WISERWoman

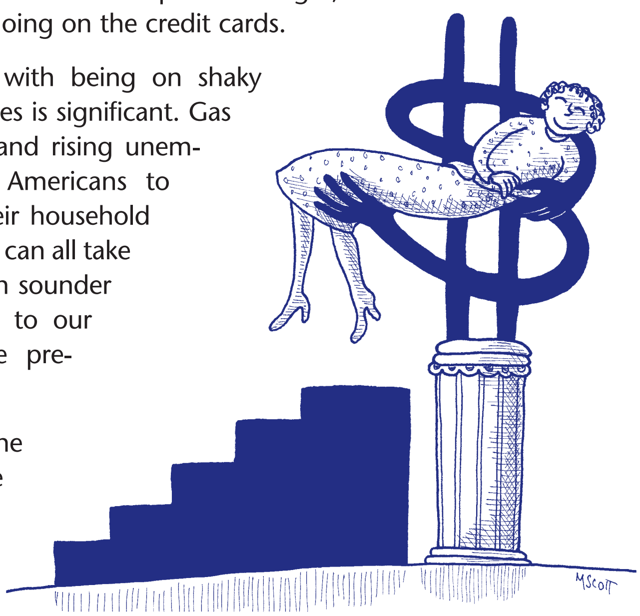
Spring 2008

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

Less Stress in a Stressed Economy

Imagine this: Enough money to pay all of your bills each month, a savings account to get you through a rough time, and money set aside for your retirement. Sound impossible? You're not alone.

Right now, experts agree that too many families are on the edge financially—living paycheck to paycheck, without any savings. Even worse, the family paycheck often doesn't cover the monthly bills, so routine expenses like gas, food and medicine are going on the credit cards.



The stress that comes with being on shaky ground with your finances is significant. Gas prices, a credit crunch and rising unemployment are causing Americans to take a closer look at their household finances. Fortunately, we can all take steps to put ourselves on sounder footing. It is important to our well-being that we are prepared for tough times.

Getting started is often the hardest part. If you are worried about your financial future, don't ignore the warning signs any longer. Begin to take steps to move in the right direction.

Getting a Grip

If you sense that you are already in trouble, get professional help. For one-on-one credit counseling, contact the National Foundation for Consumer Credit at 800-388-2227 or www.nfcc.org. This non-profit group will help you work out a plan to get your finances in order.

Start organizing your finances. Begin by asking yourself how you will pay your bills if you, your spouse or partner loses a job. This is an intimidating question, but facing it and making a plan is one key to financial security. Unexpected things happen to all of us at some time. Losing a job, an illness and similar problems can be better managed if you have a solid back-up plan.

Resolve to save at least three to six months of living expenses for emergencies. Sign up for a monthly, automatic deposit into your savings account. If you have little in savings right now, aim for putting up to 10 percent of your salary away every month for emergencies—or start with less if you can't manage that much. Don't touch your emergency fund except for true emergencies.

Review your household budget, or create one if you don't have one, and then stick to it. If you go to the store for lunch meat, don't buy anything else. American families spend about 1 percent each year more than their household income and have more debt than ever before.

If your monthly expenses exceed your income, you need to make immediate changes in your spending habits. Reduce expenses so that you are spending less than you bring in each month. Take a close look at your spending habits for a month and find areas to economize. WISER's website has suggestions for reducing expenses and saving more money. If it makes sense to carpool with a few of your co-workers, take the initiative and organize one. Simple steps are often enough to put your budget on track. Studies show that families that live with a budget save more and are on sounder financial footing.

Make a plan to pay off your debts, particularly high interest credit cards. Using credit can quickly become a vicious cycle as interest payments eat up a bigger and bigger share of the household budget, and families charge living expenses to fill the gap. The average family has about $10,000 in debt, not

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Inside

From WISER's President

Dear Friends,

From the gas pump to the grocery store, prices are up. Pundits and politicians have taken note, but the consequences of the present economic downturn affect the day-to-day lives of millions of average American families, many of whom have made some painful adjustments to their budgets.

In our last issue, we discussed how to prepare for the unexpected by organizing your health care and financial paperwork. Now that your paperwork is in order, it's time to take a serious look at your overall financial situation.

