

Your Future Paycheck:

What You Need to Know about Social Security, Pensions,
Savings & Investments

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National 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

Provide tools and information (fact sheets, booklets, worksheets, etc.) on key retirement planning topics

Visit the Center at wiserwomen.org



Why focus on women

There are many more older women than men!

- At age 65+, there are 6 million more women than men.
- Women make up 71% of the 85+ population.
 - This age group expected to double, even triple over the next 3 decades.
 - This is the group most likely to end up in poverty.
- Many women who have never been poor before end up in poverty in old age.



Challenges everyone faces

Employment - in and out of the workforce

Not taking advantage of retirement savings plans

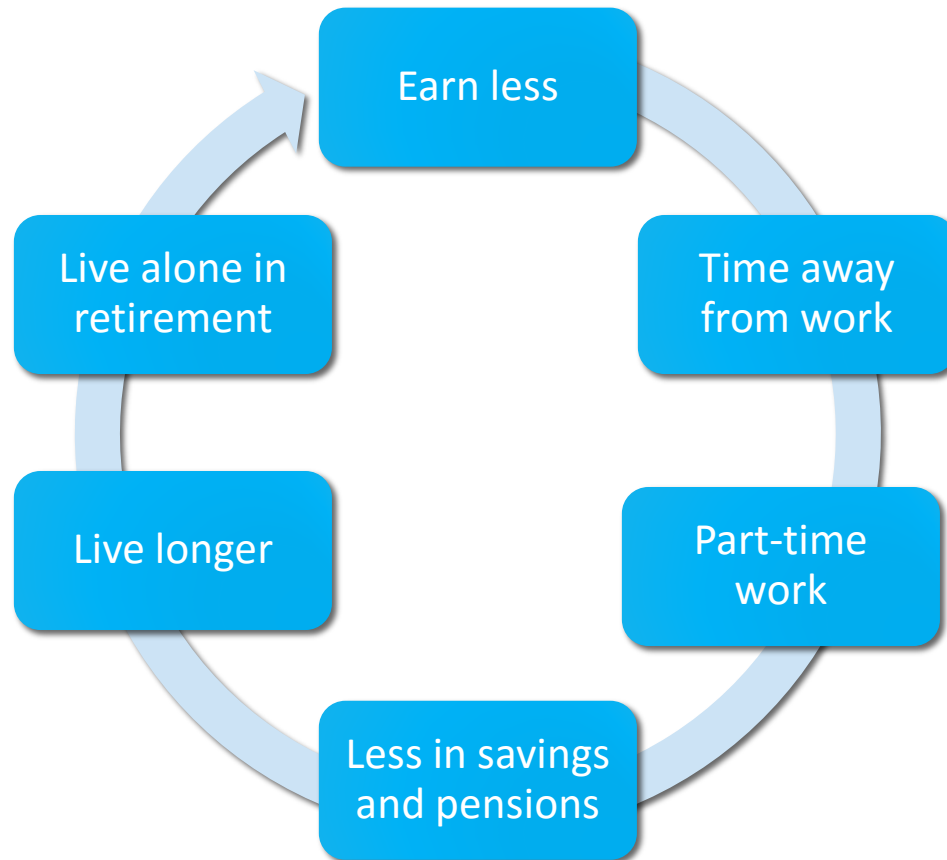
Not saving enough

Not knowing anything about investing

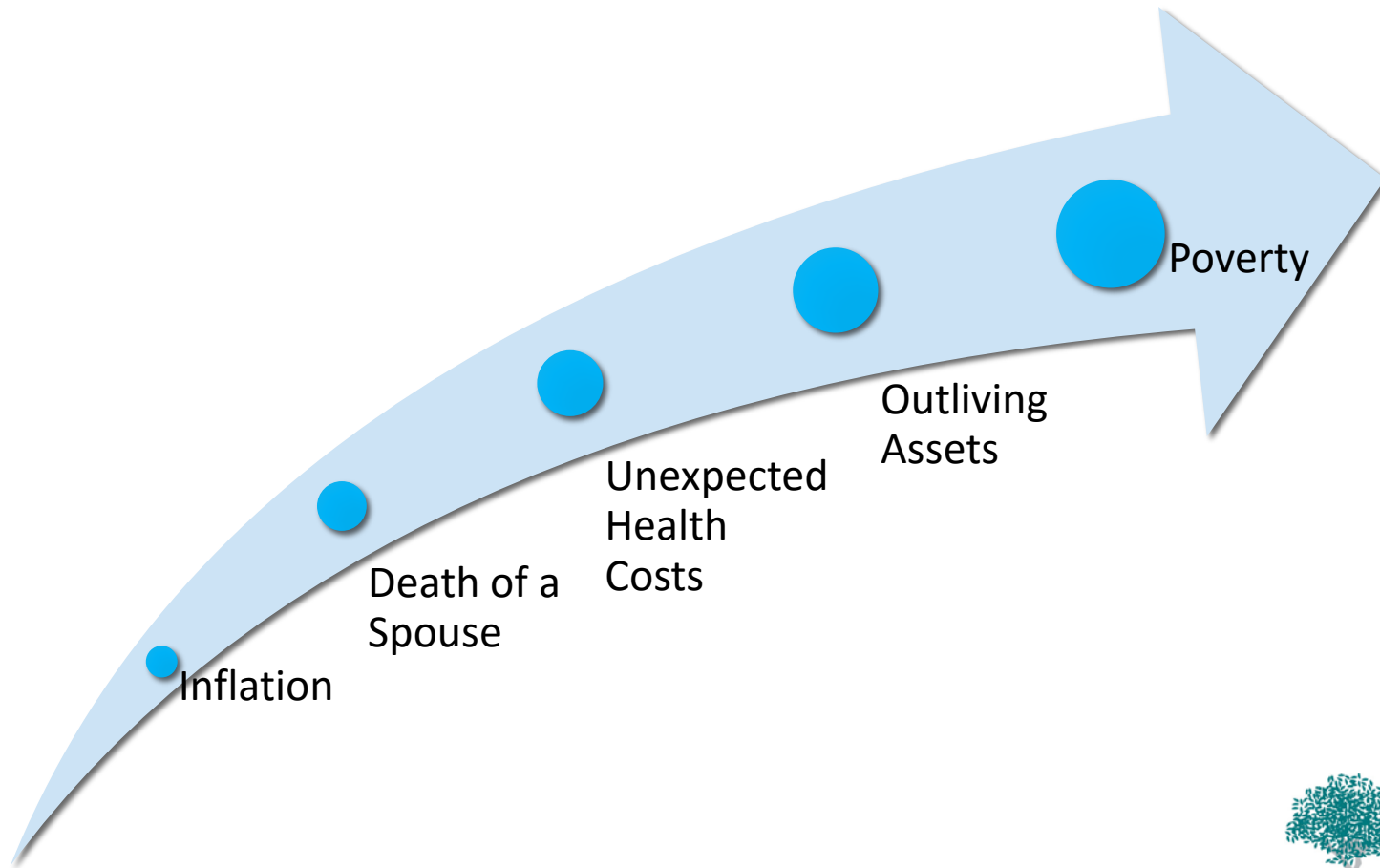
Not having a goal



Issues unique to women

