Kiplinger's
# RETIREMENT REPORT
*Your Guide to a Richer Retirement*
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## IN THIS ISSUE




CHRIS SHARP

COVER STORY

# Caught in a Housing Crunch

Retirement communities offer special deals to seniors who face a tough time selling their homes. **BY KATHRYN A. WALSON**

After 37 years in the same house, Burt and Peggy Schimpke were ready to move. "We decided it was more than we wanted to take care of," says Peggy, 83. The couple had their sights on Fox Run, a continuing care retirement community in Novi, Mich., 11 miles from their home outside Detroit.

There was one problem: The housing market was in the doldrums. If the couple couldn't sell their house, the Schimpkes couldn't afford to move. "We figured we wouldn't get a better offer if we waited," Peggy says. They put their house on the market in August 2008 and put a deposit on a two-bedroom unit at Fox Run.

Fox Run is one of more than 20 campuses operated by Baltimore-based Erickson Retirement Communities. Hoping to keep a prospective resident, Erickson put the Schimpkes in touch with a real estate agent, who sold their home in December. Peggy says the agent posted photos on the Internet and "staged" the home, removing wallpaper and rearranging furniture.

Erickson covered $500 of the moving fees and reimbursed $2,000 for packing and unpacking services. "It made for a very easy move," Peggy says.

As the recession deepens, many seniors who planned to move into a retirement community are finding it tough to unload their houses. Partly as a result, some communities are experiencing sagging occupancy. A credit crunch is forcing some developers to call off planned projects. Others face bankruptcy.

For retirees, there's a silver lining to the housing downturn. They can find bargain prices in many retirement communities, such as those in hard-hit Florida and Arizona. And many developments are going all out to entice prospective residents.

Before you sign on, check into the financial stability of the housing company. "Now is the time to err on the side of more due diligence," says Eve Stern, president of SnapforSeniors, a Seattle-based company that runs a database of licensed senior housing in the U.S.

The measures you take to finance a new home depend in part on the type of senior housing you intend to move into. At many active-adult communities, you buy your new house. With assisted living, you pay only a monthly fee, ranging from $4,000 to $6,000.

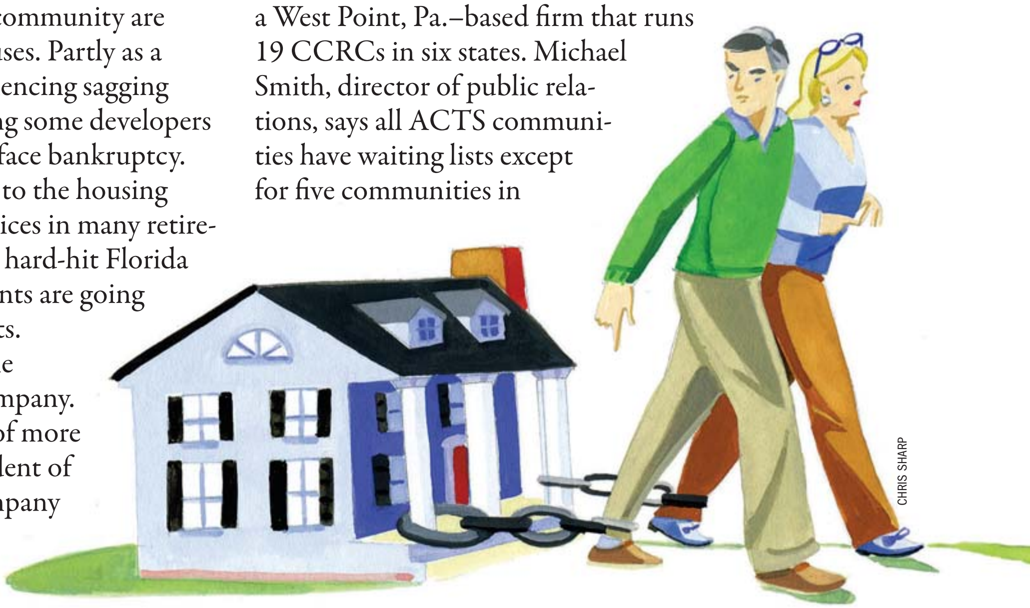
Continuing care retirement communities, which provide a range of care from independent living to nursing care, work two ways. In some cases, you buy the unit. But, typically, you pay an "entrance fee" of up to a half-million dollars as well as a monthly fee.

Residents usually sell their homes to finance a new house at an active-adult community or a CCRC entrance fee. Residents in assisted living can finance monthly fees with proceeds from the sale of their house or scrape together investment income and Social Security, veterans and pension benefits.

### Drive a Hard Bargain

In an attempt to bolster occupancy, many communities are giving discounts and offering prospective residents more time to sell their houses. They're also arranging temporary financing so residents can move in while their houses are on the market.

Consider ACTS Retirement-Life Communities, a West Point, Pa.–based firm that runs 19 CCRCs in six states. Michael Smith, director of public relations, says all ACTS communities have waiting lists except for five communities in



CHRIS SHARP

Florida's Vero Beach and Boca Raton.

Last June, the company started offering incentives to people who wanted to move into those five Florida campuses. "People are having trouble selling their homes," Smith says. "In this housing market, we want to do everything we can to help them move in."

ACTS's entrance fees range from $92,246 for a studio to $274,851 for a three-bedroom apartment. ACTS is offering a three-bedroom apartment for the price of a two-bedroom unit and a two-bedroom for the price of a one-bedroom. The company is also giving residents up to a 12-month extension on the final entrance-fee payment with no interest, as long as they have paid one-third of the fee. And the company will cover up to $5,000 of moving expenses.

In fall 2007, Erickson launched Erickson Realty and Moving Services in Detroit. The service, which has since expanded to all Erickson communities, includes a personal moving consultant. "We've been able to help folks sell their homes on average 33 to 35 days faster than the typical house in that particular market," says Donna Samulowitz, Erickson's chief marketing officer. "We will even hang pictures on the wall," she says.

In one case, Erickson gave a $5,000 discount to an incoming resident who had received a less-than-appealing offer on a home sale. Erickson also repaired the sidewalk in front of a prospective resident's home so the house would sell faster.

Seniors who move to one of Emeritus Corp.'s assisted-living centers could get a break on upfront fees. "If people press a little bit on the upfront fee, operators will reduce or even waive the upfront fee," says Granger Cobb, chief executive officer of the Seattle-based company, which runs 250 assisted-living facilities.

Cobb says there's been a rise in the number of residents moving into "friendship suites." These shared apartments can be 30% cheaper than a private apartment.

Jerry and Teresa Hanagan, both 85, recently moved into an Emeritus center in Stockton, Cal. Emeritus arranged for movers and covered the $400 cost of the move. The couple got a break on the upfront fee, which is usually $1,500 per person. The couple only had to pay $1,000 total.

"They knew that my parents were strapped for cash and worked with us to make it affordable," says Terri Hanagan, 52, one of the couple's four children, who lives in San Francisco. The fees are paid from the couple's Social Security benefits and Jerry's pension, and Terri and her siblings chip in, too.