Before you pull out that credit card to pay for groceries, resolve to take back full control of your financial life. Don't let the stressed economy stress you out. Instead, get professional advice if you need it, and take any small steps to get back on track.

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National Education & Resource Center on Women & Retirement Planning

Check It Out! New Resource for Families and Caregivers

Family Care Navigator is a new online research tool that provides caregivers with a state-by-state guide to the government, non-profit and private resources and programs they need. The service is free and sponsored by the Family Caregiver Alliance. Navigating the long-term care system can be overwhelming for family caregivers. The *Family Care Navigator* simplifies the effort to find services for disabled adults and caregivers by organizing information on benefit programs, legal resources and disease-specific information into one easily accessible online database. For more information, go to **www.caregiver.org** and click on *Family Care Navigator*.

Planning for Future Care: Think about It. Talk about It. Do It.

Now, before you need care, is the perfect time to give future care some thought. Too busy? Here are some quick, easy steps you can take to get started.

Ideas and Steps You Can Take Now

Contact the National Family Caregivers Association for general information about caregiving and on how to talk with family or friends about long-term care. Call 1-800-896-3650 or go to **www.thefamilycaregiver.org**.

Find out about the services and programs provided by your community and what they cost. The skilled staff at **your Area Agency on Aging can help**. A professional long-term care consultant (generally a nurse or social worker) will meet with you and your family for a free in-home evaluation of your current situation and to suggest options for the future. This person will explain the services that are available, discuss eligibility requirements and financial resources, and help determine your particular needs and preferences.

Call the ElderCare Locator at 1-800-677-1116 and ask to be connected to the Area Agency on Aging serving your community. Ask for a free long-term care consultation.

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6 Ways to Succeed with Money

1. Don't Wait! Pay Yourself First: You know this, but it doesn't hurt to hear it again. Close your eyes, hold your nose and try to put 10 percent of your gross income into a forced savings plan. If your employer offers a 401(k) plan, take advantage. Invest in an IRA. Once you start, you won't miss it.

2. Short-Term Investments: Are you saving up to buy a house in a year or two? Then don't put your money into long-term investments such as stocks or bonds—their value will most likely fluctuate over the short-term.

Know the Difference Between Short-Term and Long-Term Investing

Instead, consider when you will need the cash. Try investing in money market mutual funds, bank savings accounts, or bank CDs. The chance of earning big returns is not as high, but your risk of losing some or all of your principle is significantly lower. You can select short-term investments where your return on principle is a guaranteed 100 percent. This means that when you're ready to buy your house, your money will be there.

The same idea applies to debt. Your credit cards are not intended to be used for long-term purchases. Credit cards have a very high rate of interest. If you don't have the cash to pay for your purchase of something big — for example a washer and dryer — plan ahead and take out a personal loan at a rate that is lower than what your credit card would charge you. Try not to use your credit card when you know you will not be able to pay the entire balance when you receive the monthly statement.

3. Long-Term—Investing for Your Future: Saving for your children's education or your retirement? These are longer term investments. Do some research. Consider index funds. These provide cost savings and risk diversification.

4. Understand Asset Allocation: You can lessen your risk if you divide your resources among different categories such as stocks, bonds, mutual funds, real estate, insured bank deposits, and life insurance. The idea is that each asset group has a different correlation to the others; so, when stocks rise, bonds often fall, or when stocks fall, the real estate market may begin generating above average returns. The amount that you allocate to the various classes depends on your financial goals and timeline. You will want to readjust your allocations periodically, as your life circumstances change, or invest in a "target retirement fund" that does this automatically.

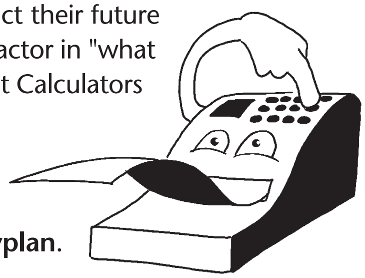
5. Recognize Depreciating Assets: When you take a brand new car, or HD-TV or any other asset off the lot or out of the store, its value depreciates—immediately. Instead of buying new, look for a good used vehicle that will be more affordable.