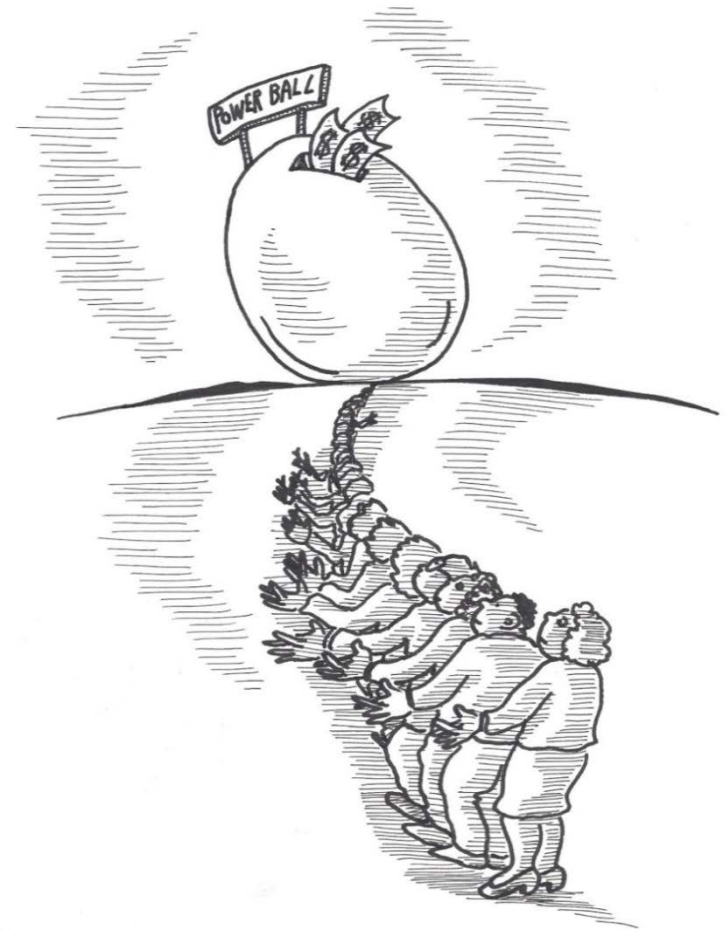


Financial risks of longevity



What is your plan?

- Never retire—“I will work until I die.”
- “My children will take care of me.”
- Win the lottery.



Retirement Issues are Overwhelming

But women need to take charge!



Get involved!



- Many women manage the family's daily finances—pay bills, etc.—but far fewer are involved in the longer-term savings and investments.
- Be prepared in case you find yourself on your own one and solely responsibly for all the finances.

Know your needs & sources of income



Know your **needs** in retirement

- Income
- Health and prescription coverage
- Long-term care coverage

Know **where the \$\$ will come from**

- Work-based pension?
- 401(k)-type plan at work?
- IRA? Other savings/investments?
- What do you have/what does your spouse or partner have?
- Social Security



Social Security Benefit Types

Retirement

Spousal

Survivor

Disability insurance

Supplemental Security
Income



Social Security Retirement Benefit

- Retired worker benefit
- Full benefit replaces about 40% on average
- Benefit amount can be impacted depending on the age you claim your benefit.



Social Security retirement age options

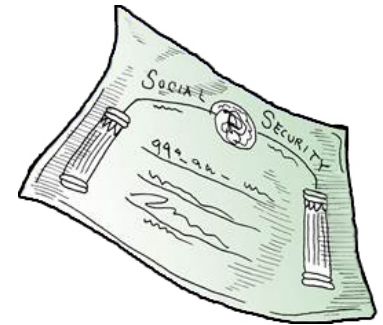
Full retirement age: full benefits
Age 62 is earliest: – 25%
Up to age 70: + 8% each additional year

| Retirement Age | Example of Monthly Benefit |
|------------------------|----------------------------|
| 62 (early retirement) | \$758 |
| 66 (normal retirement) | \$1,000 |
| 70 (latest) | \$1,320 |

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 for Widows (Survivor Benefits)

Widows depend on Social Security for a larger percentage of their total income

- For 20 % of women over 80, Social Security is their sole source of income

If you are over age 60 and have been married for at least 9 months, you can receive between 71% and 100% of your husband's Social Security benefit

- *But* – if you are collecting on your own earnings, you may receive no additional benefit if your own benefit is higher.