The couple's Stockton home, which they bought for $25,000 45 years ago, lost much of its appreciation over the past couple of years. "The realtor said he hoped he could get $150,000 for it, and it was worth double that two or three years ago," says Terri Hanagan. "If we sold now, we would suffer a terrible loss."

The family is discussing options with an elder law attorney. One possibility: a bridge loan, which would

# From the Editor

The new economic stimulus plan includes a number of provisions to help individuals. Here are several that could apply to you:

■ **Senior bonus.** A one-time tax-free payment of $250 to Social Security beneficiaries, railroad retirees, disabled veterans, retired government employees and recipients of Supplemental Security Income.

■ **COBRA subsidy.** A 65% subsidy to help cover the cost of COBRA health-care coverage for up to nine months. To qualify, a worker must be involuntarily terminated between September 1, 2008, and December 31, 2009.

■ **New-car break.** An additional standard deduction in 2009 for the state and local taxes or excise taxes imposed on the purchase of a new car up to the first $49,500 of the price. The deduction starts phasing out at an adjusted gross income of $125,000 ($250,000 for joint returns).

■ **Jobless benefits.** A temporary suspension of federal income tax on the first $2,400 in unemployment benefits received in 2009.

■ **Energy incentives.** A 30% tax credit of up to $1,500 total for 2009 and '10 for the purchase of highly efficient water heaters, furnaces, air conditioners, windows and other energy-saving items.

Susan Garland

Susan B. Garland, *Editor*

help pay the assisted-living fees until her parents sell their home. Terri and a brother are considering co-signing for a loan with Elderlife Financial Services (www.elderlifefinancial.com), a Washington, D.C., company that works with 2,200 senior-living communities.

With an Elderlife Financial loan, two or three family members can co-sign with their parents for a line of credit of up to $50,000. The interest rate ranges from 8.25% to 12%. The loan advances are sent directly to the senior-living community each month.

"It's a lot easier on a family's pocketbook if they can buy a little time and a little breathing room," says Elias Papasavvas, chief executive officer of Elderlife Financial. In March 2009, Elderlife will launch a secured loan for CCRCs, with an interest rate ranging from 3.75% to 5.25%, for $200,000 to $1 million, to help cover the entrance fee.

You can also ask a bank for a bridge loan. But make sure you can extend the loan for a year or so in case your first house doesn't sell.

Another cash-raising route is a life settlement, selling the face value of a life-insurance policy to an institutional buyer, which becomes the owner and beneficiary. Life Care Funding Group (www.lifecarefunding.com), based in Lewiston, Maine, works with residents at more than 1,000 retirement communities, says Chris Orestis, president of the company, which finds buyers for the policies.

Orestis says most of the insurance policies are on the low side, from $50,000 to $250,000. "This is a funding bridge for a senior whose house is taking a long time to sell," he says. Orestis also notes that residents of senior facilities who have lost savings in the economic downturn are selling policies to finance housing costs.

In some cases, you can use a reverse mortgage to finance retirement living. Starting this year, homeowners who are at least 62 can take out a reverse mortgage to cover part of the purchase price on the home they're buying. By not buying the new house entirely with the equity from the first one, you can sock away extra money into a cash reserve.

But a reverse mortgage will only work if you are actually buying a house. You can't use a reverse mortgage for assisted-living facilities or many CCRCs. Another drawback is the loan's high upfront costs.

Yet another option is to move into the new place and rent out your house until the market rebounds. Because of the headaches that come with having tenants, renting is a last resort, says Tommy Williams, a certified financial planner with Williams Financial Advisors, in Shreveport, La. If you think your house will sell for substantially more a year from now, find a rental-property manager to deal with tenant and maintenance issues.

Senior housing costs vary around the U.S., so if you're flexible on location, you could find a nice place that is less expensive. You can look for senior housing nationwide at SnapforSeniors (www.snapforseniors.com; 866-798-5655). You can find assisted-living facilities and CCRCs approved by the Commission on Accreditation of Rehabilitation Facilities at www.carf.org. One criterion is a facility's financial stability.

Before signing on the dotted line, take the contract to a lawyer. Ask your lawyer or accountant to review the financial records of the community. Visit the community and ask residents if operators are maintaining a high level of service. Be wary of providing a deposit to a development that is not yet completed.

Ask what a retirement community will do if you move in and then run into financial difficulties. Find out what happens if you can't afford the full entrance fee or monthly fees until your house sells.

Craig Reaves, an elder-care lawyer in Kansas City, Mo., says another issue is the refunding of deposits. "If you change your mind, what do you get back?" he says. "You need to understand what you're buying into." K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INVESTING

# Bond Funds That Offer One-Stop Shopping

In 2008, THE ONLY assets that showed a profit were Treasury securities. But yields on Treasuries are now almost nonexistent, and any rise in interest rates will produce losses. To avoid that, fixed-income investors should diversify their holdings.

One solution that appears to do all the work for you is a multisector bond fund. These funds allow managers to switch assets, based on where they think the best returns will be, among Treasuries, corporate bonds, mortgage-backed securities, U.S. high-yield bonds, foreign obligations and other fixed-income classes.

Despite last year's dismal bond market, some multisector bond funds managed to hold up in 2008, posting slight gains or minimal losses. That's because they could shift a large allocation to government issues, which offset losses in other parts of the bond market.

Steven Huber, manager of the recently launched **T. Rowe Price Strategic Income** fund (symbol PRSNX), says a multisector approach can result in "lower risk than some single-sector" bond funds. Huber can invest in up to 12 fixed-income categories.

But the level of risk depends on the manager's allocation decisions. Jeff Tjornehoj, senior research analyst at fund tracker Lipper, says many of these funds can be volatile because they have a significant position in high-yield bonds. Because of the potential risk, he says, multisector funds should not be the first choice for investors whose priority is capital preservation.

### Hard to Compare to Benchmarks

The broad scope of these funds makes it difficult for investors to evaluate them, says Robert Whitelaw, professor of entrepreneurial finance at New York University's Stern School of Business. He notes that a fund could be rotating among many bond categories. "It's going to be hard to know what the appropriate benchmark is for that fund at any given point because the risk/return characteristics of those markets may be very different," he says.



What's more, says Whitelaw, multisector bond funds can cost investors more in fees and expenses than owning several low-cost index funds that would cover the same asset classes. "Are the funds going to generate sufficient returns in order to justify those additional expenses?" he asks.

Tjornehoj says that investors might consider placing 20% to 30% of their fixed-income holdings into a multisector bond fund. They should spread the rest around other parts of the bond market, including municipals, high-quality debt and shorter-duration bonds.

Before you invest, experts say you should check out the fund's performance and see if the current manager was there for the period tracked. "I'd like to see a well-defined statement of the strategy," says Whitelaw. "Why is it that these guys think they can identify the right sectors to be in?"

Lipper's Tjornehoj cited three of the better-performing funds in 2008. One top performer was **Columbia Strategic Income** Class A shares (COSIX, 0.96% expense ratio), which have a sales charge of 4.75%. The fund also has Class Z shares (LSIZX, 0.71%); there's no load but you have to go through a financial intermediary. **Neuberger Berman Strategic Income** (LBSTX, 1.11%) has a no-load Trust Class for individuals. **Schwab Premier Income** (SWIPX, 0.87%) is a no-load fund available in Investor Class shares.

