

TAKE ACTION: 7 STEPS TO IMPROVE YOUR FINANCIAL FUTURE

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About WISER

- Nonprofit founded in 1996
- Provides women with basic tools and financial information aimed at helping them take financial control of their lives
- Topics include:

Saving & Investing

Social Security

Caregiving

Retirement Planning

Widowhood

Divorce

Health and Long-Term Care

Financial Fraud & Abuse



National Resource Center on Women and Retirement

- WISER operates in partnership with the ACL's Administration on Aging (AoA)
- “One-Stop Gateway” to provide basic retirement information and resources
- Partners include a diverse group of organizations working with older adults, low-income women, women of color, and women with limited English-speaking proficiency.

Visit the Center at [wiserwomen.org](https://www.wiserwomen.org)



What We'll Cover – 7 Life-Defining Financial Decisions That Can Improve Your Future

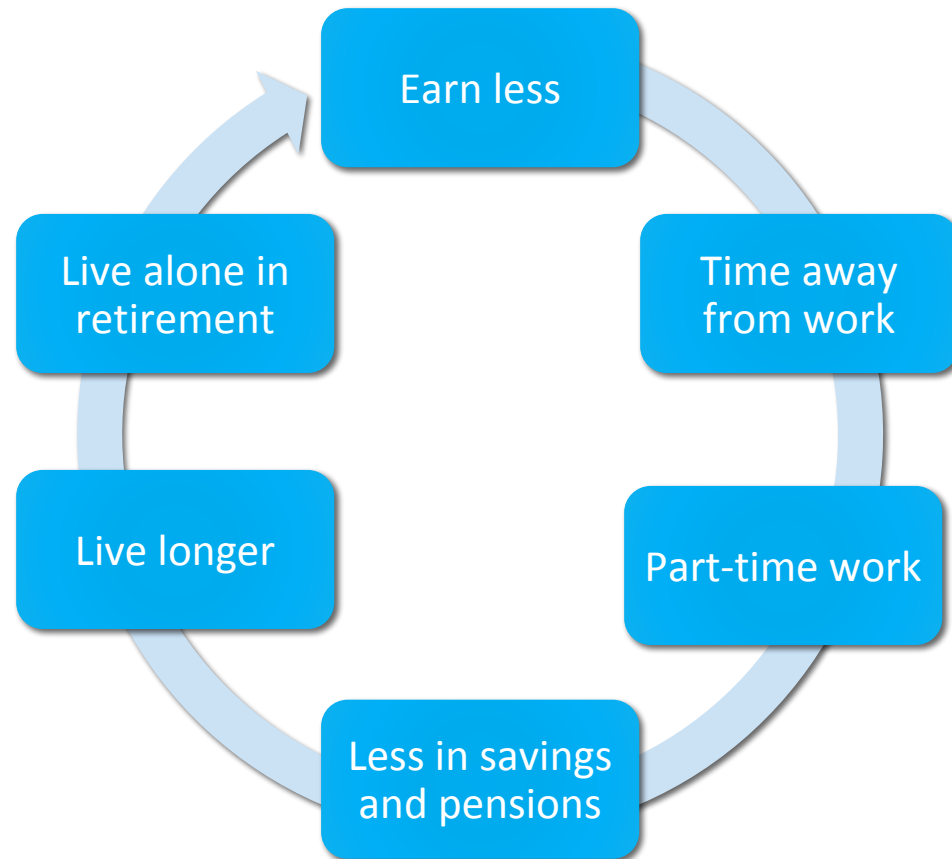
- Plan Early for Short & Long-term Goals
- Carefully Select Options for Saving For Retirement
- Make the Most of Job-Related Benefits
- Avoid Debt/Keep Good Credit Record
- Learn about Social Security and How Your Savings Can Last
- Protect Yourself and Family with Insurance & Lifetime Income
- Be Involved in Financial Decisions with Partner/Spouse