Social Security Benefits for Divorced Women

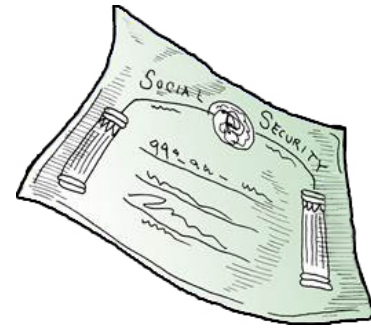
A divorced woman who was married at least 10 years can receive Social Security based on her ex-spouse's work record.

This has no impact on what the ex or a current spouse receive.

You can also receive a divorced widow's benefit after the former spouse dies.



Social Security: What women can do



Learn the facts.

Know what you are eligible for: as a wife, a widow or ex-wife.

Know what your estimated benefit is expected to be BEFORE you claim it.

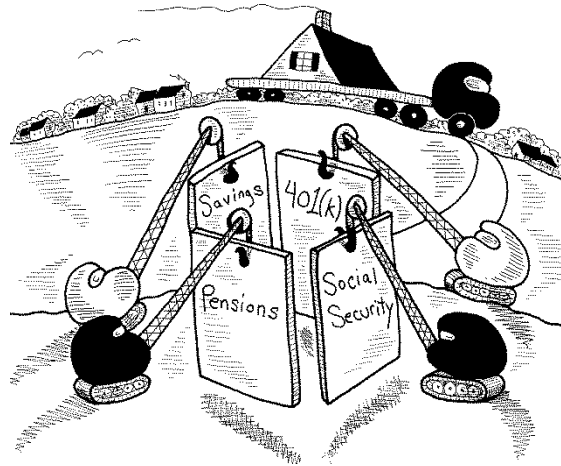
Sign up for your online Social Security account at www.ssa.gov/myaccount to get an estimate of your future Social Security benefits.



Pension & Retirement Plans

Traditional “defined benefit” pension

401(k)-type “defined contribution” retirement savings plans



Defined benefit plan

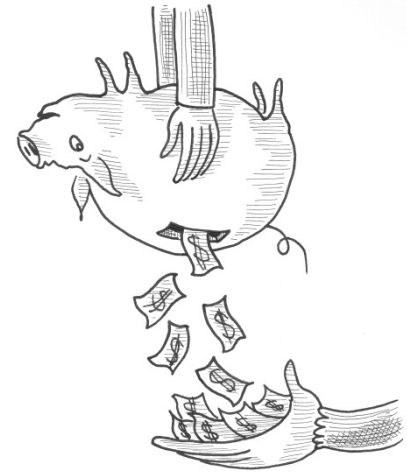
Employer:

- Funds the plan
- Manages the plan
- Makes investment decisions

Monthly payout for life or lump sum

- Vesting is typically 5 years

Federally guaranteed



Defined contribution plan, 401(k)

Contribute through paycheck deduction

- Income tax break or “Roth”

Decide how to invest

Vest in your contributions right away

Some plans match

- ex. 50 cents for every \$1 up to 6% of pay
- Vesting is typically 5 years

No federal guarantee



Retirement “Gotchas”

Are you covered by your company’s plan?

Does your company match contributions to your defined contribution plan?

Are you vested?

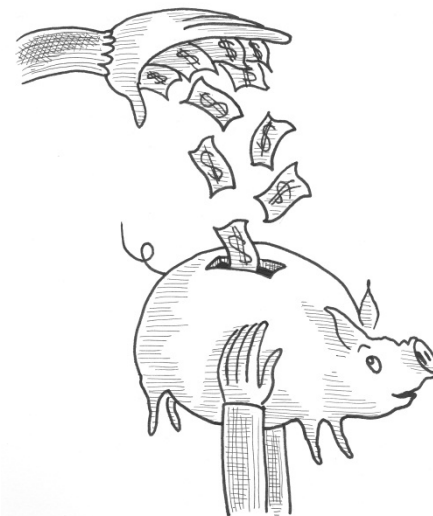
Does your defined benefit plan subtract your Social Security benefit from your pension benefit?

