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Dear Reader: As a nonprofit, we rely on donations and subscriptions to keep printing the WISERWoman newsletter.

If you haven't already, please consider renewing your WISERWoman subscription. A check for $15 gives you four issues.

Ask your friends, family or work associates to consider subscribing as well. Also consider giving a contribution—we would appreciate your support to help us fulfill our mission.

To subscribe, send your name, address, and a check to WISER, 1920 N Street, NW, Suite 300 Washington, DC 20036.

WISER's Mission

To improve the long-term financial security of all women through education and advocacy. As the only organization to focus exclusively on the unique financial challenges that women face, WISER supports women's opportunities to secure fair pensions and adequate retirement income though research, workshops, and partnerships.

Next Issue:

- Primer on Social Security Reform and Buying Long-Term Care Insurance

WISERWoman

A Quarterly Newsletter from the Women's Institute for a Secure Retirement

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WISER Woman

Fall 2004

A Quarterly Newsletter from the Women's Institute for a Secure Retirement

Financial Decisions for Caregivers

In over 20 million households across the country, an adult is providing full or part-time care to an older family member or friend. In millions more, a woman is home caring for children. Women are the primary caregivers in our society, and it is important for women to understand that caregiving can have serious financial consequences.

Some of the financial consequences of caregiving are obvious. Women often will decide to work part-time, stop working, decline a promotion requiring longer hours or pass up a training opportunity requiring travel. There are also more subtle consequences. Women making compromises at work often forfeit pay and benefits, miss out on opportunities for compounded returns on 401(k) matching contributions, and experience reduced savings and investments. They may even experience an inability to pay for home improvements that could increase the resale value of a residence. One study found that on average caregivers lose $659,130 over a lifetime in reduced salary and benefits!

If you are a family caregiver, take these steps to a more secure financial future.

Step 1: Create a Household Budget

If you are a family caregiver, living within a household budget is a must. A budget will enable you to live in a way that protects you from financial crisis. A budget will also help you make realistic plans for how you will deal with reduced pay and benefits if you decide to cut back on work hours or change jobs.

If you are a caregiver to parents or another adult, you may find yourself paying expenses without adding it all up or considering the long-term consequences. Small expenses add up quickly and could be preventing you from saving enough for your own retirement. See the box on page 4 and follow the steps to establish your household budget and help the adult you care for to live within a budget as well.

If there is a shortfall, think about ways to reduce spending. WISER's Special Report "5 Questions to Ask Your Mother or Grandmother" (www.wiserwomen. org) details various ways an older person might get assistance with medical costs, stretch their income with an annuity or tap into their home equity for additional income. Finally, if it's possible, ask other family members to contribute to the monthly budget of the person you provide care for. Or, ask family members to pay you for your caregiving time, as an independent contractor. Take that pay and invest it in an IRA or create a Simplified Employee Pension Plan for yourself. WISER's website has more information on creating a SEP plan.

Step 2: Plan Carefully Before Leaving a Job or Working Part-Time

You know the upsides of providing family caregiving, but it is also important to understand and plan for the financial and retirement implications. If you are in a crisis situation

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From WISER's Executive Director

In this issue, we reach out to the millions of women across America who are caring for children and elderly or disabled family members. Far too often, women spend long hours taking care of families, while also working outside the home, and they do not have time to devote to planning for their own retirement needs.

The stakes are high. A recent study from Rice University demonstrated that women who are caregivers to elderly parents are more than twice as likely to live in poverty after retirement than women who are not caregivers. Minority women and single women of all races fare much worse. We hope to empower family caregivers to take control of their own financial future before it's too late.

Cindy Hounsell

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Boomers Short on Retirement Savings

Single Women at Greatest Risk

A recent study by the Employee Benefits Research Institute (EBRI) shows that baby boomers' current retirement assets are far less than what's needed for a secure retirement. According to the EBRI data, single women are particularly at risk, at every age and income group and less secure financially than single men and married couples.

Current savings rates of boomers will not provide adequate income to reach a reasonably secure retirement. The study points to the urgent need for single women to save more throughout their lives and for married women to prepare for the substantial likelihood of widowhood or even divorce. A change in marital status means having less income: the loss of a spouse's Social Security and pension check can increase the likelihood that women will live in poverty during their retirement years. Women who never marry must put all the pieces in place on their own to finance housing, heat, groceries and medical expenses for the approximately 20 or more years of retirement. Single women also cannot count on a spouse to help with caregiving should they become disabled.

Life expectancy has slowed down for U.S. women age 65+

Life expectancy is an important issue for women. As women earn less throughout their lifetimes and generally have less in savings, they need more income for the extra for retirement. A new study by the Boston College Center for Retirement Research shows that obesity and poverty may be cutting about a year off the average life expectancy of 65-year-old U.S. women.