6. Don't Spend Your Retirement Money Before You Retire!

—Thanks to WISER friend and long-term financial expert Dennis McDermott

Figured Out How Much Money You Will Have? Let Retirement Calculators Do the Math

- The Social Security Administration (SSA) currently has four online Benefit Calculators—Quick, Online, Windfall Elimination, and Detailed—available to help individuals understand and predict their future Social Security benefits. A new calculator, the Retirement Estimator, will allow users to factor in "what if" scenarios regarding future earnings and various retirement dates. Access SSA's Benefit Calculators by going to **http://www.ssa.gov/planners/calculators.htm**.



- Fidelity Investments offers a free calculator called myPlan Snapshot, which predicts future retirement income following a few questions regarding current savings and investments. The tool is quick and easy to use. Access it online at **www.fidelity.com/myplan**.
- T. Rowe Price's Retirement Income Calculator is a useful tool in predicting how much — and how fast — you will be able to draw down on your retirement savings once you actually retire. Using what is known as the "Monte Carlo Simulation" method, T. Rowe provides a more realistic assessment by accounting for 500 various, fluctuating market returns, instead of one average rate of return over a period of time. Access this calculator online at **http://www3.troweprice.com/ric/RIC/**.

Less Stress

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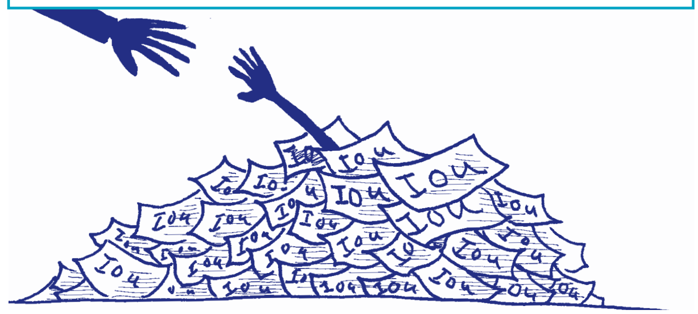
including their mortgage! If you pay only the monthly minimum, you will not pay off your debt for decades.

Using credit can quickly become a vicious cycle as interest payments eat up a bigger and bigger share of the household budget. Contact the National Foundation for Consumer Credit at 800-388-2227 or www.nfcc.org.

If some of your debts are too large to pay off in the short-term, consider trying to reduce your interest rate. Refinance a car loan, or ask a credit card lender to reduce your interest rate. Postpone purchases until your debt is paid down. Don't be late on credit card payments. Many lenders raise interest rates sharply when payments are late or missed.

WISER's website has tools for creating a household budget, managing credit, saving and investing. Use these tools to face facts—your financial facts—and take control of your financial future. **www.wiserwomen.org**



Past and present! Keeping track of old pensions and 401(k)s

Shortly before retiring at age 71, Carmen D., of Maryland, realized she still had some important work left to do. So, instead of planning a retirement party, Carmen spent her last few months in the workforce searching for retirement money she had earned from pensions and 401(k)s at previous jobs. "I worked for several employers — the federal government, a couple of nonprofits," Carmen says. "When I got ready to retire it was very hard for me to track down what I had with whom."

"Women need to be their own advocates and reach out and find the correct information"

Carmen D.

Complicating matters further, one company had changed its name since Carmen left. "Women need to be their own advocates and reach out and find the correct information," Carmen says. She suggests staying in touch with past employers and knowing who the pension plan administrators are from year to year, "so you know where to go for answers. It can get pretty complicated."

Do you know where your retirement plans are? The Pension Action Center has a publication that may help you in your search. Go to **www.pensionaction.org** and click on Publications, *Finding a Lost Pension*.

Another valuable resource is the Pension Benefit Guaranty Corporation (PBGC). For over a decade, its Pension Search Directory has helped individuals locate their lost pensions. The online service is free and available 24 hours a day. Go to **www.pbgc.gov** and click on Pension Search Directory. PBGC does not recommend that individuals pay for a firm's help when free services exist, such as their own. In 2007, PBGC reported $133 million in unclaimed pension benefits.

