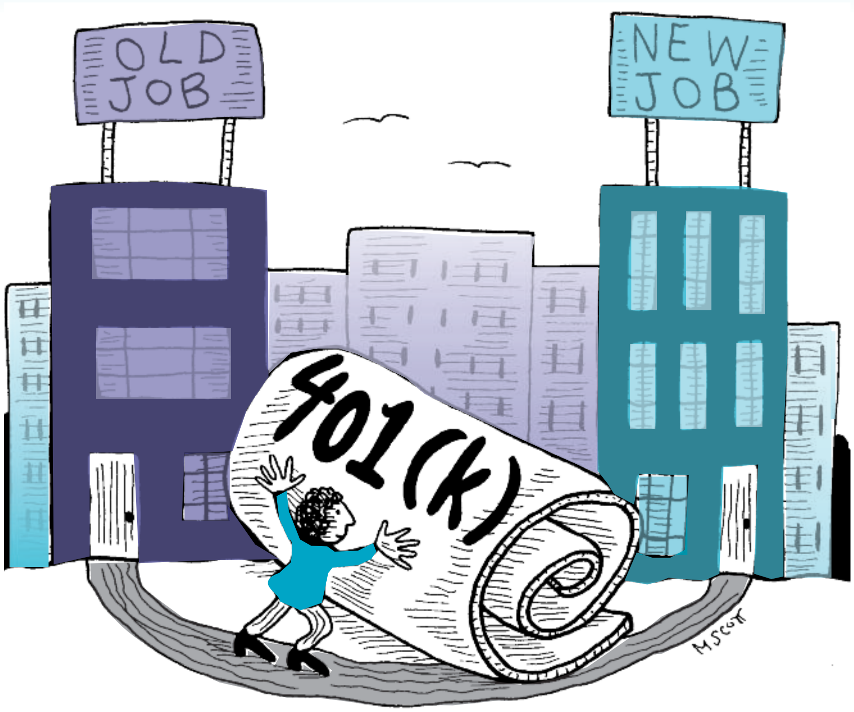
Summer 2014

WISERWoman

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

Where's Your Retirement Savings Nest Egg? Rolled Over? Cashed Out? Consider the Benefits of Keeping 401(k) Accounts Together!

American workers are an extremely mobile workforce. A report from the Employee Benefits Research Institute (EBRI) shows that the average worker with a fulltime forty year career will change jobs ten times. The effect that changing jobs has on the current retirement system is significant. Important retirement issues result when individuals make a voluntary job change, lose a job, or retire. Research about the retirement saving crisis points to the decisions that are made during a job change as one of the key factors that undermine an individual's retirement security.



About 70 million workers now participate in Defined Contribution savings plans (DCs) – the most popular type is the 401(k) plan. The data shows that two out of three account holders have **more** than one 401(k) account.

Each year millions of DC account holders face the decision of what to do with the money they have saved in their DC plans.

The choices they can make are:

- Roll the money into their new employer's plan;
- Roll the money into an IRA;
- Keep the money in the plan of the old employer;
- Do nothing – which means the employer will likely cash you out and send you a check.
- Or simply make the decision to cash out.

Nearly 45% of workers cash out their accounts and those cash outs are disproportionately from lower balance accounts and lower wage earners.

Other problems appear when workers change jobs. For example, there is an increasing number of "stranded" and orphaned" accounts that are lost after a job change. But the most serious issue is known among the experts as **The Cash Out Crisis**.

The Wrong Decision or Cashing Out Can Be Costly

Although the benefit of taking your money and rolling it over into a new employer's plan would seem to be the most obvious choice, few of the millions of job changers with 401(k) plans choose this option. According to the Government Accounting Office, most account holders find this rollover process to be overwhelmingly confusing, complex and intimidating. This is especially the case for the low-balance account holders whose lower savings make them less attractive IRA prospects for financial services firms that provide IRA account rollover services.

Each year, $74 billion is cashed out during job changes, representing a significant population of retirement "drop outs." This suggests that more than 50 percent of the participants who need to move their retirement accounts

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From WISER's President

Dear Readers,

There are many ways to undermine your retirement security and many times it is because people do not have the information they need to make the best decisions.

While the popular myth is that you should always "rollover" your retirement money into an IRA (individual retirement account), that is not always the case. Taking your money with you to your next job helps to ease management of your retirement accounts, and it's also likely to reduce fees.

So try to stay on top of your benefits and savings accounts: Know where your funds are located, save your W2 statements and know the names of the financial firms that service your accounts.