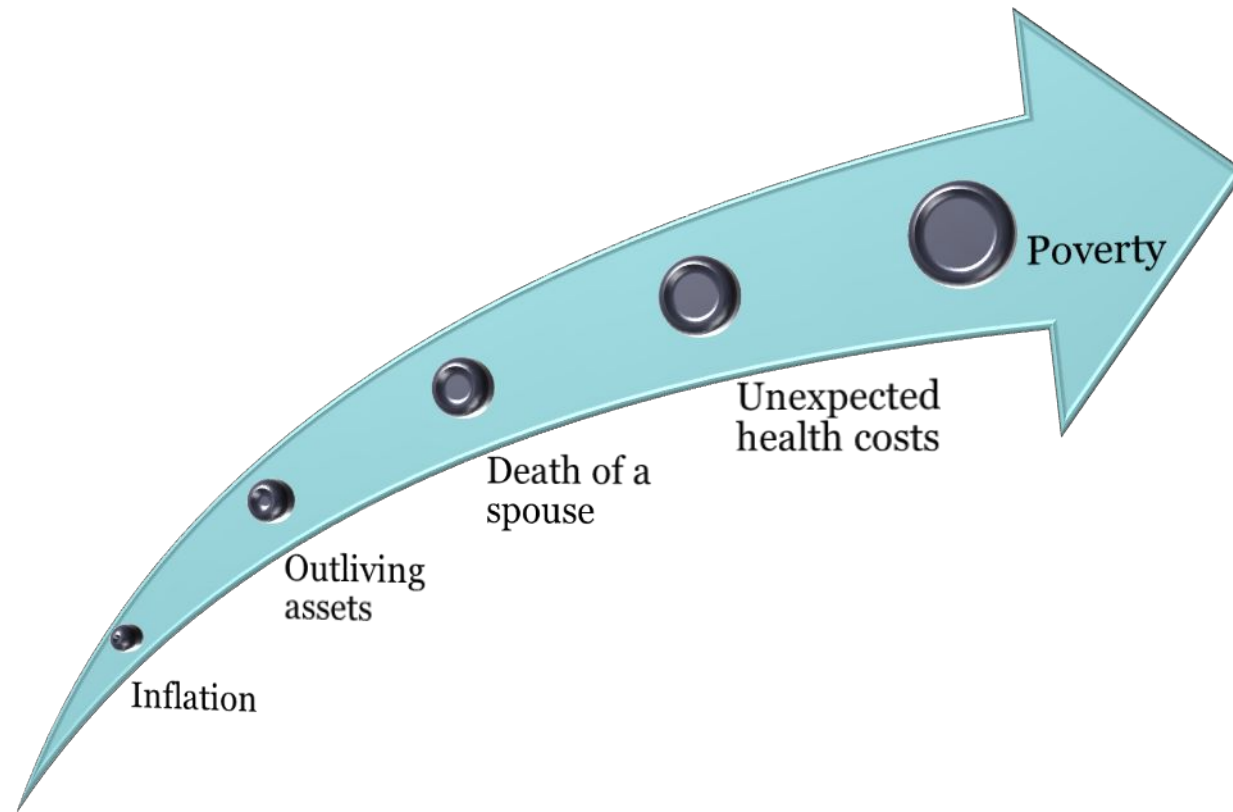
Why Women?

- There are many more older women than men!
- At age 65+, there are 5.8 million more women than men
- Women make up 67% 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 end up in poverty in old age

Women's Unique Challenges



Financial Risks of Longevity





Tip #1: Start Planning Early

MAKE A PLAN

START WITH AN EMERGENCY FUND

Plan For Short & Long-Term Goals



The more you learn about finances – the easier it will be to stay on track to:

- Establish an emergency fund
- Save to buy a home
- Saving for retirement
- Consider your healthcare expenses

Decisions you make throughout your lifetime have a big impact on your future financial security in retirement

Time For A Decision -- Now What?

- Get the information you need – attend a financial session
- Think about what makes sense for you – living below your means so you can save
- Figure out trade-offs you are willing to make early in life
- For example, will you need to adjust your current lifestyle and/or the age you were planning to retire?

It is never too late to take a different course and put yourself in a better place



Tip #2: Saving for Retirement

KNOW HOW MUCH YOU WILL NEED IN RETIREMENT AND
WHERE THAT MONEY WILL COME FROM

Retirement Income Needs

Know your **needs** in retirement:

- **Income** - to cover day-to-day expenses such as bills and discretionary expenses like travel and eating out
- **Health and prescription coverage** – this will become a bigger part of your budget as you age
- **Long-term care** – there is a good chance you will need some long-term care services at some point

Women generally need more than men because they live longer

How do you want to spend your time/money in retirement?



