

# **A Day Late and A Dollar Short: A Financial Education Guide and Tools for Under-Financed Older Adults.**

**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

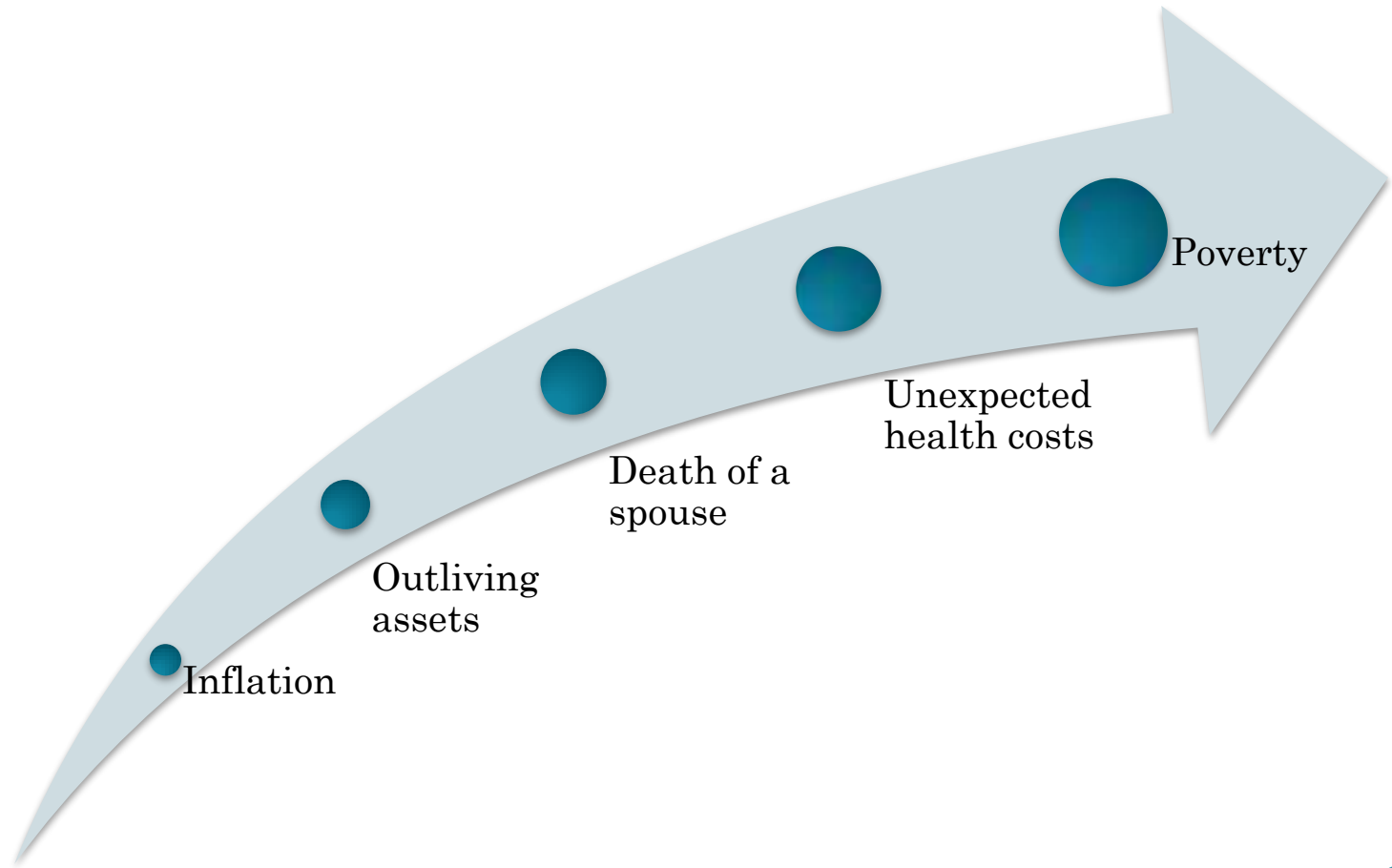
Visit the Center at [www.wiserwomen.org](http://www.wiserwomen.org)