Cindy Hounsell

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WOMENS INSTITUTE FOR A SECURE RETIREMENT

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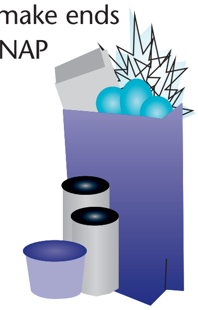
National Resource Center on Women & Retirement Planning

Information from the WISER/Administration on Aging's National Resource Center on Women & Retirement Planning

Know Anyone Who Can Benefit from SNAP?

The Supplemental Nutrition Assistance Program (SNAP) provides older adults with funds that help them put food on the table and make ends meet. But there are 4 million seniors (age 60 +) eligible for SNAP who have not applied for benefits.



SNAP FACTS:

- Average monthly benefit for a senior living alone: $119
- More than 250,000 grocery stores and farmers markets accept SNAP to pay for food

Each state runs its own program. Go to **www.benefitscheckup.org** and use the "SNAP Map" to locate the office in your state and learn about its application process, or call 1-800-221-5689.

Treasury Issues New Regulations for "Longevity Annuities"

Recognizing the increasing longevity and growth of people in the oldest-old age group—age 90 and older—the Department of Treasury recently announced final rules concerning "longevity annuities;" a deferred income annuity that begins pay outs at an advanced age—80 or 85—and continues throughout an individual's life.

The key provisions of the new regulations are:

- Defined contribution plan participants and IRA owners are now allowed to invest up to 25% of their account balances, or up to $125,000, in qualifying longevity annuity contracts (QLACs).
- The money invested in the annuity contracts will not be subject to the annual minimum distribution requirements that begin at age 70½.
- If the owner of the annuity dies before beginning to receive benefits from the annuities, the principal and premiums paid on the contract will be returned to the retirement account, where the money is subject to the same laws governing the inheritance of retirement accounts.

WISER welcomes the new rules. Annuities help to provide income for life—but seniors need to read the fine print and know what they are purchasing.

U.S. Department of Justice Launches the Elder Justice Website

The new website (**www.justice.gov/elderjustice**) provides resources for victims, family members, prosecutors, researchers, and anyone who works with older adults.

- Victims and family members will find information about how to report elder abuse and financial exploitation in all 50 states and the territories.
- Professionals will find resources available to help prevent elder abuse and assist those who have already been abused, neglected or exploited.

Social Security Administration News to Pass Along…

Social Security Statements are back! Statements Mailed on Five Year Cycles.

You've got mail! That is if you are turning any of these ages: 25, 30, 35, 40, 45, 50, 55, and 60+ in 2015. The Social Security Administration has started up mailings using a five-year cycle. Statements are mailed about three months before a worker's birthday.

You will not receive a mailed statement if you are already receiving Social Security benefits or if you registered to have access to your statement at **www.socialsecurity.gov/myaccount**.

To get your online statement, you must provide information about yourself that matches information already on file with Social Security. Once your identity is verified, you establish a "My Social Security "account with a unique number and password which allows you to access your online statement. The portal also links to SSA's other online services, including its online retirement application.

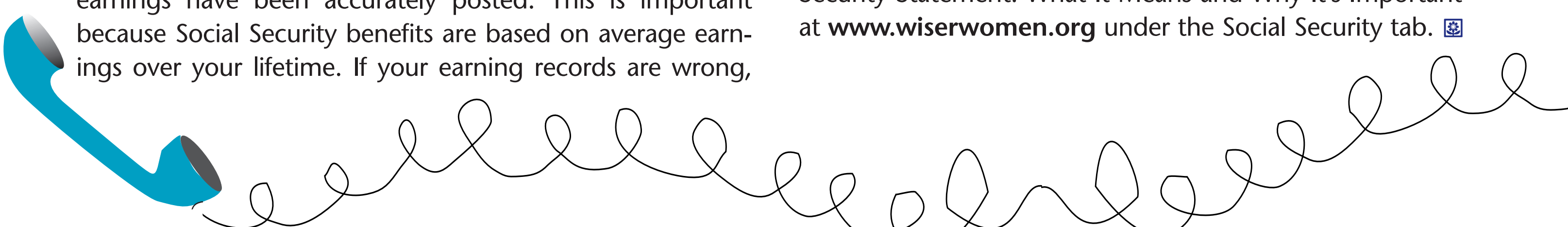
Whether you receive your statement by mail or online, WISER recommends that you make sure your yearly records earnings have been accurately posted. This is important because Social Security benefits are based on average earnings over your lifetime. If your earning records are wrong, you won't receive all the benefits you've worked so hard for. So scrutinize SSA's information about your future benefits.