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

But – you may have an unplanned workforce break

Examples:

- **T. Rowe Price** and **Transamerica** calculators
- **The Rise Score – Alliance for Lifetime Income**
- Social Security Planning Calculators – ssa.gov
- “**Retirement Planning Calculators**” at wiserwomen.org



The “Back of the Envelope” Approach

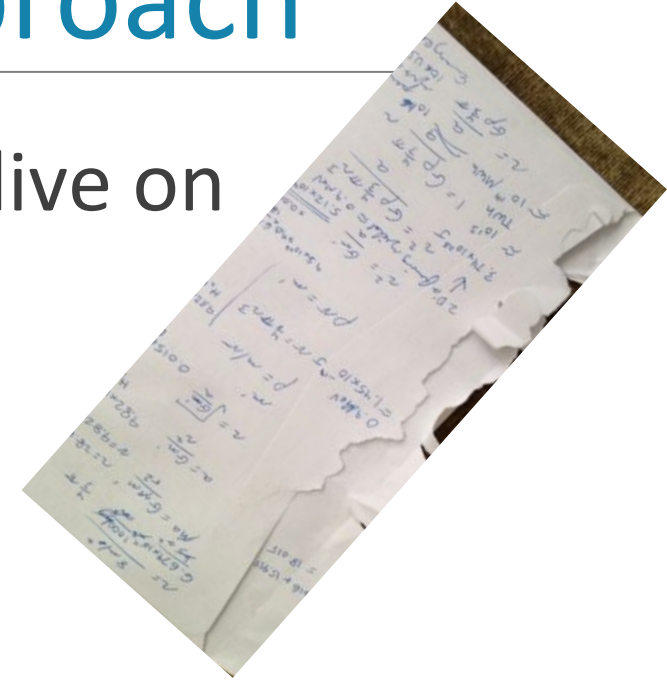
- Gives you a place to start based on what you live on today:

\$35,000 (your income today after taxes)

X 25 (estimated years in retirement)

\$875,000

- This doesn't reflect inflation or increased health needs



Sources of Retirement Income



Know where the \$\$ will come from - common sources include:

- Work-based pension or State –run IRA program
- Employment-based retirement plans like a 401(k) or 403(b)-type plan
- Personal savings/investments (IRAs, stocks)
- Social Security
- Employment after you “retire”

What do you have/what does your spouse or partner have?



Sources of Retirement Income

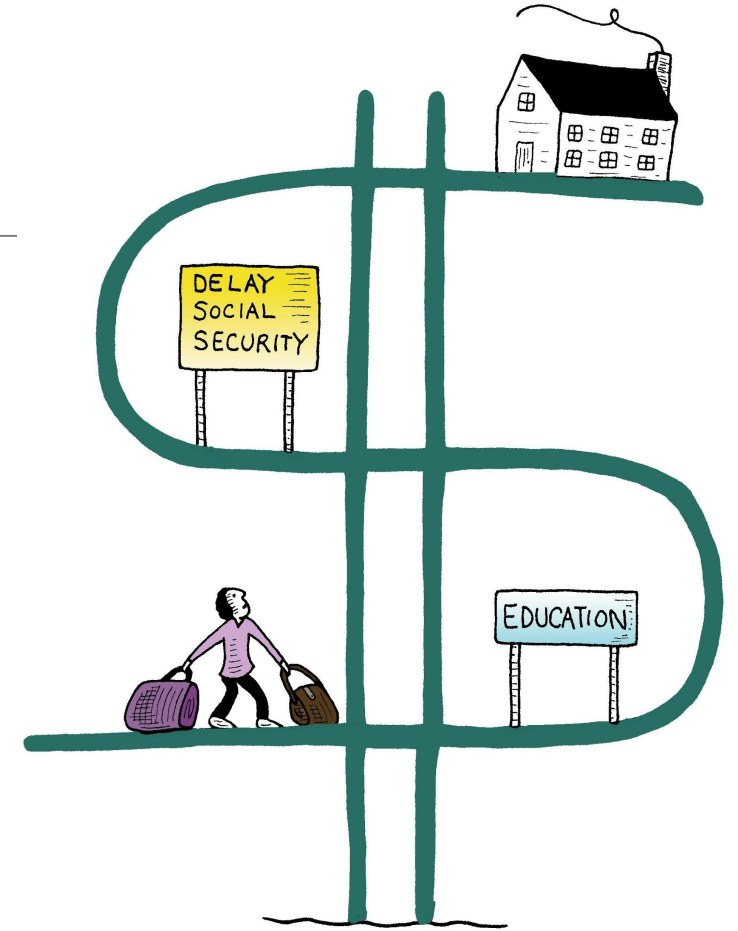


Make a list of each source of income you (and your spouse) have and be able to answer these basic questions for each:

- Where is the account based (bank, financial company, etc.)?
- How much is in the account now?
- How are contributions to the account being made and for how much? How is it invested?
- If married, what happens to the account if one spouse dies?
- If not married, what happens? Who are the beneficiaries?