# 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

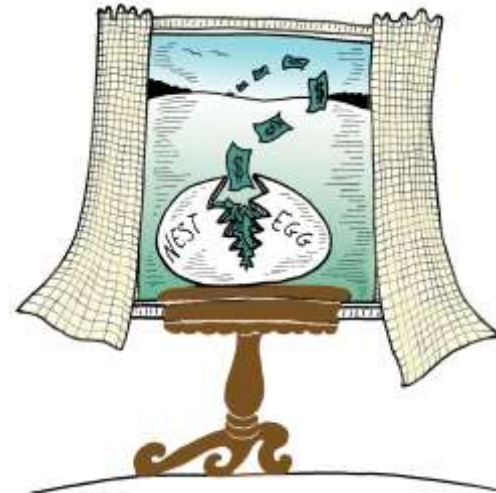


# WHY WOMEN?

- 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~~<sup>5</sup>-legged stool

- Social Security
  - Pensions
  - Savings/investments
  - Earnings from work
  - SSI (Supplemental Security Income)
- The original 3





# 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	\$30,000/year
— Social Security	\$13,000/year
— Pension	\$0
<hr/>	<hr/>
What your savings needs to produce or you can cut expenses.	\$17,000/year

# 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](http://www.dol.gov/ebsa/publications)**

AARP's Retirement Calculator:

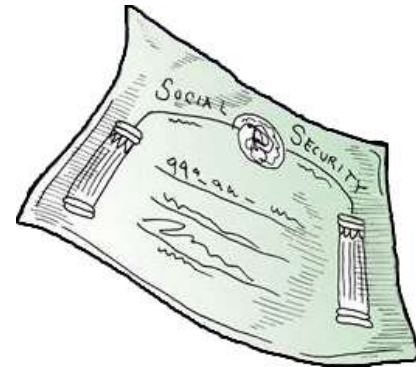
**[www.aarp.org/work/retirement-planning/retirement\\_calculator](http://www.aarp.org/work/retirement-planning/retirement_calculator)**

AARP's Social Security benefits calculator:

**[www.aarp.org/work](http://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

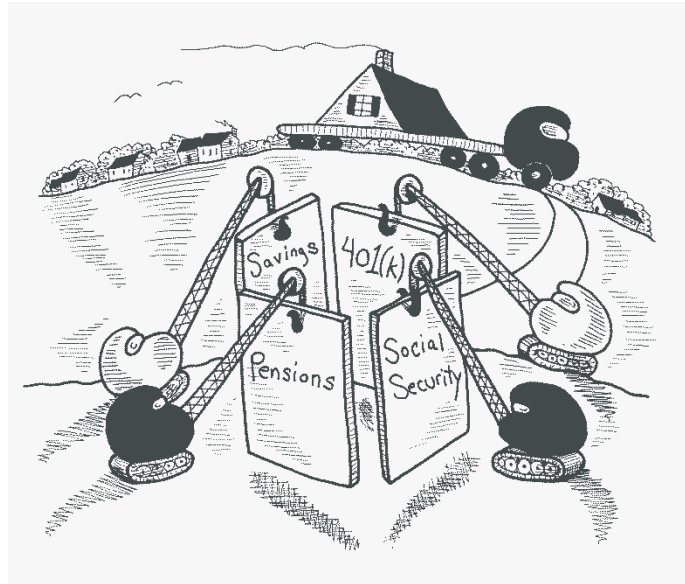
## RETIREMENT AGE OPTIONS

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

Retirement Age	Monthly benefit
62 (early retirement)	\$758
66 (normal retirement)	\$1,000
70 (latest)	\$1,320

# 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



	<b>If you are under 50</b>	<b>If you are 50 or older</b>
<b>2013</b>	<b>\$5,500</b>	<b>\$6,500</b>

# 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](http://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



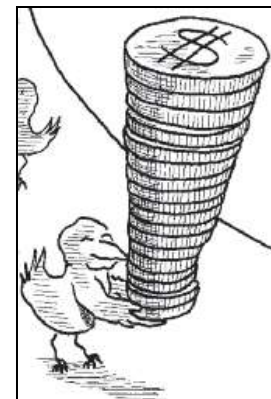
# SAVE FOR RETIREMENT

- 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](http://www.360financialliteracy.org)
  - [www.aarp.org/money](http://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.