> ***The Statement is an essential financial planning tool to help you estimate your income in retirement and determine how much money you will need to supplement your Social Security benefits.***

The statement is an essential financial planning tool to help you estimate your income in retirement and determine how much money you will need to supplement your Social Security benefits. The statement will also give you details about your spouse's and dependent's possible benefits should you die, as well as your disability benefits if you become disabled.

If you detect an error in your earnings record or are unable to establish an online account, you may visit an SSA local office for assistance. You can locate the office nearest to you using SSA's Field Office Locator service at **www.socialsecurity.gov**. If you visit an office, keep in mind that Congress has cut the SSA budget and there may be a delay in getting an appointment or long waiting times if you walk into an office to get information.

For further information, read WISER's factsheet "Your Social Security Statement: What It Means and Why It's Important" at **www.wiserwomen.org** under the Social Security tab.



SSA Benefit Verification Letters — What You Need to Know

The Social Security Administration (SSA) processes over 11 million benefit verification letter requests yearly. These letters serve as **proof of income** to secure loans, mortgages, housing, and other federal, state or local benefits and to prove current Medicare coverage, retirement or disability status, and age.

Last year, SSA made benefit verifications available online to Social Security beneficiaries and Supplemental Security Income (SSI) recipients who signed up at **www.socialsecurity.gov**.

Once you've established an online account, you can obtain a benefit verification letter and a Form SSA 1099. You can also change your address and your direct deposit account.

If you are unable to establish an online account, you may visit an SSA local office for assistance.

If you do go to an SSA office to request a benefit verification letter, make sure you bring your proof of identity such as a driver's license and also proof or your current residence (if different than the address SSA has on file). You should also bring the document or form from the organization or government agency that requires verification.

That's the good news; the bad news is that getting a letter may require a long wait in an SSA field office.

If all else fails, try to make your benefit verification requests via SSA's national toll-free number at 800- 772-1213.

Did You Know?

SSA anticipated mailing about 3.6 million statements in September 2014 and approximately 43.5 million statements by end of fiscal year 2015.

Where's Your Retirement Savings Nest Egg?

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are acting against their own best interests.

- Cashing out is harmful to long-term retirement security and requires paying penalties and taxes.
- "Stranding their accounts" in their past employers' plans complicates long-term planning, raises costs and creates risk for losing track of accounts.

If an individual cashes out $5,000 at age 30, the lost compounded value is nearly $55,000 by age 65 and $95,000 by age 85.

How to Plug the Leak

When you're faced with a 401(k) decision at a job change, take the road of opportunity and hold onto your hard-saved dollars. The payout in retirement will be far more valuable than a taxable payout in the short-term.

You have several options to hold onto your retirement savings:

Keep the balance in your former employer's plan. If your balance is $5,000 or more, this is an option. But you also risk losing track of your account over years of job switches and physical moves.

Move your balance into a Rollover IRA with a financial institution. One downside to this is you can't contribute to a Rollover IRA, so it's an extra account floating out there. Also, you need to understand the fees the financial institution will charge for holding your account. Especially if your balance is small, fees can eat away your savings.

Take your account with you to your new job. The benefit of taking it with you is that you're consolidating your retirement savings in one place. You don't have to worry about losing track of multiple accounts, plus you can monitor one account to see how you're doing. The federal government changed a rule recently that makes this option easier.

The temptation to cash out your retirement savings when switching jobs is great. But try to resist short-term gain in favor of long-term financial security. Ask your former and next employer for help in transferring your old 401(k) into the new one. Your future self will thank you.

PS: This information applies to those of you in 403(b) plans, too!

Employees are much more likely to consolidate their accounts if they have a knowledgeable specialist to provide assistance and, if necessary, intervene with past and present employers on their behalf. A specialist can then complete the transactions that can be difficult to execute on your own.

The government has recently created a new regulation to help ease the rules on this rollover process for employers. This should, in turn, help you if you choose to combine accounts yourself. You may also be able to receive help from the financial institution that holds your 401(k) plan.

Contrary to what many think, you *can* take it with you and keep custody of your 401(k) accounts.

Resist the Temptation!

You might think a person with a PhD in an arena like journalism would know how to make smart financial decisions, right? Well, that's not always the case. Take the example of Prof. E when he took a job at American University (AU). He had a 401(k) savings plan from a former job and he could have moved his savings into the AU plan or rolled it into an IRA. Instead, Prof. E bought a van — ***a brand new, fully loaded, shiny red van***.