Because it was launched in December, T. Rowe Price Strategic Income doesn't have a 2008 record. But manager Huber sees some attractive prospects ahead. "The main place we see opportunity is in corporate bonds, and specifically U.S. investment-grade corporates," he says. Huber's fund has no load and an expense ratio of 1%.

If you are comfortable making decisions about fixed-income holdings, you can construct a bond fund portfolio without any multisector bond products. "You could conceivably do an end run around the multisector strategy by simply being diversified," says Tjornehoj. **K** —JOSEPH LISANTI

## INVESTING

# A Bright Spot for Real Estate

A SHRINKING ECONOMY and frozen credit markets can be deadly for real estate investment trusts. The Dow Jones Wilshire REIT index lost 39% over the past year through February 2. Still, preferred stocks from some stronger players are worth a look, yielding 9% to 12%.

Their dividends are shielded by an added layer of protection: A REIT would have to eliminate its common dividend before it could reduce its preferred payout. "The reality is that most REITs aren't even going to cut their common dividend," says Jay Leupp, who runs Grubb & Ellis AGA Realty Income fund.

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REITs own a variety of property types and usually pay out 90% of profits as dividends. Preferreds pay a fixed dividend, and the share price normally moves in the opposite direction of interest rates.

But in 2008, preferred shares collapsed, even as the Federal Reserve slashed short-term interest rates. One cause: concerns that REITs would be unable to refinance loans and be forced to sell properties at big discounts. As a result, the average yield of REIT preferreds is almost 11 percentage points higher than that of the ten-year Treasury (recently 2.8%).

You can buy REIT preferreds through most brokers. On QuantumOnline.com, a free Web site, look for issues from well-established REITs with relatively low debt levels. (Symbols below are for common shares; preferred symbols vary according to the source.)

Series E shares of **Public Storage** (symbol PSA) pay $1.69 in dividends annually, resulting in a 9% yield at the recent price of $19. The world's largest provider of self-storage facilities has minimal long-term debt.

**PS Business Parks** (PSB) owns industrial, office and retail-business parks. Its low debt and $60 million cash cushion make it a safe holding. Series L preferred shares pay $1.90 annually and yield 11% at the recent share price of $18.

**HCP** (HCP) owns senior-housing facilities, hospitals and medical office buildings. Its series F preferred shares pay $1.78 annually. At $17, that's a yield of 10%. K

## MANAGING YOUR FINANCES

# CDs Linked to the Stock Market

WITH A DISMAL stock market and low interest rates, many retirees in search of income are looking for a safe investment with a reasonable rate of return. An indexed certificate of deposit offers principal protection and, with its rate linked to a market index, the chance to beat the interest rate on a traditional CD.

Indexed CDs, also called equity-linked or market-linked CDs, are available at a number of smaller banks. If you think stocks are poised for a rebound, an interest rate linked to the markets may seem appealing. But first, make sure you understand all the details—these CDs aren't suitable for everyone.

Unlike a traditional CD, the interest rate on an indexed CD is not fixed. Instead, it's based on the performance of a benchmark index, such as Standard & Poor's 500-stock index, although the money is not invested directly in the market. An indexed CD usually has a long maturity date, such as three or five years.

Your principal is protected if you hold the CD to maturity. If the benchmark index increases by zero or less, you'll get your money back at maturity but no interest. In fall of 2008, says Frank Trotter, an executive vice-president at EverBank, "customers were delighted not to take a 40% loss." You may risk losing principal if you don't hold the CD to maturity.

You will earn interest if the market rises over the CD term. But there are usually limits on how much of the index's upside you'll receive. These CDs often carry a "participation" rate and a "cap," says Daniel Deighan, president of Deighan Financial Advisors, in Melbourne, Fla. Say a CD has a 75% participation rate and a 9% cap. If the market rises by 12% by the end of the CD's term, you'd get the full 9%, because 75% of 12% is 9%. If the cap was lower, you'd miss out on the extra interest, Deighan says. K —RACHEL L. SHEEDY

# Reap Big Gains and Feel Little Pain

Wouldn't it be nice to save money and not have to sacrifice your lifestyle? We've chosen nine ways you can trim spending without feeling any anguish, from cutting investment expenses to trimming medication costs. Every little bit adds up to big savings.

### Slice Late Fees

Millions of people pay credit-card late charges of as much as $39 each month. Pay your bills on time, or use an automatic debit to make payments.

**ANNUAL SAVINGS:** $234, based on eliminating late fees six times a year.

### Keep Expense Ratios Low

The average diversified U.S. stock mutual fund charges 1.3% a year in expenses. If the fund isn't beating the benchmark, invest in a low-cost index fund or exchange-traded fund that tracks the benchmark. For example, **Fidelity Spartan 500 Index** (symbol FSMKX), which tracks Standard and Poor's 500-stock index, has an expense ratio of 0.10%.

**ANNUAL SAVINGS:** $1,200, based on cutting expenses from 1.3% to 0.10% on a $100,000 portfolio.

### Drop the Loads

There is a no-load alternative to just about every load fund. For example, rather than paying a 4.75% load for Davis NY Venture A (NYVTX), consider nearly identical **Selected American Shares S** (SLASX), which doesn't have a sales charge.

**ANNUAL SAVINGS:** $238, by avoiding a 4.75% charge on a $5,000 investment.

### Reshop Life Insurance

Insurance companies are cutting premiums, even for many older buyers. Today, a 50-year-old man can buy a $500,000 ten-year term policy for $445—a savings of more than $300 a year. You can compare life-insurance prices at Accuquote.com.

**ANNUAL SAVINGS:** $300, for a ten-year term policy for a 50-year-old man.

### Choose a Discount Broker

If you like picking your own stocks, why pay $30 or more per trade at a full-service broker? Online brokers' fees at E*Trade and TD Ameritrade average $10.

**ANNUAL SAVINGS:** $240, for using a discount broker for one trade a month.

### Lower Home Premiums

Raising the deductible on your homeowners insurance policy to $2,500, from $250, can cut your premiums by 25% a year. For example, boosting the deductible to $2,500 on a house insured for $250,000 in northern California reduces the average premium by $319.

**ANNUAL SAVINGS:** $319, on a $250,000 home.

### Bundle Communications

If you are paying separately for your phone, TV and Internet services, you can save money with a packaged service, which often runs $99 a month. You'll save at least $20. When the subscription period is up, threaten to switch providers to bargain your rate back down.

**ANNUAL SAVINGS:** $240, by bundling services.

### Slash Car-Rental Charges

Renting off-site rather than at an airport or hotel will save $77. Paying for your own gas will save $40. Turn down the collision-damage waiver for a savings of $81. Use a discount-rental Web site to save $70.

**ANNUAL SAVINGS:** $268, for a one-week rental at $50 a day.

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### Go Generic

Ask your doctor about switching to generic drugs, and try shopping at a lower-cost pharmacy. You can find alternatives for your medications at **www.drx.com.**

**ANNUAL SAVINGS:** $797, by switching blood-pressure medication Norvasc to the generic brand at Costco. **K**

TAXES

# New Breaks Will Lower Your Tax Bill

Cash-strapped taxpayers are looking for all the relief they can get in this volatile economy. Over the past year, Congress has approved more than 500 changes to the tax code, mostly in response to the housing collapse and market implosion. The result could be lower tax bills for millions of Americans.


