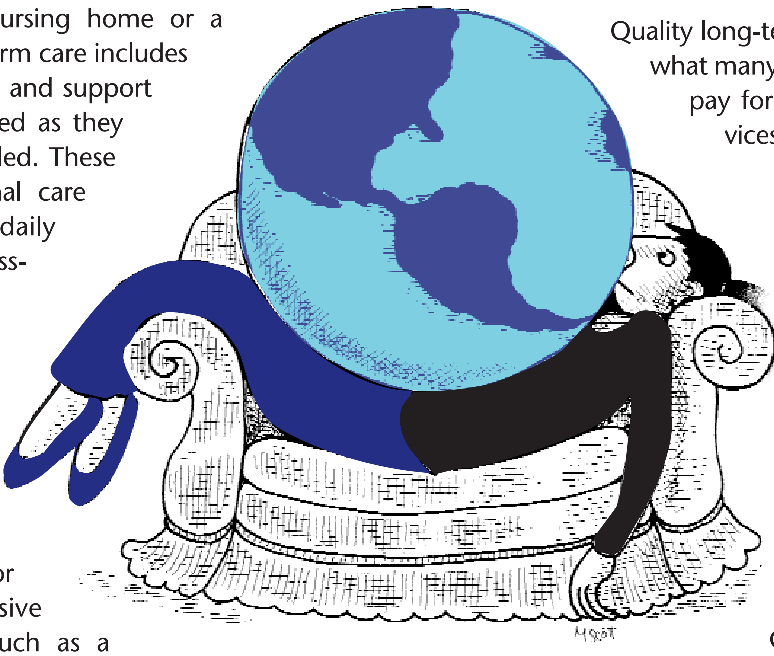
Winter 2008/2009

WISERWoman

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

Long-Term Care

What do you think of when someone uses the term "long-term care?" Do you picture a nursing home or a hospital? In fact, long-term care includes a broad range of health and support services that people need as they age or if they are disabled. These services include personal care and assistance with daily tasks such as eating, dressing and bathing. As care and support needs increase, paid care may be needed to supplement family-provided services and supports. Paid care can provide respite to family caregivers, and/or pay for more extensive services in a facility, such as a nursing home or assisted living residence, when individuals can no longer be cared for in their homes.



Long-term care impacts women both as providers and as recipients. Women are more likely than men to be caregivers for our children, spouses and aging family members. One national poll revealed that 67 percent of adult American women had provided long-term care to someone in need. Providing long-term care for others can have a significant impact on a woman's finances—it can affect her earnings, productivity, and ability to provide for herself in her later years.

> *"Too often, women use their own assets to pay for this care."*

Yet as women grow older, we are also more likely to live alone, without a spouse or other family member to provide us with the very care we have provided for others. By the time a woman reaches the age of 75, the chances that she is living with a spouse have dropped below one in three. One study estimated that over 50 percent of women who are 65 years or older will need nursing home care before they die.

Quality long-term care is costly and, contrary to what many people believe, Medicare will not pay for most of the long-term care services women need.

Medicaid, the major payer of long-term care services, is available to some very low-income women, but many women are unable to qualify for Medicaid benefits. And, while there are other federal and state-funded programs that pay for some long-term care services, these programs also target people with the greatest financial need. Consequently, most women will have to pay for some or all of their long-term care services out of their personal income and resources.

If a woman can afford it, she can purchase long-term care insurance to cover a portion of the cost of home health and nursing home care. However, as with other insurance policies, the premium costs rise with the age of the purchaser and the amount of coverage. In 2005, the average annual premium for comprehensive long-term care coverage was $1,973. This premium covered 5.5 years of benefits at $143 per day. (Most policies included some inflation protection.) For ages 55-64, the annual premium was $1,877; for 65-69 it was $2,003; for 70-74 it was $2,341 and for 75 and older it was $2,604 (National Clearinghouse for Long-Term Care Information, 2008).

> *67 percent of adult American women have provided long-term care to someone in need*

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Inside

From WISER's President

Dear readers,

In the current economy, when many are struggling with day-to-day finances, planning for a future that is years—sometimes decades—down the road can feel overwhelming. However, for women—who are more likely than men to live alone in old age—it is crucial to begin asking the tough questions about long-term care for yourself and perhaps other family members: Who will provide care? How will I pay for it? Should I buy long-term care insurance? The answers will vary for each individual. This issue of *WISER-Woman* highlights long-term care, examines its costs and explores long-term care insurance. The new Congress is likely to introduce bills that will highlight these issues for the American people. It's important to take the first step and learn how the system works.