Did You Know?

In 2006, the average amount owed each month by an American household was 19 percent of its monthly income—a record high.

LEGISLATIVE UPDATE

Bills Introduced to Protect Senior Investors and Caregivers

Senior Investor Protection Act

Senator Herb Kohl (D-WI), Chairman of the Senate Aging Committee, introduced S. 2794 with Senator David Vitter (R-LA). The legislation would protect senior citizens from being duped by poorly qualified financial advisors who use misleading titles, designations, and certifications as marketing tools to lure senior citizens as clients. These advisors have sold products to seniors that are inappropriate for their age and lifespan, often robbing them of their savings. If enacted by Congress, S. 2794 will provide grant funds to states to encourage regulators to adopt standards for accreditation of senior financial advisors and to assist states in prosecuting the use of misleading information that potentially harms seniors.

Family Fairness Act

Representative Tammy Baldwin (D-WI) introduced H.R. 6029 in Congress to expand the protections of the Family and Medical Leave Act (FMLA) to include part-time workers. This legislation would eliminate hours of service requirements and extend benefits to those employed for at least 12 months by their employers. Currently, the FMLA provides guaranteed unpaid leave protections to full-time workers to care for newborn or sick children, sick elderly parents, or for their own temporary disability. However, the Act does not cover employees who work fewer than 1250 hours per year. In 2007, 25 million Americans worked part-time, and this legislation, if enacted, would protect these families from job loss when family leave is needed.

Planning for Future Care

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Think about whether a certified private care manager could help. For more information, go to: **www.caremanager.org**.

Contact your faith community to find out if they provide assistance with long-term care needs such as transportation or in-home care.

Think about the people you can count on for help. How do you feel about relying on your family and friends for care if you become ill or disabled?

Talk with family and friends. The people who are important to you may be able to provide care and/or supplement paid assistants, but it is important to talk with them, hear their feelings, and share yours. What are your concerns and preferences should you need help with everyday activities? Be sure to include your thoughts about where you would want to live.

Think about whether you would want to share your home with someone else or whether you should move in with family or friends.

Useful Information

Planning Your Own Future is a guide for long-term care that includes practical advice, steps you can take, and resources where you can go to get more information on long-term care topics such as: your finances, long-term care insurance, and legal concerns. Go to **www.longtermcare.gov**.

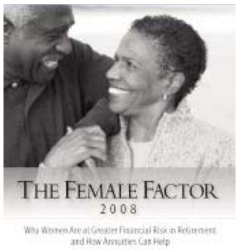
The website also includes a map of the U.S. that allows you to click on a state to determine average long-term care costs where you live, as well as a savings calculator to show how much you might need to begin saving today to have enough to pay for your own long-term care needs in the future.

The National Clearinghouse for Long-Term Care Information website is sponsored by the U.S. Department of Health and Human Services. **www.longtermcare.gov**

Where's WISER?

WISER on PBS

WISER was recently a part of *Retirement Revolution*, a series exploring the challenges facing millions of Baby Boomers heading into retirement. The two-part documentary provides information to alleviate anxieties, inspire confidence, and create change — such as how late starters can save enough to supplement Social Security income. *Part Two: On Our Own* places the stories of real people in the context of experts' perspectives, including WISER's President Cindy Hounsell, and offers practical considerations that can help ensure a secure retirement on one's own terms. To order the DVD, or to view the program online, go to **www.wttw.com/retirementrevolution**.



The Female Factor 2008

Americans for a Secure Retirement recently released a report from WISER, "The Female Factor 2008: Why Women Are at Greater Financial Risk in Retirement and How Annuities Can Help." The report found that, due to factors such as fewer years in the workforce, lower incomes and longer life spans, women can anticipate nearly half the retirement income of men. At the report's release in May, Hounsell joined Representatives Stephanie Tubbs-Jones (D-OH) and Shelly Moore Capito (R-WV) in calling for public action to mitigate the real risk of poverty that American women face in retirement. To download a free copy of the report, go to **www.wiserwomen.org**.

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:

- **When should you retire? And, Health Care costs in retirement.**

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