Have you or your spouse worked in a job not covered by Social Security?

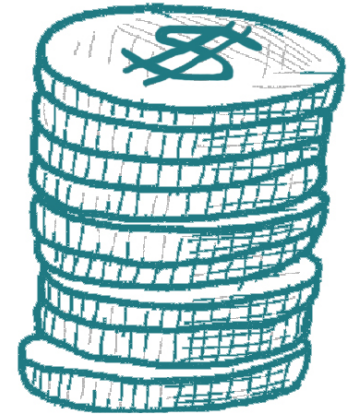


Consider other ways to save for retirement

- ✓ IRAs
- ✓ Mutual Funds
- ✓ *myRA*



IRAs



Individual Retirement Accounts

Accessible through small employers or directly through financial institutions

Two types: Traditional and Roth



Traditional IRAs

Tax deduction on contributions

- Based on income and work-based plan availability

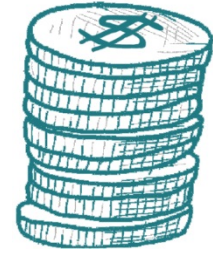
IRA assets received in retirement are taxed

If you take money out before age 59 ½, you will owe taxes and a penalty

Must start taking money out by 70 ½ or pay a penalty



Roth IRAs



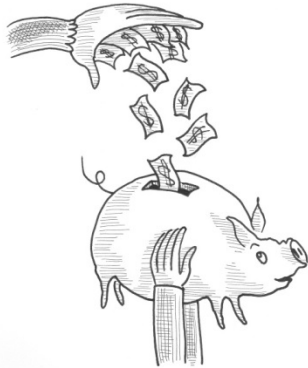
You contribute after-tax money – the amount you can contribute depends on income

Pay no taxes when you withdraw your funds; the earnings are never taxed

If you are less than 59½, you can make tax-free and penalty-free withdrawals 5 years after opening your account for certain medical expenses, higher education expenses or to buy your first home.



Yearly IRA contribution limits



| | If you are under 50 | If you are 50 or older |
|-------------|--------------------------------|-----------------------------------|
| 2016 | \$5,500 | \$6,500 |

Mutual fund investing



Typically offered through 401(k) plans

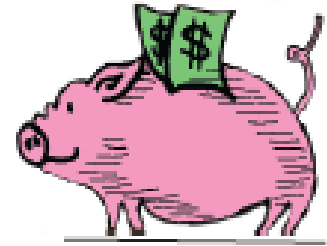
Made up of a collection of stocks, bonds or cash-equivalents

Income, Growth, and Balanced/Blended funds

Target Date Funds – choose your date of retirement – for instance, the 2030 fund and it will adjust the mix of assets as you get older. Provides balance and manages risk.



Investment information



■ **Investor.gov**

- Consumer-friendly information from U.S. Securities and Exchange Commission

■ Free information from mutual fund companies that offer low expense mutual funds

- www.vanguard.com
- www.troweprice.com



myRAs

Rolled out by the U.S. Department of the Treasury out in 2015.

Geared towards those without access to a traditional 401(k)-type workplace savings plan.

Using payroll deductions or deductions from a personal checking or savings account, individuals can open a *myRA* account with no start-up cost and there are no maintenance fees or minimum contribution requirements.

The investment is low-risk; it is backed by the Treasury and your contributions are guaranteed from loss.

myRA accounts belong to the worker and are not associated with the employer. Workers can keep their same account even if they change jobs.

myRAs are capped at \$15,000, after which the accounts have to get rolled into a private Roth IRA.

For additional information and enrollment guidelines, go to myra.gov



Know what your retirement will cost

– What is Your Number?