Can't afford retirement?

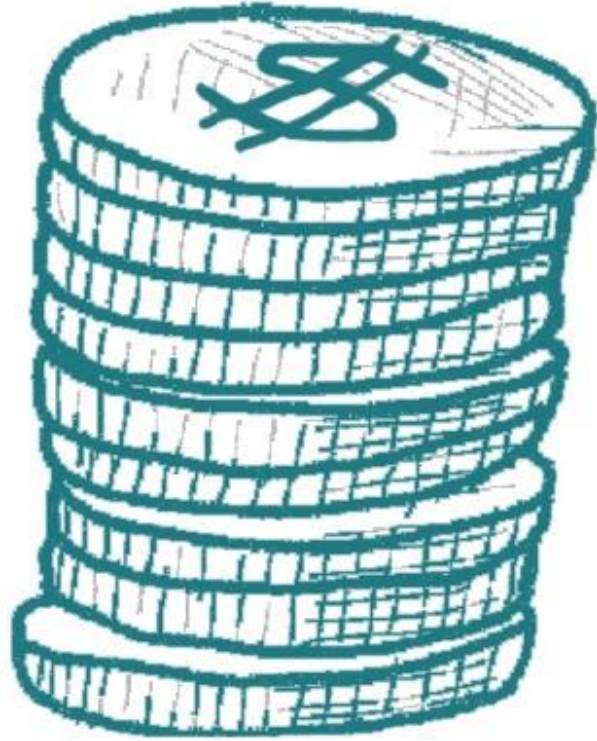
- Increase earning power – education/training
- Save more
- Find a second job
- Work longer
- Delay claiming Social Security
- Consider a reverse mortgage
- Home sharing



How to Choose a Financial Planner

- Get recommendations and references
- Make a list and ask questions
- Check out professional training, credentials, legal standing
- Find out how you will pay for services and what services are provided
- WISER's **Financial Planner Alert** and **How to Find a Financial Planner** fact sheets
 - National Association of Personal Financial Advisors (NAPFA)
1-888-333-6659; napfa.org

If it sounds too good to be true, it probably is!



Tip #3: Make the Most of Job-Related Benefits & of IRAs

RESEARCH SHOWS PEOPLE WITH WORKPLACE
PLANS ARE MORE SUCCESSFUL AT SAVING

Defined Contribution - 401(k)/403(b) Plan

Employer Action:

- Can automatically enroll you or more common – you must make decision to enroll and people sometimes forget
- Decides years needed to be eligible/vested in employer contribution – 3-6 years
- Decides matching % on your contribution; such as 50 cents for every \$1 up to 6% of pay
- New law –coming in 2021 –regulations allowing part-time workers to participate if you work at least 500 hours in 3 consecutive years

You take Action :

- Contribute through a paycheck deduction – know the rules of the plan!
- You may have a choice between a before tax or after tax plan (Roth)
- Decide what % of pay to invest – don't leave \$ on the table and also consider “catch-up” contributions if over age 50
- Decide in what funds to invest – consider target date fund – good to start and based on your age and when you will likely retire- for instance the 2025 fund for those near retirement.

Defined Contribution/ 401(k)/403(b) Plan

What to do with your account when you leave your employer? Rollover?

You can leave your account with your employer

- Stays in same investments you have chosen
- Fees usually lower if plan size is large
- Move it in the future if it makes sense

If you decide to move it

- Make sure you follow rules to not incur taxes and early withdrawal penalties
- See if you can roll it over to your new employer's plan
- If you decide to move it to retail provider (bank/investment firm) IRA – ask about fees you will be charged – not obvious since embedded in funds

You must begin distributions by April 1st after you turn 72 (RMD date)



Impact of Pre-Tax Investing

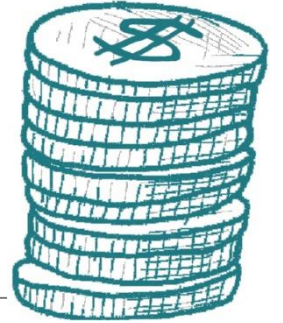
Your contributions can go into the plan tax-deferred

	Contribute \$1200 to your retirement savings plan tax-deferred	Start with \$1200 to save outside your retirement savings plan
Taxes (assuming a 22% tax rate)	\$0	\$264
Amount left to save	\$1200	\$936

You can save \$264 more if saving pre-tax.

Once you make your election to contribute to an employer's retirement savings plan, you save money every time you're paid –so participate!

