
Presented by Cindy Hounsell
WISER

HCBS
2014 Annual Conference
NATIONAL EDUCATION AND RESOURCE CENTER ON WOMEN AND RETIREMENT PLANNING

- WISER operates in partnership with the Administration on Aging
- Gateway to basic retirement information and resources
- Focus is on retirement readiness, health and long-term planning and elder financial abuse.
- Provide tools and information (fact sheets, booklets, worksheets, etc.) on key retirement planning topics

Visit the Center at www.wiserwomen.org
CHALLENGES EVERYONE FACES

- Employment - in and out of the workforce
- Not taking advantage of retirement savings plans
- Not saving enough
- Not knowing anything about investing
- Not having a goal
FINANCIAL RISKS OF LONGEVITY

- Inflation
- Outliving assets
- Death of a spouse
- Unexpected health costs
- Poverty
Why women?

- At age 65+, there are 6 million more women than men
- At 70, there are 5.2 million more
- At 85+, there are 1.9 million more: 71% of the 85 and older population
  - The age 85+ numbers are expected to double/triple over the next three decades
  - This is the most likely group to end up living in poverty
IMPACT OF WOMEN’S UNIQUE CHALLENGES

3 out of 5 women age 65+ have incomes that don’t cover their basic daily needs.
PLANNING FOR RETIREMENT: KNOW WHAT YOU NEED TO KNOW

1. Know your needs

2. Know where the $$ will come from

3. Know what retirement will cost
TRADITIONAL SOURCES OF RETIREMENT INCOME

The 3-legged stool

- Social Security
- Pensions
- Savings/investments
- Earnings from work
- SSI (Supplemental Security Income)
HOW MUCH WILL YOU NEED?
OR WILL YOU CUT EXPENSES???

- 100% of pre-retirement income
- Social Security statement estimate
- Pension? Contact employer

Pre-retirement income
- Social Security
- Pension
What your savings needs to produce or you can cut expenses.

\[ \begin{align*}
\text{Pre-retirement income} &= \$30,000/\text{year} \\
\text{Social Security} &= \$13,000/\text{year} \\
\text{Pension} &= \$0 \\
\text{Total} &= \$17,000/\text{year}
\end{align*} \]
**HOW MANY YEARS WILL YOU NEED IT?**

- Consider family history, health, and life expectancy tables
- Add 10 years to hedge against longevity risk:
  - Inflation
  - Outliving savings
  - Death of a spouse
  - Unexpected healthcare needs
  - Loss of ability to live independently
  - Poverty
DO THE MATH

Retirement Income Calculators

The Department of Labor’s, Taking the Mystery out of Retirement
Geared toward people 10-15 years away from retirement. Also offers information on saving and investing: www.dol.gov/ebsa/publications

AARP’s Retirement Calculator: www.aarp.org/work/retirement-planning/retirement_calculator

AARP’s Social Security benefits calculator: www.aarp.org/work
SOCIAL SECURITY BENEFIT TYPES

- Retirement
- Spousal
- Survivor
- Disability insurance
- Supplemental Income
SOCIAL SECURITY
RETIREMENT BENEFIT

- Retired worker benefit
- Full benefit replaces about 40% on average
- Full retirement age
  - Age 66
    - if born between 1943-1954
  - Age 66+ 2 months
    - if born between 1955-1959 add 2 months each year until 1960
  - Age 67
    - if born in 1960 or later
Social Security
Spousal Benefit

If one-half of your spouse’s benefit is higher than yours, you receive the higher amount.

Joe’s retired worker benefit: $800
Kim’s retired worker benefit: $300

Kim takes the spousal benefit at $400 a month (even if divorced, as long as their marriage lasted at least 10 years).
SOCIAL SECURITY
RETIREMENT AGE OPTIONS

- Full retirement age: full benefits
- Age 62 is earliest: \(- 25\%\)
- Up to age 70: \(+ 8\%\) each additional year

<table>
<thead>
<tr>
<th>Retirement Age</th>
<th>Monthly benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>62 (early retirement)</td>
<td>$758</td>
</tr>
<tr>
<td>66 (normal retirement)</td>
<td>$1,000</td>
</tr>
<tr>
<td>70 (latest)</td>
<td>$1,320</td>
</tr>
</tbody>
</table>
RETIREMENT PLANS

- Traditional “defined benefit” pension
- 401(k)-type “defined contribution” retirement savings plans
OTHER WAYS TO SAVE FOR RETIREMENT

✓ IRAs
✓ Savings bonds
Roth IRAs

- You contribute after-tax money
  - Amount depends on income
- Pay no taxes when you withdraw your funds; the earnings are never taxed
# Yearly IRA Contribution Limits

<table>
<thead>
<tr>
<th></th>
<th>If you are under 50</th>
<th>If you are 50 or older</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$5,500</td>
<td>$6,500</td>
</tr>
</tbody>
</table>

If you are under 50, the contribution limit is $5,500. If you are 50 or older, the contribution limit is $6,500.
EE AND I SAVINGS BONDS

- Safe, low risk, low return savings option
  - Buy at face value from $25 to $10,000/year
  - Hold at least 5 years to incur no penalty
  - 30 year term

- **EE Bonds** currently earn 0.10%
- **I Bonds** currently earn 1.38%

(adjusted every 6 months, on Nov. 1 and May 1)
- Interest rate = inflation rate + fixed rate

www.treasurydirect.gov
FINDING MONEY TO SET ASIDE

- Understand how you are spending your money now
  - WISER’s budget worksheet
  - Set aside money for emergencies
- Look for ways to set aside money for retirement
  - Even if it’s only a small amount
SAVE FOR RETIREMENT

- Participate in your plan at work
  - Save at least to the match
  - Find out if you’re covered by a pension
- No plan at work? Set up an IRA
- Set a goal and know how much you need
  - Try online retirement planning calculators
  - www.360financialliteracy.org
  - www.aarp.org/money
SAVER’S TAX CREDIT

- For moderate and lower income workers
- Tax credit for retirement savings
- Up to $1,000 for single filers, and $2,000 for joint filers
WHO CAN CLAIM THE CREDIT?