- In 1975, 65-year-old women enjoyed some of the longest life expectancies in the developed world — 18 years compared to 17 years in most other countries.
- But today, the average for women age 65 is 19 years while in most developed countries it has increased to more than 20 years.
- U.S. women have slipped from 2nd place to 18th in comparison to women in 30 other countries.

The researchers found that smoking and giving up work play a role in reducing life expectancy, but obesity and poverty have a much bigger effect.

They also found that:

- increasing by $3,000 the average annual income of older, low-income women would add a 7-month increase in the average life expectancy and,
- cutting the obesity rate to 4%, from the current level of 34%, would lead to a 14-month increase.

Finally, men age 65+ in the U.S. men continue to rank near the middle of the other countries with an average life expectancy of about 16 years.

"Tis The Season to Spend with Savvy"

With the holiday season just around the corner, consumers are challenged to keep out of the red

The marketing blitz is on! As soon as the Halloween decorations are off the shelves, giant snowmen and fake Santas, will herald the beginning of the holiday shopping season. In January, the holiday cheer gives way to debt, regret and worry for too many people. If you are already worried about your credit card debt, make a vow to break the consumer cycle and celebrate the holidays in a way that reflects what's really important to you.

U.S. Households spent an average of $490 on holiday gifts in 2003.

So, before you go out and "max out" your credit cards in hopes of holiday cheer, consider these strategies:

- Before you buy the first gift, sit down and make a budget for the holidays. Make a list of everyone you want to buy a gift for. Next, decide how much you will spend on each item. Also, budget for any new clothing you will buy for yourself or family members. Then, look for ways to cut back by recycling kids' holiday outfits with friends, making a deal with family members not to exchange gifts, or pooling resources to buy joint gifts.
- Once you have set a specific amount of money aside to spend on your holiday shopping, make sure to stick to your budget. Also, try bringing CASH when doing your shopping, and stop shopping when your cash runs out.
- Plan ahead! DO NOT save your shopping till the last minute when you will be more prone to paying high prices just to finish your shopping.
- Utilize the web for bargains but beware of shipping charges. Try to group purchases in as few sites as possible to limit shipping charges. Or seek out web businesses that will give free shipping for orders over a certain amount and group as many purchases from these businesses as possible. Sites such as www.overstock.com and http://www.halfpricebooks.com/index.html are examples of places to look for bargains.
- Buy I bonds for the kids (or yourself) and teach them how to save. Get the forms at the local bank or credit union and watch the interest accrue.

With a little creativity and financial planning, the holidays will not leave you in a financial hole. Redirect your energies to spending quality time with friends and family. Abandon the shopping and take yourself or your kids ice-skating or to a movie or get involved in a charity project.

Caring for Caregivers: Guarding Against Holiday Stress

The holidays can be an emotionally draining time for everyone, but for caregivers the stress can be overwhelming. That's why the folks over at Caregiving.com have whipped up *The Caregiving Holiday Survival Guide* to help minimize the strain and maximize the pleasure of being with family and friends over the holidays. Among their most helpful suggestions is to start early in re-educating your family about the illness or condition your care recipient suffers from — even though you have been providing periodic updates all year. Encourage loved ones to read up on the condition or illness so they will be better prepared when they arrive. (The Cancer Society, Alzheimer's Association and Arthritis Foundation all offer materials for family.) They also caution that frustration over the loved one's illness, may, unfortunately, be directed at you as the primary caretaker. For some suggestions on how to stand up for yourself, while also keeping the peace, see their website at www.caregivers.com and click on *The Caregiving Holiday Survival Guide*.

Did You Know?

Last year 43% of people receiving unemployment benefits ended up exhausting their benefits without finding a job. Build a 6-month emergency fund to protect yourself from financial calamity.

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think carefully about leaving a job or reducing your hours. Take the time to check into what will happen to your benefits as a result.

Leaving your job will mean losing compensation and benefits; it may also mean losing skills and contacts. If you are leaving behind a pension plan, you will lose years of service toward vesting or increased benefits that build up while you work. If you are in a traditional pension plan, you usually become vested in five years. Generally, the longer you stay the more valuable the benefit will be. In a defined contribution retirement plan, there is a similar requirement— you must stay a certain number of years to receive the benefits provided by your employer—often between three and six years.

If at all possible, try to stay at your job until you are vested in your company's pension plan. If you are thinking about cutting back on your hours, be sure to work enough hours to maintain some benefits.

If you leave your job, resist the urge to spend your 401(k) money! Now is the time to be protecting and building your savings, not depleting the accounts. **Budget for a regular contribution to an individual IRA to make up for lost pension contributions at work.**

Prior to leaving a job or reducing your hours, try to pay off all credit card and loan debts. This will put you in a better position to save some money after the job change.