Use IRAs if You Don't Have Employer Savings Plan



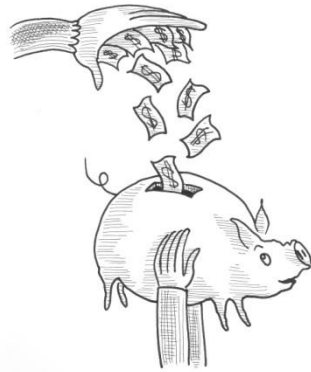
- Individual Retirement Accounts (only 8-12% of workers save in IRAs)
- Meant for retirement savings –better than taxable accounts/savings accounts
 - If you qualify – you get a tax deduction
- Accessible through banks, credit unions or through financial companies – ask friends
- Two types: Traditional and Roth
- If you are saving for retirement – do it in an IRA! Can also save for non-working spouse.

Check beneficiary designations – yours and spouse's, especially if in second marriage

Traditional vs. Roth IRA

Traditional (Pre-tax)	Roth (After-tax)
Contributions are not taxed until you take them out	Contributions are paid with after tax money
Investment returns are not taxed while they grow in the plan	Investment returns are not taxed while they grow in the plan
At withdrawal, contributions and investment returns are taxed at your current tax rate (lower in retirement?)	At withdrawal, no taxes on either your contributions or investment returns

Yearly IRA contribution limits – per person



	If you are under 50	If you are 50 or older
2020	\$6,000	\$7,000

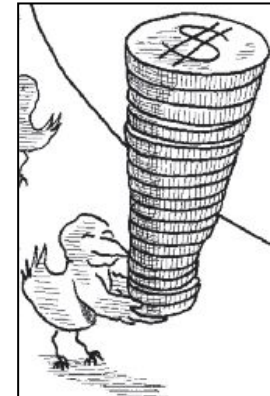
What if You Want/Need To Take Time Off/Work Part-Time?

There are financial consequences to consider

- Foregone pay/benefits/savings opportunities
 - Is there timing flexibility
 - Consider spousal IRA
- Lower Social Security benefits
- Caregivers have out-of-pocket costs (annual \$7,000)
- How to protect your own financial retirement security

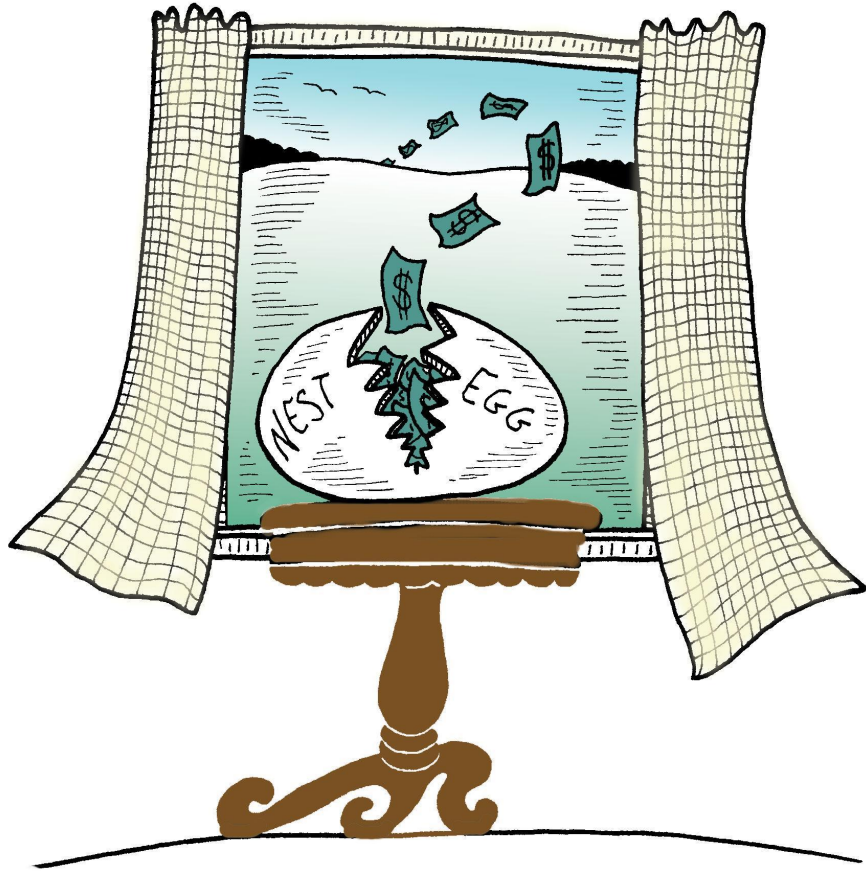
Saver's Tax Credit

- For moderate- and lower-income workers
- Tax credit for retirement savings – works like a match
- Up to \$1,000 credit for single filers, and \$2,000 credit for joint filers depending on income