- This is a non-refundable credit. If you do not owe taxes, then you will not be eligible for this credit.
- If you are eligible, the maximum tax credit is 50% of your contribution to a retirement plan up to a maximum of a $2,000 retirement contribution (or $1,000 tax credit).
- The amount of the credit depends on your income and your IRS filing status; the lower your income, the greater the credit rate you are eligible for.
DON’T USE YOUR RETIREMENT MONEY FOR…

- Paying for children and grandchildren’s college
  - Your children can apply for grants, scholarships, loans
  - There is no scholarship for retirement!
- Paying for big expenses for your adult children
  - Weddings
  - Living with you and not having them contribute to the household
CAN’T AFFORD RETIREMENT?

Ways to Increase Cash Flow
OPTION 1: SPEND LESS TIME THERE

- Retire later
  - More time to sock away money
  - Less time to support yourself financially
  - Higher Social Security benefits (to age 70)
- Consider part-time options in retirement
  - Consulting opportunities?
**OPTION 2: DELAY CLAIMING SOCIAL SECURITY BENEFITS**

- May was born in 1953
- She currently earns $50,000/year

<table>
<thead>
<tr>
<th>May’s retirement age</th>
<th>May’s monthly Social Security benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>62 (early retirement)</td>
<td>$1,157</td>
</tr>
<tr>
<td>66 (normal retirement)</td>
<td>$1,620</td>
</tr>
<tr>
<td>70 (latest which benefits go up)</td>
<td>$2,834</td>
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</tbody>
</table>
OPTION 3: REVERSE YOUR MORTGAGE

- Borrow against home’s equity
- Financial institution pays you to stay
- Don’t pay it back as long as you’re in the home

Eligibility
- At least 62
- Own your home (or have small mortgage)
- Live in it as your primary residence
OPTION 3: REFINANCE YOUR HOME

- Typically, a borrower needs to show enough work-related income to repay the loan.

- New rule allows lenders to consider retirement-account assets to help retirees qualify when applying for a new mortgage or to refinance an existing one.
HOW TO NOT RUN OUT OF MONEY IN RETIREMENT

- Make a retirement plan – follow it and save as much as you can.
- Consider working longer or part-time work
- Downsize early – understanding trade-offs between owning/selling certain assets
- Learn as much as you can and take advantage of every retirement opportunity.
- Only use retirement money for retirement!
- Be smart about Social Security Claiming.
HOW ANNUITIES WORK

- Buy from an insurance company
- Benefit amount depends on:
  - How much money you have to purchase one
  - Age, gender
  - Income option you select
  - Interest rates at the time of purchase
  - WISER Lifetime Income Annuity Calculator
TIPS ON SHOPPING FOR ANNUITIES

Use a strong insurer
Find good rates
Annuities.com
ImmediateAnnuities.com
Check with your State Guaranty Association
LEARN MORE ABOUT ANNUITIES

These and other free publications available at www.wiserwomen.org
LONGEVITY ANNUITIES

- Deferred income annuities that begin to pay out at age 80/85.
- New regulations allow defined contribution plan participants and IRA owners to invest up to 25% of their account balances ($125,000 limit).
- Money invested in these annuity contracts will not be subject to the annual minimum distribution rules that begin at age 70 1/2.
- Seniors need to read the fine print and know what they are purchasing.
- If the annuity owner dies before receiving benefits the principal & premiums paid will go back to the retirement account and be subject to the laws governing inheritance of retirement plans.
Tax Tips for Saving Money in Retirement
**Tax Tips and Saver Incentives**

- Max out tax-deductable retirement contributions
- Use tax refund to purchase U.S. Savings Bonds
- Beware of tax scams that commonly target older adults
- Check out WISER’s 2012 Tax Update Fact Sheet
- Learn about the Federal Savers Tax Credit
FINANCIAL TO-DOS FOR THE DECADES
IN YOUR 20S AND 30S

20s

✓ Check out job benefits
✓ Get into habit of saving
✓ Start retirement saving
✓ Strive for a debt-free life

30s

✓ Keep saving, focus more on investing
✓ Keep debt in control
✓ Do an insurance checkup
In your 40s and 50s

40s

✓ Set a specific savings goal
✓ Look at how you are investing
✓ Ask for professional help
✓ Do an insurance checkup

50s

✓ Revisit your savings goal
✓ Take advantage of higher contribution limits
✓ Look at how you are investing
✓ Do an insurance checkup
In your 60s and 70s

60s

✓ Consider your retirement spending strategy
✓ Compare pension payout options
✓ Consider your health
✓ Consider options if you can’t afford to retire

70s

✓ Start withdrawals from traditional IRAs by age 70 ½
✓ Start Social Security benefits at 70 if you delayed them
GET HELP IF YOU NEED IT

- Don’t be afraid to ask for help!
- Find free tax or financial advice with VITA or Tax Counseling for the Elderly programs
- You can find information and links to other resources at: www.wiserwomen.org

National Council on Aging Resources:
- www.Benefitscheckup.org
- www.Economiccheckup.org
THANK YOU!
AND THANKS FOR ALL YOU DO TO HELP SENIORS!

www.wiserwomen.org