Be sure to exhaust your other options before leaving a job or reducing your hours. A good place to start is Eldercare Locator, sponsored by the federal Administration on Aging, which puts individuals in touch with local services and resources. (Call 1-800-677-1116 or log onto www.eldercare.gov)

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If you do leave the workforce, try to keep your skills updated and maintain professional contacts. Returning to work will be easier if you do.

Step 3: Make a Plan to Save Enough for a Secure Retirement and Stick to It

If you are caregiving and working, be sure to participate fully in any workplace retirement plan. If you think you may leave your job or reduce your hours in the future, maximize your retirement savings in preparation for this time. Look into purchasing long-term care insurance for yourself so that when you are retired you can access a wide range of supportive services and living arrangements.

Take the time to sit down and see where you stand right now on retirement savings. Make a list of all of your sources of retirement income, and estimate what the monthly benefit will be. Include Social Security, pensions from private or government employment, and IRA and 401(k) retirement savings. The Social Security

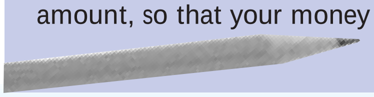
Financial Decisions *continued on page 5*

Basics of Budgeting

Start this process by keeping track of your expenses for one month. Buy a small notebook and take it with you everywhere. Keep track of everything you spend money on, even the very small expenses. At the end of the month, put your expenses into categories, like food, transportation, entertainment and clothing. Look at how you spend your money. You might be surprised, for example, that you spend so much on food when you are not eating at home. Look carefully for ways to cut expenses and free up more income for savings.

Try using WISER's online budget worksheet at: www.wiserwomen.org/budgetsheet.html

Next, add up your total net income and divide by 12 to calculate your monthly income. This is what is available to you to pay your bills. Subtract all of your regularly monthly bills and the other monthly expenses you found by keeping track of your spending. This will tell you what money you have left over for emergencies, like car repairs. Try to set some money aside for emergencies, so those situations won't completely throw off your budget. Make it a priority to start investing, even a small amount, so that your money can start to grow.



Help for Seniors Struggling with Rx Costs

The new Medicare prescription drug bill allows seniors to purchase a card to obtain discounts on their prescription drugs. Here are a few facts that people need to know:

- Low-income seniors can receive a discount card for free; and the discount card is pre-loaded with $600 to spend on drugs in 2004 and $600 in 2005;
- You are eligible for a free card with subsidies if you are single and your annual income is below $12,569*, or if you are married and your income is below $16,862*;
- The Centers for Medicare and Medicaid Services estimates that about 2.5 million Americans will not enroll—most likely because they do not know about the program.

WISER will join forces with the **Access to Benefits Coalition** a unique public-private partnership formed to reach out to, educate, and enroll low-income Medicare beneficiaries in Medicare's new prescription drug savings program, as well as other public and private programs. The Coalition is comprised of over 70 non-profit organizations and has developed useful online tools for seniors, family caregivers and non-profit organizations that serve low-income seniors.

The website, www.accesstobenefits.org, includes state-specific guides that provide an overview of federal, state and some private prescription drug benefits available to residents of each state. The website also features a one-of-a-kind enrollment center, with forms and instructions to enroll in Medicare's prescription savings program and many other programs.

If you know someone who needs help with the cost of prescription drugs, give them this information and help them access the website if they need technical help. Your involvement will help an older person know about and take advantage of important health safety-net programs.

…about 2.5 million Americans will not enroll—most likely because they do not know about the program.

* *These 2004 income limits are higher if you live in Alaska or Hawaii. In Alaska, your income must be below $15,701 if you are single or $21,074 if you are married. In Hawaii, your income must be below $14,445 if you are single or $19,386 if you are married.*

Financial Decisions

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Administration sends every adult over the age of 25 a statement with their projected Social Security benefits. Contact the plan administrator of any pension plan you have participated in to determine if you are eligible for a benefit and how much it will be. Also, calculate the value of your savings, investments and any property you may own.

The next step is to calculate the amount of income you will need in retirement. Most experts recommend planning for at least 80% of your pre-retirement income to maintain your current living standard. WISER recommends a goal of having 100% of your pre-retirement income because inflation and medical costs increase steeply over time.

…women who are caregivers are 2.5 times more likely to live in poverty after retirement than women who are not family caregivers.

Finally, calculate the gap between your estimated retirement income and your retirement income goal. The gap is the amount you will need to save between now and retirement in order to meet your overall goals. WISER's website has a new online calculator that can be used to calculate how much you will need to save each year in order to build the nest egg you need.

A recent study by Rice University found that women who are caregivers are 2.5 times more likely to live in poverty after retirement than women who are not family caregivers. Don't let this be you! Careful financial planning early on can set the stage for a secure retirement.

Did You Know?

The typical caregiver is a 46-year old female who spends an average of twenty hours or more per week providing unpaid care to someone age 50 or older