Even if you don't qualify for new breaks, some old ones could pay off. If your income dropped last year, you may have a better chance to deduct medical and miscellaneous expenses. The economic stimulus bill recently signed into law by President Barack Obama includes some new tax breaks for 2009.

■ **Home sweet tax break.** Homeowners who don't itemize get a new tax break for 2008: an extra standard deduction to offset their real estate taxes. Individuals can claim up to $500 and married couples up to $1,000 on top of the normal standard deduction of $5,450 for individuals, $8,000 for heads of households and $10,900 for joint filers.

John Roth, senior federal tax analyst for CCH, a tax-information provider, says this break benefits "many older taxpayers who have paid off their mortgage or have paid it down to a point where they have little interest left. Now they can deduct real estate taxes without having to itemize."

Also, if you sold your house more than three years ago, perhaps to live overseas, you may be eligible for a refundable credit if you bought a new house after April 8, 2008. The credit is 10% of the purchase price or $7,500, whichever is less.

For couples, the credit starts phasing out when income reaches $150,000 ($75,000 for singles) and disappears for couples with joint income above $170,000 ($95,000 for others). However, in the second year after the purchase, home buyers must start paying back the credit over 15 years. "It's really a no-interest loan," Roth says.

The economic stimulus package increases the credit to $8,000 for homes bought in 2009. The law also scales back the repayment requirements.

If you sold a house that appreciated significantly over time, up to $250,000 of profit can be tax-free ($500,000 if you're married and file a joint return). To qualify, you must have owned and lived in the house for two years out of the five years leading up to the sale.

There's an exception to the two-year rule: A homeowner who lived in the house for one of the five years before the sale can count time spent in a licensed facility, such as a nursing home. Starting in 2008, widows and widowers can claim the full $500,000 exclusion if they sell the home within two years after the death of their spouses.

A new law dilutes the value of this break when it comes to vacation homes. It used to be that you could buy a vacation home, later sell your principal residence, move into the vacation home and take the full exclusion if you sold the vacation home two years later.

Now, for vacation homes converted to principal residences after December 31, 2008, a portion of the gain will be taxed. To determine the taxable portion, figure the ratio of the time after 2008 that the house was used as a vacation home to the total period you owned it.

■ **Choose your deduction.** A popular tax break that Congress renewed for 2008 and 2009 allows taxpayers to choose between deducting their state income taxes or state sales taxes. Use the IRS's sales-tax calculator to determine the appropriate deduction based on the tax rates for income and state and local sales tax. Or tally actual receipts if it would result in a bigger deduction.

Most taxpayers who file an itemized return will save more money by choosing the state income-tax deduction, but that is not always the case, says Mary Kay Foss, who is a certified public accountant with Greenstein, Rogoff, Olsen & Co., in Danville, Cal. "If you bought a new car, the sales tax might push you over what you paid in income taxes," says Foss.

■ **Max out retirement contributions.** Higher income-eligibility limits mean more people than ever qualify for tax-deductible IRA contributions. You have until April 15 to contribute up to $5,000 to an IRA for 2008, plus an extra $1,000 catch-up contribution if you are 50 or older. You can deduct some or all of your contribution if you are single and your income is $63,000 or less or if you are married filing jointly and your income is $105,000 or less. If you are not covered by a workplace plan but you are married to someone who is, you can deduct some or all of your IRA contribution if your joint income is $169,000 or less.

If you're self-employed, you can lower your tax bill by making deductible contributions to a retirement plan for self-employed individuals such as a SEP-IRA or solo 401(k). You can contribute up to $46,000 for 2008 to a solo 401(k), plus an additional $5,000 in catch-up contributions. While you must have set up your solo 401(k) by December 31, 2008, you have until April 15 to set up and fund a SEP-IRA.

■ **Health savings accounts.** Taxpayers also have until April 15 to make tax-deductible contributions to a health savings account. For the 2008 tax year, the contribution limit is $2,950 ($3,000 in 2009) for an individual and $5,800 ($5,950) for a couple or family. If you and your spouse are 55 and older, you can each make a $900 ($1,000) catch-up contribution.

Roy Ramthun, president of HSA Consulting Services, in Silver Spring, Md., says HSAs are a good option for those who no longer have employer-based insurance and "want to make sure they have coverage before Medicare."

■ **An Rx for medical expenses.** If you racked up substantial medical bills, you may be able to deduct them, but only if the total unreimbursed medical costs exceed 7.5% of your adjusted gross income. If your AGI is $60,000, for example, the first $4,500 in medical expenses is not deductible.

Included as deductible medical expenses are payments to doctors and hospitals, as well as the costs of eye exams and glasses, hearing aids and prescription medicine (except drugs purchased from Canada). Medicare premiums for Parts B and D also qualify. Premiums for long-term-care insurance in 2008 are deductible up to $1,150 for those 51 to 60, $3,080 for those 61 to 70, and $3,850 for those 71 and older.

If you moved to an assisted-living facility, a portion of the entrance fee and monthly and annual fees qualifies as a medical deduction. Certain home improvements, such as wheelchair ramps and support bars, are deductible, too.

■ **Investment-related deductions.** Turn your investment lemons into lemonade by reducing your capital-gains taxes as much as you can. If sales of securities in 2008 resulted in a net capital loss, up to $3,000 of the loss can be deducted against other kinds of income, such as a salary.

Make sure you keep track of your investment-related and job-search expenses. They could qualify as miscellaneous itemized deductions if all of your miscellaneous deductions exceed 2% of your AGI. Amounts paid for financial planning and tax or investment advice, including periodicals, investment newsletters, tax-preparation software and online services, qualify.

■ **Rebate redux.** If you missed out on last year's tax rebate or did not receive the full amount because your income was too high, you may get a second chance, says Mark Steber, vice-president of tax resources for Jackson Hewitt. "You may be due more money when you file your 2008 taxes," he says.

The first round of rebate checks, which were mailed to eligible taxpayers, was based on 2007 tax-return information. If your income changed in 2008, you may qualify for a credit of up to $600 if you are single and up to $1,200 if you are married.

If you're eligible for additional rebate money, it will be included with your refund. You can figure out if you are likely to get additional money by going to the Recovery Rebate Credit Information Center at the IRS's Web site (www.irs.gov).

■ **Stimulus goodies.** For 2009, the stimulus package provides an extra bonus for retirees: a one-time $250 payment to Social Security recipients, railroad retirees, retired government workers and disabled veterans.

For 2009 and 2010, a new Making Work Pay credit allows a credit against income tax in an amount equal to the lesser of 6.2% of an individual's earned income or $400 ($800 for married couples filing jointly). The credit starts phasing out for individuals with modified adjusted gross incomes above $75,000 ($150,000 for married couples filing jointly).