He may never have appreciated the impact of what he had done to his retirement savings, but one of his students submitted a project on 401(k) "leakage." The professor recalls, "That paper was a real eye opener. I just saw it as free money — a bonus to spend. I wish I had known better."

There's nothing free about cashing out your 401(k) balance. You will likely owe income tax, plus you'll pay a 10% tax penalty. Then there's the reality that your money is no longer building your future income for retirement.

Did You Know?

3% of 401(k) participants are lost or missing. • There are 9.5 million job-changers per year with 401(k) accounts.

Where's WISER?

WISER is dedicated to improving the long-term financial quality of life for women.

Over the last 18 years, WISER has conducted thousands of financial education workshops and forums at national conferences and annually sponsors major events. We regularly work with the aging services network, women's organizations, government agencies, the financial services industry, and Congress. In addition, we were asked to provide testimony before the Joint Economic Committee on the topic of Women's Caregiving issues.

WISER also works at the local level to help women via community centers, senior centers, libraries and through various community organizations to bring tools and resources to their members.

This year our schedule has included a variety of events focused on reaching women at different stages in their lives. WISER partnered with several organizations to host these informative sessions.

Older women's financial security was the focus at the ASA's Aging in America Conference. WISER President Cindy Hounsell led two lively workshops — *A Financial Guide & Tools for Under-Financed Older Adults* and *Seven Life-Defining Financial Decisions*.

WISER hosted the winners of the iOme Challenge for *Expanding Savings and Retirement Opportunities: A Dialogue among Generations.* The winning team of Texas Tech University students discussed its proposal on the topic of young adults entering the workforce with an expert panel representing women and financial services organizations.

WISER presented *Innovative Approaches to Financial Literacy* in a panel discussion at LIMRA's Retirement Industry Conference. WISER Director of Programs Lara Hinz explained WISER's customized approach to ensure women have the knowledge to make well-informed financial decisions.

The serious problem of elder financial abuse was addressed in *Savvy Saving Seniors: Steps to Avoiding Scams and Fraud*, a webinar hosted by the National Council on Aging. The webinar highlighted the *Savvy Saving Seniors Toolkit*, which WISER developed with NCOA. The toolkit reviews common scams and offers advice on how seniors can prevent becoming a victim.

WISER delivered a training and curriculum, "Retirement Planning for Latinas" at the annual leadership conference of MANA - A National Latina Organization. The workshop trains MANA chapter leaders on important issues facing Latinas in retirement and information for them to use in their communities across the country.

WISER's testimony before the congressional Joint Economic Committee's hearing on Women's Retirement Security highlighted the negative financial effect that being a caregiver has on women's retirement savings. WISER President Cindy Hounsell noted, "While it is commonly known that caregiving responsibilities are challenging, it is also important to realize that these family responsibilities affect [women's] workforce earnings as well as career development and retirement income."

Contrasting the experience of younger and older adults was the focus when WISER, in partnership with Wells Fargo, hosted a Capitol Hill briefing, *Perspectives of Millennial and Boomer Women: Who's Better Off?* Wells Fargo presented its new research on the finances of millennials and boomers, and experts offered varying perspectives on the findings' implications.

WISER teamed up with the Insured Retirement Institute to host a luncheon on women's careers in financial services. The discussion included insight into career challenges and opportunities in the financial services industry, new IRI research exploring women's retirement readiness, and advice on strengthening retirement security.

Visit **www.wiserwomen.org** for further information on all of these activities.

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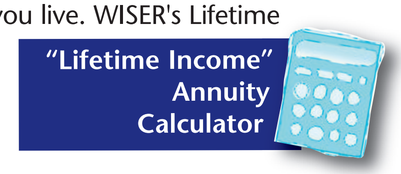
First Class POSTAGE

New Tool! The Lifetime Income Annuity Calculator

An annuity can be a great option for women. It provides a guaranteed source of income no matter how long you live. WISER's Lifetime Income Annuity Calculator is a simple tool to help you figure out what an annuity will cost and how much monthly income an annuity can provide. The calculator uses real-time data to provide the most accurate calculations whenever you use it. There are two options for using the calculator:



OPTION 1: You can enter how much monthly income you want to receive from your annuity, and it will calculate the lump sum amount you will need to purchase an annuity.

OPTION 2: You can enter a lump sum amount that you have to invest in an annuity, and it will calculate what that will provide in a monthly income.

The calculator can be found on the WISER website homepage, on the left side bar. Try it today!

WISER®
Women's Institute for a Secure Retirement

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: Women and Choosing a Financial Planner + News on Reverse Mortgages