Cindy Hounsell

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National Education & Resource Center on Women & Retirement Planning

Compassionate Allowances for Social Security Disability —

The Social Security Administration has launched an expedited disability claims process for applicants whose medical conditions are so severe they clearly meet the Social Security requirements. Commissioner Michael Astrue announced that "Getting benefits quickly to people with the most severe medical conditions is both the right and the compassionate thing to do."

Compassionate allowances will apply to a total of 50 conditions—25 rare diseases and 25 cancers. Until now, many people with rare diseases have experienced long delays in the application process because those making the decisions were not familiar with the diseases. These delays cause a hardship for both people with severe disabilities and their families. Commissioner Astrue noted, "This initiative will allow us to make decisions on these cases in a matter of days, rather than months or years."

> ***"Getting benefits quickly to people with the most severe medical conditions is both the right and the compassionate thing to do."***
>
> ~Social Security Commissioner Michael Astrue

For more information about which rare diseases and cancers apply, go to: **www.ssa.gov**.

2009 Poverty Levels Affect Eligibility for Government Programs

The Federal Poverty Guidelines for 2009 for the Aged and Disabled is $902.50 monthly or $10,830 per year for individuals, and $1214.17 monthly or $14,570 per year for a couple. This poverty level affects financial eligibility for many public benefits. States may use this amount immediately or wait until July 1, 2009.

People who have Medicaid coverage:

Medicaid allows a level of income and assets to be kept by the spouse of a nursing home resident whose care is paid for by Medicaid. The minimum amount of income protected is 150 percent of the federal poverty level for two people—that is, $1,821.25 per month. You may need to check with your state Medicaid or Human Services office to find out which amount your state has chosen to use through June 2009.

Social Security Updates for 2009

Social Security benefits changed by 5.8% in 2009, based on changes in the Consumer Price Index. The increase is the largest since 1982. Other changes that take effect each year are based on the increase in average wages. The maximum amount of a worker's earnings subject to the Social Security tax is $106,800 in 2009. Of the estimated 164 million workers who will pay Social Security taxes in 2009, about 11 million will pay higher taxes as a result of this increase.

You can work and receive Social Security benefits before you have reached full retirement age, however, those earnings may reduce your benefit if you earn above the exempt amount. In 2009, if you are *under* full retirement age, $1 for every $2 earned over the exempt amount of $14,160 is withheld from your benefits. *In the year of* your full retirement age, $1 for every $3 earned over $37,680 is withheld – but only in the months before your birthday.

Stimulus Package Signed—What it Could Mean for You

The stimulus package, officially called the *American Recovery and Reinvestment Act of 2009,* was signed by President Obama on February 17. It has numerous provisions designed to get the economy back on track. Some of them may apply directly to you.

The Economic Recovery Payment

A person who is already receiving Social Security retirement benefits, Social Security disability benefits, or Supplemental Security Income (SSI) is likely to qualify. So, if you fall into the groups listed below you will receive a check.

If you are receiving **Social Security benefits as a retiree**, there is a one-time payment of $250.

If you are receiving **Social Security benefits as a person with a disability**, there is a one-time payment of $250.

If you are receiving **benefits from Supplemental Security Income (SSI)**, there is a one-time payment of $250.

You may receive only one $250 payment regardless of how many types of benefits you receive.

No action is required on your part to receive this check. According Social Security, payments will be sent from the Treasury Department in May.

For more information, go to the Social Security website at: **http://www.socialsecurity.gov/payment/**, or the IRS at **www.irs.gov/newsroom**.

The Make Work Pay Provisions Tax Credits

Two important parts of the *Make Work Pay* provisions of the stimulus package are the provision of tax credits. For working Americans, the credit will total $400 for singles and $800 for married couples, but will be given in weekly reductions to their withholding tax. However, don't look for those reductions right now. The IRS has to update its withholding tables. This credit should begin in June and amount to about $13 more per week through 2009 and $8 more a week in 2010 until the amount of the credit is complete.