Tax Tips and Saver Incentives

- The Saver's Tax Credit is available to eligible individuals who save for retirement –spread the word
- Max out tax-deductible retirement contributions and **don't** take loans and **don't** cash out when changing jobs
- Use tax refund to start an emergency fund
- Beware of tax scams that commonly target older adults
- Check out WISER's Tax Update Fact Sheet



Tip #4: Avoid Debt and Keep a Good Credit Record

DON'T LET DEBT GET IN THE WAY OF YOUR
SAVINGS PLAN

Take Control of Debt and Credit

- Living beneath your means
- Emergency Savings fund
 - Helps avoid going into debt
- Establish plan to pay off debt
- Check your credit report/score
 - annualcreditreport.com
- Credit Card interest charges and fees
 - Pay bills before due date
 - Pay off more than minimum payment



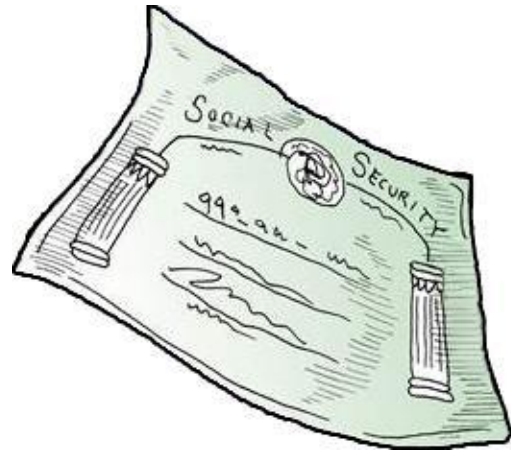
Manage Ongoing Expenses Plus Be Prepared for Shocks

- Household expenses can be budgeted
- Home and car repairs can be shocks
- Expect the unexpected - factor financial “shocks” into your planning
- Evaluate whether you can truly afford to help other family members before making gifts and putting your own security at risk.



Get help if you need it

- National Foundation for Credit Counseling
1-800-388-2227; nfcc.org
 - Nonprofit organization offering financial counseling
 - Debt, credit, student loans, homeownership
- FTC has info about choosing a counselor
consumer.ftc.gov/articles/0153-choosing-credit-counsel
or



Tip #5: Learn about Social Security and How to Claim Benefits

FOUNDATION OF RETIREMENT INCOME

Social Security Benefit Types

- Retirement
- Spousal
- Survivor
- Disability Insurance
- Supplemental Income



Social Security Retirement Benefit

- Retired worker benefit
- Full benefit replaces about 40% of your pay on average
- Full Retirement Age(FRA) – get benefit with NO reduction
 - * **Age 66**
if born between 1943-1954
 - * **Age 66+ 2 months**
if born between 1955-1959 add 2 months each year until 1960
 - * **Age 67**
if born in 1960 or later

Social Security Claiming Age Example

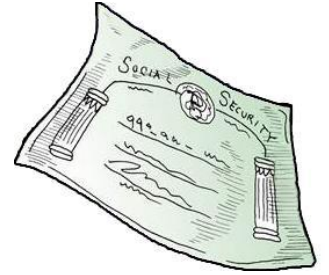
At full retirement age of 66: receive full benefit amount

Claim at 62 (earliest): – 25% reduction in benefit

Claim at age 70 (latest): + 32% increase (8% each additional year)

Retirement Age	Monthly benefit
62 (early retirement)	\$758
66 (full retirement)	\$1,000
70 (latest)	\$1,320

What impacts your Social Security benefit



First, you must be “fully insured” – 40 credits/10 years

- You get 4 credits/yr. if you earn over \$5,200/yr.

Size of your earnings (taxes of 6.2% on earnings up to \$137,700 in 2020)

How many years you have worked before you start your benefit

Qualifying for spouse/divorced spouse/survivor benefit

Age you start your benefit

Starting your benefit while you are still working or during a calendar year that you worked

Note Social Security benefits are increased each year with cost-of-living



Impact of Number of Years Worked

SS uses highest 35 years of earnings to calculate your benefit –if you did not work 35 years, zeros are used for those years

- Zeros bring down average

Your earnings are indexed to reflect changes in average wages

- \$10,000 earned in 1980 is indexed to about \$40,000 today

Can you extend your work years – to get to 35 years or to replace higher earning years for lower ones?