- Figure out how much income you will need in retirement—even a best guess estimate is helpful.
- Lots of great tools and online calculators make this easy. Examples:
 - **T. Rowe Price** and **Transamerica** calculators
 - **RetireOnYourTerms.org** – Calculators Tab
 - Social Security Calculators
www.socialsecurity.gov/planners/benefitcalculators.html
 - DOL’s “Taking the Mystery out of Retirement”
www.dol.gov/ebsa/publications/nearretirement.html



Finding money to set aside

Understand how you are spending your money now – a working budget is key!

- Re-evaluate “fixed” expenses

Set aside money each month for retirement, even if it’s only a small amount

Treat “windfalls” as opportunities to save, not splurge (tax returns, gifts of money, bonuses)

AmericaSaves.org

EconomicCheckup.org



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



Get help if you need it

- National Foundation for Credit Card Counseling at [1-800-388-2227](tel:1-800-388-2227)
nfcc.org
- FTC has info about choosing a counselor
consumer.ftc.gov/articles/0153-choosing-credit-counselor
- National Association of Personal Financial Advisors (NAPFA)
[1-888-333-6659](tel:1-888-333-6659); napfa.org



How to choose a financial planner

- Get recommendations and references
- Make a list and ask a lot of questions
- Check out professional training, credentials, registrations and legal standing
 - CFTC's [smartcheck.gov](https://www.smartcheck.gov)
 - [Finra.org/brokercheck](https://www.finra.org/brokercheck)
- Find out how you will pay for services and what services the planner will provide



Financial Planners: How they get paid

Fee-only: Charge a flat fee or an hourly fee, and generally do not receive commissions

Commission-based: Earn commissions on the investments they sell

Retainer: Earn a percentage of assets the planner manages for you (example, 1%)

OR some combination of these



For Most Married Women, Widowhood is Inevitable

Women are 4X more likely than men to outlive their spouses

85% of women over the age of 85 are widows

Many women spend 15+ years as widows

Yet, if couples do financial planning, they've usually planned for their years as a couple



The Financial Impact of Widowhood

Decline in standard of living is likely

- Household income generally declines by about 40% due to changes in Social Security benefits, spouse's retirement income, earnings
- Household income declines by one-third if a couples SS benefits are based on 1 person's work history and up to 50% if based on both
- One study found that 1 in 8 needed to move to less expensive housing



How to Be Prepared -- Plan

Your spouse should ask the question “If I wasn’t around, what would you struggle with?”

Consider an “After I’m Gone” file

Think wealth not just health

Get educated – lots of resources available

Get your friends talking about financial issues – make it fun and less intimidating



How to Be Prepared -- Plan

Partner with your partner **now** to make financial planning and investment decisions

- Where are important documents like life insurance, long-term care insurance, investments, wills?
- What are important account passwords?
- Consider women's longer life expectancy and plan for survivor's needs – only in 50% of married couples age 65 do both partners reach age 80
- Realize you will be the sole decision maker at some point – have a relationship with the family financial advisor



Understand Both Partners' Retirement Plans

For a defined benefit plan, consider optional forms of benefit – if married, participant must choose a 50% joint and survivor benefit which continues half of the benefit to the spouse upon death.

- Spouse must sign if another option like a lump sum is chosen
- Is a 100% J&S option more appropriate where the income does not drop when the participant dies?
- Make sure you know who to contact and what you are entitled to from employer plans – life insurance? Other death benefits?

If participant is ill but has not yet retired, consider whether retirement should occur as often more choices are available.



Divorce



During a difficult time it's important to be practical.

Take the time to find out what your rights are to your spouse's pension.

Every state has a different rule.

- Divorcesource.com

Click on "States"



Pension Basics – Divorce

Under all state laws, a pension earned during marriage is a joint asset. It is NOT automatically divided.

You must specifically ask for a share of the pension at the time of your divorce.