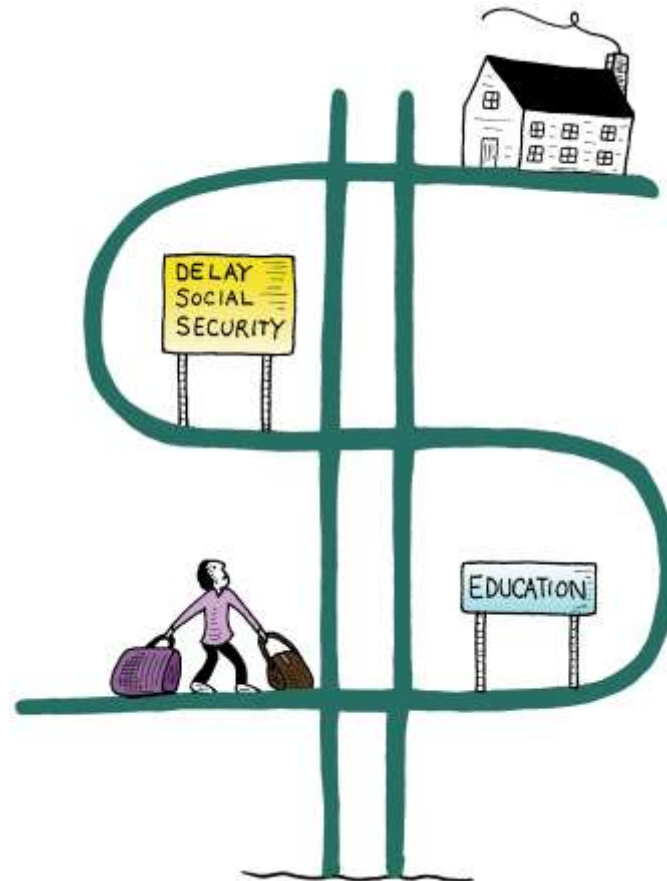
# DON'T USE YOUR RETIREMENT MONEY FOR...

- 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

May's retirement age	May's monthly Social Security benefit
62 (early retirement)	\$1,157
66 (normal retirement)	\$1,620
70 (latest which benefits go up)	\$2,834

# 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](http://Annuities.com)

[ImmediateAnnuities.com](http://ImmediateAnnuities.com)

Check with your State Guaranty  
Association

# LEARN MORE ABOUT ANNUITIES

These and other free publications available at [www.wiserwomen.org](http://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<sup>1/2</sup>.
- 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.

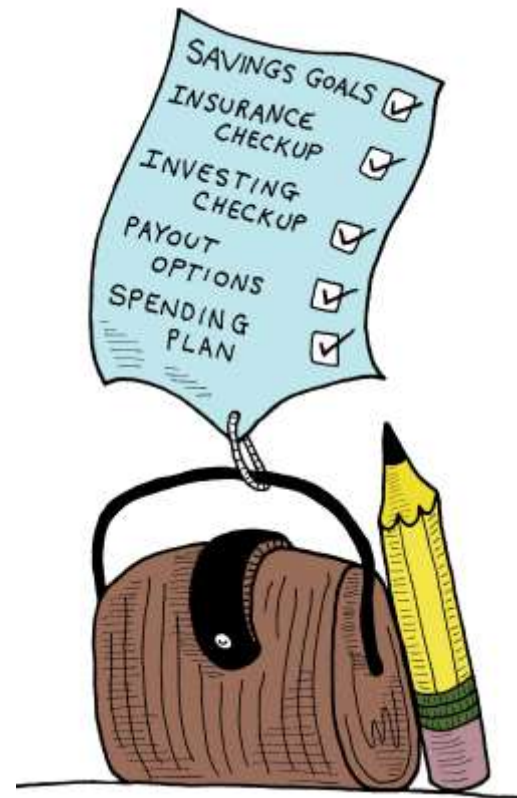
# TAX TIPS FOR SAVING MONEY IN RETIREMENT



# 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](http://www.wiserwomen.org)
  - National Council on Aging Resources:
    - [www.Benefitscheckup.org](http://www.Benefitscheckup.org)
    - [www.Economiccheckup.org](http://www.Economiccheckup.org)

THANK YOU!  
AND THANKS FOR ALL YOU DO  
TO HELP SENIORS!



[www.wiserwomen.org](http://www.wiserwomen.org)