■ **IRA reprieve ahead.** IRA owners who are 70½ and older will pay taxes on their required minimum distributions for 2008. But they may get a break at tax time next year if they plan well. Congress has waived the RMD for 2009. Account holders will still need to pay ordinary income taxes on any withdrawal. But if they can keep the distribution small, next year's tax bill will be smaller, too. **K** —SUSAN B. GARLAND & MARY BETH FRANKLIN

# Information to Act On

## ECONOMY

■ **Suffering shops.** Retail holiday sales at the end of 2008 were down about 4%, marking the first holiday season decline in decades. For 2009, sales growth will struggle to be positive after remaining about flat in 2008. Shoppers worry about home values and job security. As a result, they will focus on value and necessities, providing a small boost for grocery stores and discounters.

## INVESTING

■ **New ETFs.** State Street Global Advisors (www.ssga.com) has launched two fixed-income exchange-traded funds. SPDR Barclays Capital Short Term International Treasury Bond ETF (symbol BWZ) tracks an index of issues from 21 countries that mature in one to three years. SPDR Barclays Capital Mortgage Backed Bond ETF (MBG) tracks an index of mortgage-backed securities with an average credit quality rating of AAA/Aaa.

■ **Fraud education.** The Alliance for Investor Education offers tips on preventing financial fraud. Find "Avoiding Madoff-Like Ponzi Schemes" at www.investoreducation.org/ponzischemes. The alliance has 19 members, including the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.

### TAX TIP

## E-file Free for All

**The IRS has expanded its effort to offer free electronic filing of federal tax returns. Taxpayers with an adjusted gross income of $56,000 or less in 2008 can participate in IRS's Free File program, which offers free tax-preparation software and free electronic filing of federal returns. Most taxpayers with higher incomes can use the new Free File Fillable Forms.**

**The Fillable Forms allow you to enter your tax data, do basic math calculations, print your return for record keeping and e-file your federal return for free. The new e-file forms are a good option for those who are comfortable with tax law, know what forms they want to use and don't need assistance to complete their return.**

**To access either e-filing program, go to IRS.gov. If you prefer a little extra hand-holding, you can buy easy-to-use tax-preparation software such as TurboTax, which includes tax advice from *Kiplinger's*.**

## DOWNTURN EFFECTS

■ **Market impact.** Affluent retirees' level of financial comfort decreased significantly from August to October 2008, according to MFS Investment Management. Retirees who said they had concerns about their financial future rose from 56% in August to 74% in October. Retirees who were concerned they had invested too aggressively more than doubled, to 23% in October, from 11% in August.

■ **401(k)s down.** Fidelity Investments says the average workplace savings account balance dropped 27% in 2008, to $50,200, from $69,200 in 2007. Despite the market drops, participants stashed away an average of $5,600 to their 401(k) accounts, slightly higher than 2007 levels. The report is based on data from Fidelity's corporate 401(k) plans.

## TAXES

■ **A form to ignore.** If you received a Form 5498 that says you must take an IRA distribution for 2009, you can ignore it, says the IRS. IRA sponsors must send the forms to account owners by January 31. But because Congress waived the 2009 required minimum distribution near the end of 2008, many sponsors didn't reprogram their systems in time.

■ **Retroactive rollover.** Thanks to a fix by Congress, workers with adjusted gross incomes of more than $100,000 can now convert a Roth 401(k) to a Roth IRA tax-free. Previously, higher-income employees were inadvertently barred from doing such a conversion. The change was made retroactive to January 1, 2008.

## SOCIAL SECURITY

■ **Expedited process working.** The Social Security Administration has increased the number of expedited approvals for people claiming Social Security disability benefits with its Quick Disability Determination process and its Compassionate Allowances program. About 100,000 to 125,000 severely disabled Americans will be approved for benefits in about ten days instead of the typical three to four months.

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### RETIREMENT PLANS

■ **Court rules.** Make sure your beneficiary designations are updated. The U.S. Supreme Court recently ruled that under the Employee Retirement Income Security Act, a company had to pay a deceased worker's retirement plan to his ex-wife. The ex-wife had agreed to give up the benefits during divorce proceedings, but her name was still on the beneficiary designation form (*Kari E. Kennedy vs. Plan Administrator for DuPont Savings and Investment Plan,* Case No. 07-636).

### LONG-TERM CARE

■ **Tax resource.** The American Association for Long-Term Care Insurance now lists on its Web site the latest rules on federal and state tax deductions and incentives for purchasing long-term-care insurance. Go to www.aaltci.org/tax for the federal rules as well as a state-by-state listing of tax breaks.

■ **Caregiving resource.** AARP has launched a new online resource center for caregivers. Author Gail Sheehy will interact with readers through Web casts, blogs and online chats. Her Web casts can be viewed at www.aarp.org/gailsheehy.

### CONSUMER INFORMATION

■ **Money resolutions.** The number-one New Year's resolution for 2009 is to save more money, according to a TD Ameritrade survey. At 59%, saving more for retirement topped the traditional health-related resolutions. At 48%, paying off debt also ranked high, and building an investment portfolio came in at 47%.

■ **Planning ahead.** MetLife's Mature Market Institute is offering a free workbook and DVD called *Discovering What Matters,* which includes self-assessment tools, advice and resources. The materials aim to help older people figure out how to achieve good health and spend more time with family and friends. You can order a copy at www.maturemarketinstitute.com.

### TRAVEL

■ **Take a walk.** The Wayfarers offers 83 walks in 2009. New trips include "The Brontë Trail," a six-day trip with visits to sites significant to works by the Brontë sisters, and "Venice & The Veneto," a seven-day tour of Venice through the eyes of the architect Palladio. Visit www.thewayfarers.com, or call 800-249-4620.

# Rates and Yields

## Certificates of Deposit

| SIX MONTHS | YIELD | PHONE NUMBER |
|---|---|---|
| Flagstar Bank (Mich.) | **2.85%** | 800-642-0039 |
| Nexity Bank (Ala.) | **2.61** | 877-738-6391 |
| **National Average** | **1.24%** | |
| **ONE YEAR** | **YIELD** | **PHONE NUMBER** |
| Flagstar Bank (Mich.) | **3.00%** | 800-642-0039 |
| Corus Bank (Ill.) | **3.00** | 800-989-5101 |
| **National Average** | **1.61%** | |
| **FIVE YEARS** | **YIELD** | **PHONE NUMBER** |
| Flagstar Bank (Mich.) | **3.90%** | 800-642-0039 |
| Discover Bank (Del.) | **3.70** | 888-728-3185 |
| **National Average** | **1.68%** | |

Yields include compounding and are to February 13, 2009. For information on deposit insurance, go to the Web site of the Federal Deposit Insurance Corp. (www.fdic.gov). SOURCE: Bankrate.com

## Top Yielding Money-Market Funds

| TAXABLE | YIELD | PHONE NUMBER |
|---|---|---|
| Touchstone/Class A | **1.88%** | 800-543-8721 |
| MainStay Principal Preservation | **1.82** | 800-831-1994 |
| **Category Average** | **0.53%** | |
| **TAX-FREE** | **YIELD** | **PHONE NUMBER** |
| Alpine Municipal/Investor* | **1.05%** | 888-785-5578 |
| Marshall Tax Free/Class Y | **1.01** | 800-236-3863 |
| **Category Average** | **0.34%** | |

*Fund is waiving all or a portion of its expenses. The 30-day simple yields are to February 3, 2009. SOURCE: *Money Fund Report*

## High-Dividend Stocks

We used the stock-finder tool at Kiplinger.com to screen for stocks with ten years of consecutive dividend increases.

| DIVIDEND STOCKS | YIELD | SHARE PRICE |
|---|---|---|
| Avery Dennison (AVY) | **7.1%** | $23 |
| Mercury General (MCY) | **7.0** | 33 |
| PPG Industries (PPG) | **5.7** | 37 |

## Benchmarks

| | THIS MONTH | 3 MONTHS AGO | YEAR AGO |
|---|---|---|---|
| Inflation rate* | **-0.70%** | 0.00% | 0.40% |
| Six-month Treasury | **0.45** | 0.93 | 2.10 |
| One-year Treasury (CMT)** | **0.60** | 1.16 | 2.03 |
| Ten-year Treasury | **2.85** | 3.84 | 3.70 |

*Year-to-year change in CPI as of Dec. 2007, Sept. 2008 and Dec. 2008.
**Constant Maturity Treasury yield.