You need to get a separate court order stating your right to a portion of your ex's pension — a “qualified domestic relations order” or QDRO.

Strive to retain your full pension.



Pension Basics – Divorce

Remember—

Check to see if spouse has more than one pension from a current job or previous jobs.

Find out how much spouse has earned in pension benefits under each plan.

You may want to have the benefits valued by a pension actuary or accountant.

Include survivor benefits in the pension order.



Be Wiser



For pensions, gather the documents and know where the pensions are located – did the company go out of business, has the pension been turned over to the PBGC.

The Pension Benefits Guarantee Corp has a lost pension project and a list of companies to help you search. (PBGC is the federal agency that insures pensions.)

www.pbgc.gov



Plan for Your long-term care



What is Long-Term Care Insurance?

Helps pay care expenses for chronic illness or injury

Medicaid is available to people with low income and few assets

Most long-term care **is not** covered by Medicare



Will you need long-term care?

About 70% of 65+ will need it in some form

More people receive services at home vs. facilities

- \$20/hour for home health aid
- \$3,600/month for assisted living facility
- \$7,600/month for private room in nursing home

(Median national averages. Source: Genworth 2015 Cost of Care Survey)



Buying LTC insurance

Find out if you can buy it through your employer

Check with your state insurance commission

Learn more: www.longtermcare.gov

ACLI.com – “For Consumers” section

- A Woman’s Guide to Long-Term Care
- Long-Term Care Insurance: Protection for Your Future (includes checklist to help compare policies)



Consider annuities

Annuities are:

- A way to protect against outliving your money
- Guaranteed income for life
- Purchased with a lump sum of money - 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



Types of annuities

Deferred Income Annuities

- Invest a certain amount now and annuity starts paying at certain time in the future (say, when you're in your mid-80s)

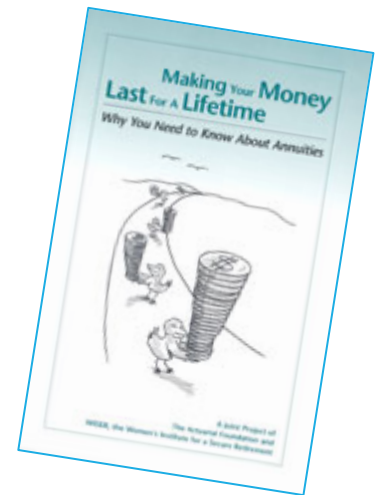
Qualified Longevity Annuity Contract (QLAC)

- Invest up to 25% of your IRA or 401(k) balance in a QLAC (up to \$125,000), and the investment isn't included in calculating your required minimum distribution



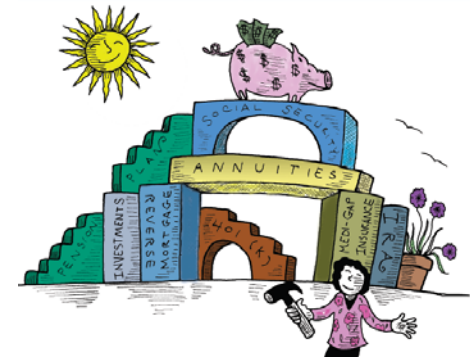
Learn more about annuities

- WISER Publication, *Making Your Money Last a Lifetime: What You Need to Know About Annuities*
- WISER's *Your Future Paycheck*® Lifetime Income Calculator (link on left side of WISER homepage)
- [Annuities.com](https://www.annuities.com)
- [ImmediateAnnuities.com](https://www.immediateannuities.com)
- [ACLI.com](https://www.acli.com) – “For Consumers” section
 - Buying Tips and Questions to Ask
 - Tips for Seniors
- Check with your State Guaranty Association



And don't forget!

- Learn the basics of investing and retirement planning – good, basic information can go a long way!
- Take small steps and actions and build from there.
- Talk to each other and share your experiences.



Thank you!

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wiserwomen.org



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