The amount of the credit will phase out for single taxpayers with adjusted gross incomes (AGI) of $75,000 to $90,000 and married couples with $150,000 to $190,000 AGI.

COBRA Assistance is Offered

Beginning March 1, 2009, the government will subsidize 65% of the cost of COBRA premiums for eligible workers and their dependents who were/are involuntarily terminated between September 1, 2008 and December 31, 2009 for up to nine months. The subsidy is available as long as the person's adjusted gross income is $125,000 or less ($250,000 or less for joint filers). It is phased out as adjusted gross income increases from $125,000 to $145,000 ($250,000 to $290,000 for joint filers), so that there is no subsidy at all above those levels.

For those who did not initially elect COBRA coverage, the legislation also provides an additional 60 day election period.

Increase in Retirement Plan Contribution Limits for 2009

This year, you will have the opportunity to save more for retirement in your tax-sheltered account than you did in 2008. You and your employer may contribute more to your qualified retirement plan because an increase in the cost of living index triggered an "adjustment" in the limits. (For exact amounts see the chart below.)

	New Plan Limits for 2009	Last year 2008
457(b) Deferral [457(e)(15)]	$16,500	$15,500
401(k) & 403(b) Elective Deferral [402(g)(1)]	$16,500	$15,500
Age 50+ Catch-up Contributions for Individual Retirement Accounts	$5,500	$5,000

Did You Know?

22,000 uninsured Americans die each year as a direct result of lack of access to medical care, according to the Urban Institute.

Two Breaks in the Tax Code for First-Time Home-Buyers: One Old, One New

There is a new first-time home-buyer credit in the stimulus package and a first time home-buyer credit in last year's Recovery Act. Does one replace the other? Do you qualify for one of these breaks? **It all depends on when you bought/buy your home.**

The New One

The Recovery and Investment Act Home-buyer Credit of 2009 can be used for **first-home purchases from January 1, 2009, until December 1, 2009.** (Yes, it's December first—that's what the law says.) This credit is new—it does not replace the credit from last year's legislation. If you bought your home on or after April 8, 2008 and by December 31, 2008, you do not qualify for this new credit.

- The credit is 10% of the home purchase price up to $8,000.
- **Note:** To receive the full $8,000 credit, you would have to buy a house that cost at least $80,000.
- It is a dollar for dollar reduction of the amount of tax you owe. In other words, unlike the old one, there is no requirement to repay the credit.
- First-time home-buyers with modified gross annual income of $75,000 get the full tax credit.
- The credit is gradually reduced for those with incomes between $75,000 to $95,000, and…
- …for those with incomes higher than $95,000 in modified gross annual income, there is no credit.
- For married taxpayers, the home-buyer tax credit is gradually reduced to zero for modified gross annual income between $150,000 and $170,000.
- **Note:** If you file your taxes as single, you may receive the full credit. If you file your taxes as married and filing separately, you may only receive half the $8,000 credit or $4,000.
- **Note:** If the house is sold within three years, you may not keep the credit.

The Old One

The Housing and Economic Recovery Act of 2008 provides a tax credit of up to $7,500 for first-time home-buyers. Taxpayers could/can take advantage of this credit if they **purchase(d) a home between April 9, 2008 and July 1, 2009.**

- This credit is, in essence, a no-interest loan designed to reduce the buyer's tax liability so as to free up cash to buy a home.
- You are required to repay the loan over a 15 year period in equal installments or when the home is sold.
- The loan repayments begin the second year after the home purchase—if you used the credit in 2008, you would start repayments in 2010.
- **Note:** If you file your taxes as single, you may receive the full credit. If you file your taxes as married filing separately, you may only receive half the $7,500 credit or $3,500.

For more information about the two first-time home-buyer tax credits, go to the IRS website, **www.irs.gov**, and click on "Newsroom."

Government Gives Retirement Funds Room To Recover

A new law may make it easier for some Americans to allow their retirement funds to recoup losses. That's because mandatory withdrawals from certain retirement accounts have been waived for tax year 2009.

Usually, anyone age $70\frac{1}{2}$ or older is required to withdraw funds from their retirement plans each year, even if the money isn't needed. These plans include 401(k)s, 403(b)s, some 457(b)s as well as IRAs and IRA-based plans such as Simple IRAs and SEPs.