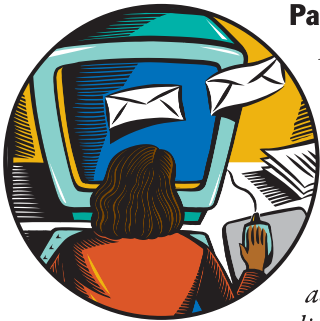
## Fixed Annuities

| SINGLE-PREMIUM IMMEDIATE-ANNUITY MONTHLY PAYOUT FACTOR | HIGHEST | AVERAGE |
|---|---|---|
| **Male age 65** | $7.07 | $6.60 |
| **Female age 65** | 6.63 | 6.23 |
| **Male age 70** | 7.77 | 7.28 |
| **Female age 70** | 7.30 | 6.85 |

Payouts are guaranteed to the annuitant for life and a beneficiary for ten years. Payout factors are per each $1,000. SOURCE: *Comparative Annuity Reports* (www.comparativeannuityreports.com). Annuity data are to February 1, 2009.

MANAGING YOUR FINANCES

# Your Questions Answered



### Partial Conversion to a Roth

*I'd like to convert my traditional IRA into a Roth IRA. I can't afford the tax bill on a full conversion, so I intend to convert my nondeductible IRA (I have about $30,000 in that account) and a part of my traditional IRA. Can I do that?*

Sure, you can convert any IRA you choose, but you can't accomplish what it appears you're trying to achieve. In other words, you can't carve out those nondeductible contributions and move them tax-free to a Roth. Instead, the tax-free portion of the conversion will be based on the ratio of nondeductible contributions to the total balance in all of your IRAs at the time of the conversion—even if you convert only part of your IRA. Let's say that $30,000 in your nondeductible IRA is made up of $25,000 of contributions and $5,000 of earnings, and your other IRAs hold $70,000. The ratio of nondeductible contributions ($25,000) to the total in your IRAs ($100,000) is 25%. So, 25% of what you convert to a Roth would be tax-free. Remember that there's a break if you convert in 2010: The tax bill can be paid over two years—2011 and 2012.

### Maintain Asset Allocation When Withdrawing

*To supplement our Social Security and pension in retirement, should my wife and I take monthly or quarterly distributions from the bond portion of a portfolio invested in 50% bonds and 50% stocks?*

If you've been happy with your 50-50 allocation, you should take equal portions from your equity and bond positions. That way, your portfolio won't be overly exposed to either bonds or equities. But you should tap your portfolio only if you need the money or if you need to take a required minimum distribution from your IRA (Congress has waived RMDs for 2009).

### Think Twice Before Lending Money to Children

*My husband and I plan to retire in a couple of years. We're thinking of lending our daughter money to pay off her law-school loans. At least for the foreseeable future, we could make more in interest from her than the return we'd earn from our shrinking stock portfolio, and she could pay less interest than what her loans cost her now.*

Although your daughter may have the best of intentions, what happens if she doesn't pay you back? Because you're approaching retirement, dipping into a shrunken nest egg to make a loan could jeopardize your financial future. And the money won't be in the portfolio to benefit from the recovery when it finally comes. If you do lend her the money, treat the loan as a business transaction. Look at Virgin Money (www.virginmoneyus.com). It will draw up loan documents and send your daughter monthly payment notices. (For more information, read "Helping Your Family During Hard Times," December.)

### A Strategy for Surviving the Market Downturn

*My wife and I are retired. She receives Social Security benefits, and I will receive mine in May when I turn 70. Our home is paid off. We lost about $450,000 in the stock market downturn. We recently pulled $1 million from our portfolio. Once the market situation improves, what will be the signs for us to start moving some of our savings back into stocks?*

It's difficult to decide when to get back in. If the Dow Jones industrial average drops to 5,000, you're unlikely to get back in then. But if it goes up to 10,000, you will have missed a big movement upward. Kevin Reardon, president of Shakespeare Wealth Management in Brookfield, Wis., offers this option: have five years' worth of living expenses invested in CDs, and then put the rest in the market. That way you have guaranteed your lifestyle for a period of time, while giving the market a chance to recover.

### The Impact of Repaying Benefits on Survivor Benefit

*My wife and I plan to take Social Security at age 62. If I pay back my benefits later, will that affect my wife's survivor benefit?*

You can collect your benefits now, and then file a "withdrawal of application" at any time before you turn 70. You will file again to receive a higher benefit, and your wife's survivor benefit will be based on that higher benefit. But if you're claiming early because you need the cash now, it's likely that you won't have enough money to repay the benefits to the Social Security Administration when you withdraw your application. Also, if you die before you withdraw your application, your wife's survivor benefit will be stuck at the lower benefit. K

StoryCorps has recorded about 23,000 interviews since 2003.

COURTESY STORYCORPS

RETIREMENT LIVING

# Leave Your Legacy With an Oral History

Carl Burns never discussed his tour of duty in Vietnam with his two children or friends. But he decided to tell his story in 2004 after his alma mater, Rutgers University in New Brunswick, N.J., asked him to provide an oral history of his wartime experience.

For six hours, Burns, 66, who lives in Manalapan, N.J., talked about his childhood and his years in Rutgers' ROTC. After graduation, he became an Army second lieutenant and helicopter pilot. Two years later, he was in Vietnam with the air cavalry.

For a man who had been reluctant to discuss his life, Burns had many stories to tell. In one combat mission, the Viet Cong shot off his helicopter's tail rotor. Burns tried to land in a rice paddy but crashed into a dike. He was rescued and hospitalized. He says he started off "bullish" about the war, but after several months, he started questioning the war's purpose.

Like so many returning Vietnam veterans, he was treated with contempt. "As a result, I didn't talk about Vietnam for 35 years," he says. "I was disgusted with the treatment that Vietnam vets received."

Years later, Burns joined some veterans groups affiliated with the Rutgers oral history program. The oral history brought Burns out of his shell. Now he takes school children on tours of the Vietnam Era Educational Center in Holmdel, N.J. He's also written a memoir, *Centaurs in Vietnam: Untold Stories of the First Year* (Trafford, $20). Read his transcript at http://oralhistory.rutgers.edu (type "Burns" in search engine).

