved ones—  
thank you for your trust!**



**"If you think my answer is wrong,  
have you checked your stock portfolio lately?"**





## **Chestnut Investment Group, Inc.**

*our focus is you*

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***On Focus: “We all have dreams. But in order to make dreams come into reality, it takes an awful lot of determination, dedication, self-discipline and effort.”***

Jesse Owens, Olympic track star