However, *The Worker, Retiree and Employer Recovery Act of 2008* waives the requirement to withdraw funds in 2009. To learn more, visit www.irs.gov/pub/irs-drop/n-09-09.pdf.

LEGISLATIVE UPDATE: Improving Long-Term Care

Senator Ted Kennedy and the Community Living Assistance Services and Support (CLASS) Act

Battling brain cancer, Senator Ted Kennedy has returned to the Senate to continue working on one of his top career priorities—health care. Health care advocates are watching for a push for enactment of the *Community Living Assistance Service and Support Act*, introduced in the Senate by Senators Kennedy and Harkin in 2006 and by Congressmen Pallone and Dingell in the House of Representatives.

46 million Americans do not have health insurance. Another 25 million are under-insured.

The CLASS Act creates a national, voluntary insurance pool to insure workers for long-term care services. Currently, adults who develop functional or cognitive impairments must rely on Medicaid to pay for many services, and Medicaid requires recipients to "spend down" their assets, become poor and remain unemployed before coverage kicks in. This federal insurance program would provide benefits between $1500 and $3000 per month, depending upon the level of impairment. Funds can be used for services that allow individuals with disabilities to remain independent and employed, such as housing modification and transportation. Receiving benefits would not affect Social Security Disability Insurance, Medicare, SSI or Medicaid benefits. The premium for workers would be $30 per month, and workers would be eligible for benefits after paying the premium for five years. Workers would be allowed to opt out of the program.

Mental Health Parity

Congress has adopted the *Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act*. The bill goes into effect next year, January 1, 2010 and requires health insurance plans to provide mental health and substance abuse benefits comparable to coverage for other medical conditions. The Senate bill was sponsored by Senators Ted Kennedy and Pete Domenici and the House bill was sponsored by Representatives Patrick Kennedy and Jim Ramstad. Mental health advocates applauded the end to the discriminatory practice of creating stricter limits on mental health and addiction benefits. It is estimated that about 67% of adults and 80% of children needing mental health services do not get them due to costs.

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Long-Term Care

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Average costs for nursing home care in the U.S. 2008

- $187/day for a semi-private room in a nursing home
- $209/day for a private room in a nursing home
- $3,008/month for care in an Assisted Living Facility (for a one-bedroom unit)
- $29/hour for a Home Health Aide
- $18/hour for Homemaker services
- $59/day for care in an Adult Day Health Care Center

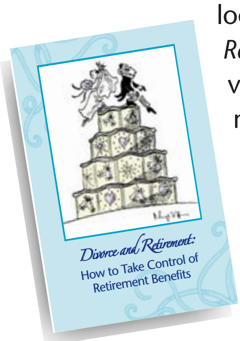
For more information, visit the National Clearinghouse for Long-Term Care Information at www.longtermcare.gov and click on "Paying for LTC."

Did You Know?

A recent survey by Census showed that 70% of Americans believe that the average annual cost of nursing home care is about $30,000 — that's less than half of the actual cost of $70,000.

Divorce and Retirement: How to Take Control During a Split

Divorce and Retirement: How to Take Control of Retirement Benefits is a short, commonsense guide on splitting financial assets during divorce. Because pension and retirement benefits are not automatically split in a divorce, they can be overlooked, and women especially can end up losing big. *Divorce and Retirement* emphasizes the importance of these benefits and offers valuable information on marital property, negotiating an agreement, and getting a qualified domestic relations order (QDRO).



Written by attorney Anne Moss and WISER staff, it urges readers to get as much information as possible ahead of time. "It's nearly impossible to go back to court and ask about a share of your ex-husband's benefit that you learn about after the fact," according to Moss.

One major pitfall is relying too much on your family lawyer. The booklet warns against assuming an attorney knows how to properly split retirement benefits, and offers a list of questions to ask.

"Our goal is to arm women against their biggest enemy, and it's not the husband—it's a lack of information," says WISER President Cindy Hounsell.

Divorce and Retirement is available for free online at **www.wiserwomen.org**, or in hard copy for $4. Contact us for more information.

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 through research, workshops, and partnerships.

Next Issue:

- **The Future of Social Security and Medicare—and what it could mean for you.**

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