If you don't want to write a memoir but would like to tell your life story, you can record an oral history. There are several ways to go. Many colleges, historical societies and local libraries run oral history projects. You can hire an oral historian who will conduct the interviews and produce a CD or DVD. Or you can do it on your own, with a video camera or tape recorder.

Those who want to participate in a project have a range of options. If you're a veteran or a civilian involved with the military, you can store your oral history with the Veterans History Project. The histories are archived at the Library of Congress.

You can conduct the taping yourself, or you can contact one of the project's "partners" in your state to do the interviewing. One partner is Rutgers, which has interviewed nearly 600 New Jersey residents who served in World War II, Korea and Vietnam. Links to partners and tips on conducting your own oral history are available at www.loc.gov/vets.

Also, check with your alma mater. Many colleges interview alumni or retired professors about their experiences at school. Some take a different approach. A project at Carnegie Mellon University focuses on the stories of Pittsburgh's African Americans who came of age before the 1960s civil rights movement.

Another option is to participate in StoryCorps, which since 2003 has recorded more than 23,000 interviews that are archived at the Library of Congress. You can make an appointment to appear at its studio in Lower Manhattan or at two mobile booths that travel around the U.S. (For a schedule, go to www.storycorps.net.) Senior centers and other local groups can arrange for facilitators to travel to a community to interview individuals. Or you can ask StoryCorps to send you a kit, which includes portable recording equipment, so you can do the interview at home.

StoryCorps' format calls for a friend or relative to interview a loved one for 40 minutes. You will get a CD of the interview.

### Hire a Professional

For those who want to find a professional oral historian, visit the Web site of the Association of Personal Historians (www.personalhistorians.org). The cost of a professional oral history ranges from a few hundred to several thousand dollars.

Often adult children initiate the project. Sherry Decoteau, 34, wanted to record the life story of her mother, Ruth Dillon, who had been diagnosed with cancer. Decoteau, a mortgage broker, lives in Newburyport, Mass., while her divorced mother had moved to Texas.

Decoteau hired David O'Neil, whose company, Story Trust (www.storytrust.com), in Newton, Mass., produces oral histories and memoirs. O'Neil conducted six hours of telephone interviews with Decoteau's mother over 12 months starting in October 2007. Before the interviews, O'Neil provided Dillon with a questionnaire to help jog her memories.

The final product was ten copies of a CD and of an 85-page book, which includes text and 21 photos spanning Dillon's life. The $4,000 cost was shared by Decoteau's brother and her mother's siblings.

The family had planned to present Dillon with the history late last year, but she died in July. At a memorial service in October, excerpts from the CD were played as photos of her were shown on a screen.

Many professional oral historians record on video. Some are simple interviews, but a number of companies will produce a video biography, which includes narration, family photos, home movies and period music. Companies that offer personal documentaries include Hindsight Media (www.hindsightmedia.net), Biographica (www.biographicadocs.com) and Farnese Personal Television Biographies (www.farnesebios.com).

Jerry Segal, 87, says he commissioned such a documentary at the request of his son, Robert, "who wanted an oral history for his children." Segal, who used to run a Boston brokerage firm, splits his time between Mashpee, Mass., and West Palm Beach, Fla.

Bill Parker, a principal of Hindsight Media, which is based in Cambridge, Mass., interviewed Segal for six hours. The result was a one-hour DVD, which includes the interview with Segal, photos of his boyhood home in Cambridge and illustrations from a Cambridge historical society.

"My grandchildren had no idea of who I really was and my earlier life," Segal says. "In the history, I told them about my parents emigrating to the U.S. from Russia, attending Harvard, Army service in World War II, and what it was like to grow up without cell phones, television and computers."

If you don't want to spend a lot of money, you can do an oral history yourself. The simplest method is to use a tape recorder. William Zimmerman, author of *How to Tape Instant Oral Biographies* (Betterway Books, $8), says that the subjects should review "photos and documents to help recall lifetime events." K

—ROBERT K. OTTERBOURG

YOUR HEALTH

# Higher '07 Income Snares Part B Seniors

FOR THE THIRD YEAR in a row, higher-income Medicare beneficiaries received notice that they'll pay more in Part B premiums than other seniors. But this year, there's a catch: The size of the premium is based on returns for tax year 2007, before the economic downturn slashed the nest eggs of many retirees.

The premium is calculated on a sliding scale based on a taxpayer's adjusted gross income plus any tax-exempt income. According to the Social Security Administration, 2 million beneficiaries (4.9% of all beneficiaries) paid a higher premium in 2008, compared with 1.7 million (4.2%) in 2007.

The standard Part B premium is $96.40. Individuals with a modified AGI from $85,000 to $170,000 in 2007 will pay a $134.90 premium (married couples pay twice that on joint income from $170,000 to $214,000). Individuals from $107,000 to $160,000 (married, $214,000 to $320,000) pay $192.70. Individuals from $160,000 to $213,000 (married, $320,000 to $426,000) pay $250.50. And individuals above $213,000 (married, above $426,000) pay $308.30.

You can contest the higher premium if your income has dropped because of a "life-changing event." A life-changing event is marriage, divorce, job loss, reduced work hours, loss of income from income-producing property or cuts in pension benefits.

What is not considered a life-changing event is a drop in income because of investment declines. For example, if you had a significant amount of income in 2007 from selling shares, you're liable for the higher premium this year even if your income is much lower.

If you do fit one of the categories, fill out Form "Medicare Part B Income-Related Premium-Life Changing Event," which you can find at www.ssa.gov/online/ssa-44.pdf. If Social Security rejects your request, you have 60 days to file an appeal. K

# Sweep Your House Clean of Toxins

YOU MAY THINK your home is a safe haven, but many everyday household products, from floor cleaners to mothballs, may give off unsafe levels of toxic pollutants. Some products contain chemicals that could cause headaches and fatigue or aggravate allergies and asthma, according to scientific research. Some products contain carcinogens. Older adults are particularly susceptible.

Don't head to your bed in despair (it may have dust mites). There are steps that you can take to "detox" your home. "Every product that is toxic in the home has a safer alternative," says Debra Dadd, author of *Home Safe Home* (Tarcher, $20). Dadd offers tips on detoxing a home on her Web site (www.dld123.com).



■ **Clean green.** A growing number of companies are selling chemical-free floor and toilet-bowl cleaners, furniture polish and laundry detergents. Many are made from fruit- and vegetable-based ingredients.

However, not all "green" products are completely toxin-free, so read labels carefully. And consumers have noted that you may have to do a bit more scrubbing with green products than with more-potent cleaners.

You can buy natural cleaning supplies at most grocery stores. You can find links to online shopping sites at New American Dream (www.newdream.org, click "Conscious Consumer") and Green America (www.coopamerica.org/programs, click "Responsible Shopper").

You can also make your own cleaning solutions, says Annie Bond, author of *Home Enlightenment: Create a Nurturing, Healthy, and Toxin-Free Home* (Rodale, $20). She makes a soft-scrubbing gel by mixing baking soda and a little liquid detergent.