- If you make \$60,000 and have worked for 25 years, working 1 more year is worth \$10,000 in additional lifetime income --- for 5 more years of work, you get \$51,000.

Qualifying for Spousal Benefit



You may be entitled to spousal benefit if you worked less years/had lower earnings than your spouse

If you wait until your FRA, you get one-half of what your spouse would get at their FRA

Spousal benefit only payable after spouse claims – before that you can collect your own worker benefit if you have one

Joe's retired worker benefit: **\$800**

Kim's retired worker benefit: **\$300**

Kim takes the spousal benefit at **\$400** a month

If Kim's worker benefit was **\$500** a month, she would not receive a spouse benefit



Qualifying for Survivor Benefit

Very important to coordinate when you and your spouse start to collect your benefits:

- Delaying claiming can impact survivor benefit – if your spouse is higher earner and likely to die first, delaying their benefit to get interest credits may make sense
- Widow's benefit will then be higher when most needed at older ages

Survivor benefits payable at 60

- Generally receive the larger of your two benefits, not both, so household SS earnings may decline significantly

May be eligible for survivor benefits if divorced and ex-spouse is deceased
(you can be remarried if marriage was after age 60)

Qualifying for Divorced Spouse Benefit

If marriage lasted 10 years and you are now single, you can claim their spousal benefit:

- If it is more than your worker benefit
- As long as you have been divorced 2 years
- Even if spouse has not claimed benefit yet, as long as they are at least 62

Receiving benefit on ex-spouse record, does not impact their benefit or any current spouse benefit

Another consideration on divorce – your/your spouse's retirement is joint asset

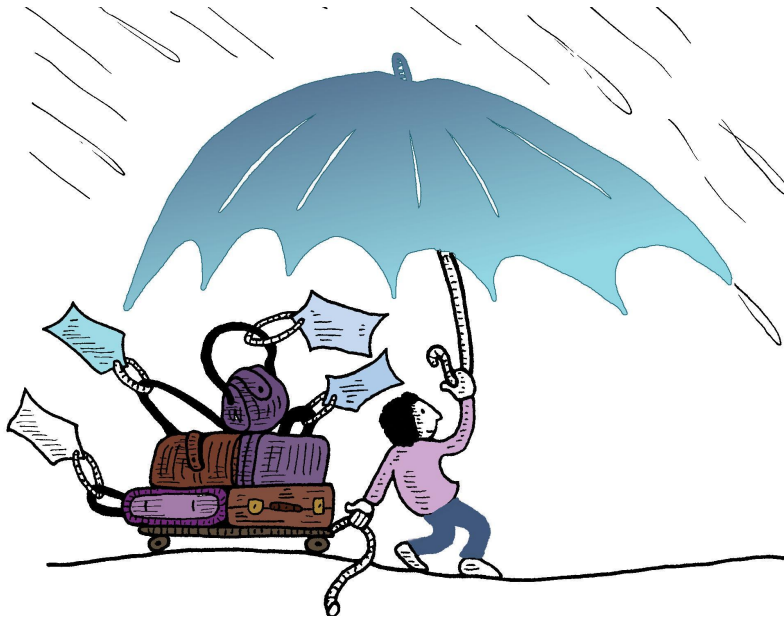
- Consider “QDRO” – court order to split spouse pension



Social Security: What You Need To Do

- Learn the facts
- Look at “worst” case financial scenario – you live a long life
- If over age 60, review SS statement which SSA will mail
- Call 800-772-1213 or go to ssa.gov to get an estimate of your future Social Security benefits. Set up an online account at ssa.gov/myaccount
- When you are ready to retire, leave plenty of time to get questions answered and understand your options – if it doesn’t sound right, ask again





Tip #6: Protect Yourself and Your Family With Insurance & Lifetime Income

HELP MANAGE RISK FOR PEACE OF MIND

Longevity Planning



- *Consistent* retirement income is important part of
 - managing longevity risk
 - rising health care costs and
 - longer life expectancy
- How do you convert/spend down your savings to have income you need each year and not run out of money?
 - Rules of thumb are just that and don't reflect individual circumstances
- Should you be planning to work longer if you can --- each year of working is one year of more income and not tapping into savings or taking Social Security early?

How to Get Lifetime Income



- Social Security is best source of lifetime income for many and it is inflation protected – but remember in general it is only about 40% of your working income
- Workforce pensions are generally annuities payable for life
- Does your workplace savings plan allow you to take a stream of payments instead of a lump sum?
- Should you use some savings to purchase an annuity if you are not getting any workplace annuity benefits?

Considerations in Buying an Annuity

- Least complicated Basic Vanilla Annuity requires a payment in exchange for monthly benefit for rest of your life with no refund if early death
- Other annuities are more complicated with features to have benefit tied to investments and/or provisions to protect policy holder in case of early death
- Most individuals prefer a mix of having cash on hand for unexpected expenses and/or to leave to heirs and some level of guaranteed monthly income
- Annuities can be complicated with hard to compare features/prices/surrender charges/commissions and fees
- Resource: acli.com/Consumer-Info/Annuities

Insurance Provides Security

- Life Insurance
 - Need depends on who is relying on you for support
 - Term/permanent or something else?
- Disability Insurance
 - Provided through employment?
 - Social Security can provide after 5 months for those unable to working
- Health Insurance
- Long-term care Insurance





Tip # 7 : Be Involved in Financial Decisions with Partner/Spouse

SHARE INFORMATION AND
KNOW WHERE THE FINANCIALS ARE
LOCATED

What You Need To Know About

Your situation and legal standing in regard to:

- Property
- Debt
- Income
- Savings
- Credit Rating
- Workplace Benefits/Who is Beneficiary

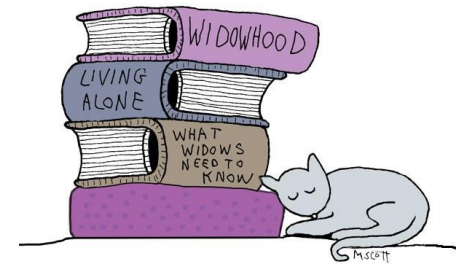
Be Involved in More Than Paying Bills--Managing Money and Making Investment Decisions Are Key



Divorce/Widowhood



- Consider workplace retirement benefits during a divorce
 - Can be most valuable asset
 - Ask about a **Qualified Domestic Relations Order (QDRO)**
- Ex-spouse Social Security benefit entitlement
 - If married for 10 years
- WISER's Booklet, **Divorce & Retirement: How to Take Control of Retirement Benefits**
- WISER's **Going It Alone – A Guide for Widows**





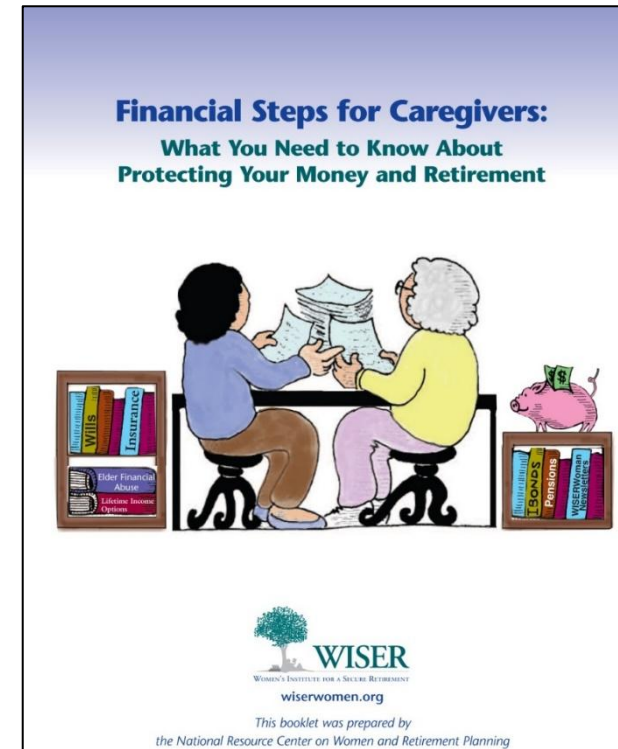
Get Help! Know What Resources are Available

WISERWOMEN.ORG

Caregiver Resources from WISER

WISER has been helping caregivers for more than 22 years.

View and download a copy of the guide and other resources for financial caregivers at wiserwomen.org



Financial Help for Older Adults



Eldercare Locator: [Eldercare.acl.gov](https://eldercare.acl.gov)

- Nationwide service that connects older adults and their caregivers with local, trusted services, 1-800-677-1116

Benefits Checkup: [Benefitscheckup.org](https://benefitscheckup.org)

- Quickly find benefit programs that could help pay for medications, health care, food, utilities and more.

FINRA Securities Helpline for Seniors:
[1-844-57-HELPS \(1-844-574-3577\)](https://www.finra.org/consumers/helpline)



Thank you!

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Learn more at:

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