■ **Pitch the pesticides.** Older adults account for a disproportionate number of deaths due to pesticide poisoning, according to the federal Environmental Protection Agency. Exposure could lead to headaches, dizziness and muscle twitching, the government warns.

Drop the monthly exterminator contracts, and use an exterminator only when you have a severe pest problem. Find an exterminator that uses non-toxic products. Dadd suggests finding cracks where bugs are entering the house and patch those spots with non-toxic glue. For more ideas, go to www.npic.orst.edu, www.pesticides.org and www.beyondpesticides.org.

■ **Toss the mothballs.** Mothballs are made with pesticides. Bond suggests making a moth-repellant sachet by mixing dried rosemary, mint, thyme, ginseng and cloves. Cedar products are also effective moth repellants. (For Bond's sachet recipe and other tips, go to www.care2.com/greenliving/blogs, click "Ask Annie.")

■ **Choose your plastics.** Many plastics use the chemical bisphenol-A, which has been shown to cause neurological and developmental damage to lab animals. Avoid polycarbonate plastics, which have #3, #6 or #7 on the bottom of the containers. Polyethylene plastic is safe; these containers are marked by #1, #2, #4 and #5.

■ **Grow houseplants.** Spider plants and fig trees reduce formaldehyde in the air. English ivy helps to tackle the air-pollution impact of petroleum-based products. Aloe vera, chrysanthemums, Chinese evergreen, bamboo palm and lilies also help clean indoor air.

■ **Go HEPA.** "High efficiency particulate air" filters, vacuum cleaners, air purifiers and dehumidifiers can prevent mold. HEPA products trap tiny particles that cause problems for allergy sufferers. If you don't use HEPA filters, make sure you regularly change or clean the filters in heaters and air conditioners.

■ **Remake your bed.** Bedding labels such as "permanent press," "no iron," "water repellent" and "flame retardant" may indicate fabric treatments that give off chemicals. You can switch to organic bedding, made from organic cotton and other natural fibers. Most department stores and many Web sites sell these organic products. Consider encasing your mattresses, box springs and pillows in dust-mite barriers. If you have allergies, you can replace carpets and rugs with organic wool, bamboo, cotton, sisal or cork. For hardwood floors, use a non-toxic finish. Or cover your floors with ceramic tiles. K —LEAH DOBKIN

YOUR HEALTH

# Doctor House Calls in the Information Age

You may have thought that physician house calls were a thing of the past. But now many doctors are finding a new way to pay a visit to your home: by e-mail.

Joseph Halperin of Berkeley, Cal., has received several "e-visits" from his internist. Halperin, a sculptor and retired oncologist, says he e-mailed his doctor to get prescriptions before a recent trip to Mexico and to ask about a pulled muscle. "It's extraordinarily convenient," Halperin says, noting his doctor responds more quickly to an e-mail than to a telephone call.

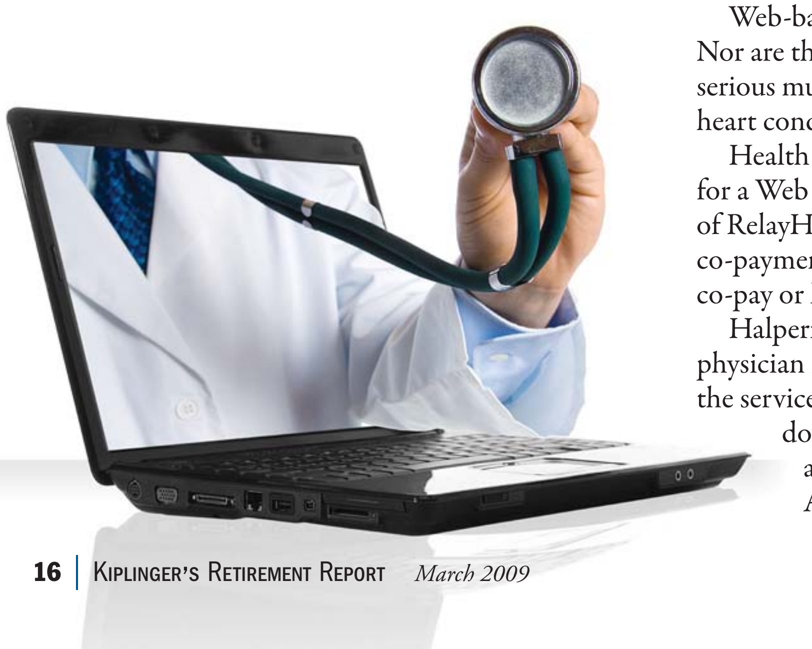
Halperin, 67, is not pulling doctor privileges. His internist offers this high-tech version of the house call to all of his patients. He is among a growing number of doctors who use the Internet to treat patients while getting paid for their time and expertise.

Less than one-third of doctors communicated with patients online in 2007, according to Manhattan Research, a health-care research firm in New York City. But big insurers, including Aetna and Cigna, now reimburse doctors for Web-based visits. Kaiser Permanente encourages patients and staff doctors to use e-mail, as do Health Net of California and several of the largest Blue Cross Blue Shield plans.

In most cases, a patient logs on to a secure Web-based program. The patient chooses from a list of problems or symptoms. A new screen will ask specific questions that lead to a final answer.

Common problems handled during a Web visit include sinus pain, back problems, colds and flu. Patients can also schedule appointments and ask about lab test results and medications. If your physician offers such a service, ask about the privacy policy and how much time it usually takes to get a response. You should be comfortable using a computer before using this service.

If a doctor can't easily diagnose by e-mail, the patient will be told to pay an office visit. "This happened when I had a persistent cough after a cold," says Halperin. "He saw me and checked me out."



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### Take Two Aspirin, and E-mail Me Later

About 150 procedures can be handled online, according to McKesson Corp.'s RelayHealth, an Atlanta company that provides Web sites to Aetna, Cigna and other insurers for online visits. Aetna, for example, approves payment for Web visits in primary care and more than 30 specialties, including cardiology, oncology and rheumatology.

Dr. Lisa Rankin, a family practice physician in Port St. Lucie, Fla., says the convenience is a big reason she's used Web consultations for nearly three years. One-fifth of her practice's 8,000 patients use the system. Rankin gets $30 for the Web visits from several insurers and from her uninsured patients.

Rankin uses RelayHealth, which employs detailed templates that, she says, "ask the same questions that I would ask. If there is anything else I need, I will ask for additional information from the patient." She says her diagnosis is usually based on her knowledge of the medical history of a patient. "If a patient has a complaint that I do not feel comfortable with, I will tell them they need to come into the office," she says.

Web-based visits are not suited for emergency care. Nor are they usually appropriate for someone with serious multiple conditions, such as diabetes and a heart condition, which can complicate a diagnosis.

Health plans typically pay doctors $25 to $35 for a Web site visit, says Ken Tarkoff, vice-president of RelayHealth. Some health plans require a patient co-payment, which may be the same as an office visit co-pay or less.

Halperin, a Medicare beneficiary, pays $25 to his physician for each virtual visit. "I'm happy to have the service even with the expense," he says. Medicare doesn't cover Web visits, but Cigna HealthCare and Aetna offer Web visits to some Medicare Advantage patients. K —CHRISTOPHER J. GEARON