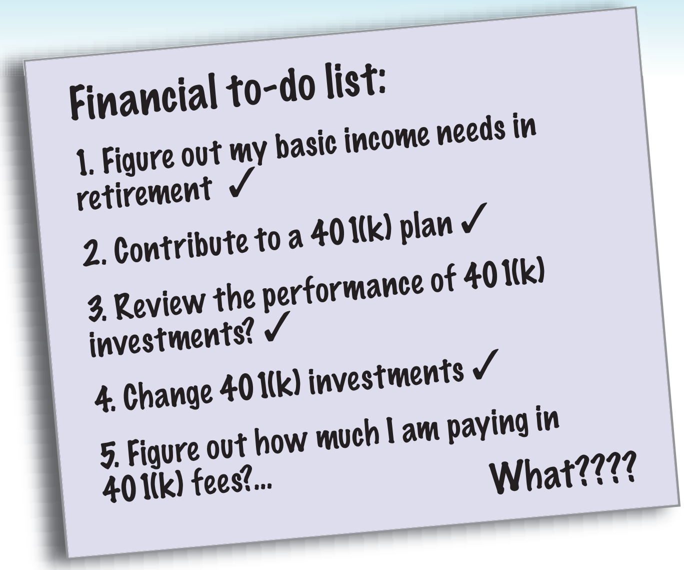
Summer 2011

WISERWoman

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

What?? Not Free? 401(k) Fees!



A new AARP study, *401(k) Participants' Awareness and Understanding of Fees*, shows that 401(k) plan participants need to pay attention to fees.[1] The survey reveals that most respondents tried to figure out how much they needed to save for a comfortable retirement and that they had reviewed the performance of their 401(k) investments. Yet, many did not understand that their 401(k) accounts are generally not free. The study found that over 70% believed they paid no fees at all.

In addition, many participants were not aware of the impact that fees and expenses can have on retirement accumulations. Fees and expenses can significantly reduce 401(k) balances, yet only 18% felt very knowledgeable about this impact.

The fact that 401(k) savers today tend to be uninformed about their plan fees is not a surprise. The same lack of knowledge is true even among many employers sponsoring plans. The world of plan fees and charges is complex. Many plans are administered through complicated arrangements where the details of the compensation arrangements are not disclosed. Many providers deduct fees and expenses from plan assets in ways that are invisible to savers.

In addition, it is often not clear to savers which services they pay for and which ones their employer picks up.

More targeted help for 401(k) savers (and plan sponsors), however, should soon be on the way. Beginning in 2012, new rules enacted by the Department of Labor, will provide more information about fees and expenses charged to plans. This will help plan officials evaluate the reasonableness of charges. In addition, the Department of Labor has issued a new rule requiring that 401(k) savers receive more information about the fees they pay for investments, administrative services and transactions. For most plans, this means that beginning January 1, 2012, 401(k) savers will also receive regular reports on:

- plan administrative fees and expenses, for example, for legal, accounting and recordkeeping services charged to their accounts;
- fees charged for individual transactions such as loans and divorce orders;
- investment-related information on performance;
- data on the annual operating expenses of investments and any fees or restrictions on investment purchases or sales.

In addition, quarterly statements will include the dollar-amount of plan fees and expenses actually deducted from their accounts, along with an explanation of the reason for such charges.

> ***According to the AARP study, 401(k) savers that work for 35 years and contribute $5,000 each year with a 7% return and no fees will have $469,000 for retirement. But if those same savers pay 1.5% in annual fees, their retirement savings will only be $345,000 or over 25% less.***

So 401(k) savers should brace themselves. Soon, they will start receiving valuable information revealing the

401(k) Fees *continued on page 4*

From WISER's President

Dear Reader:

Last month we celebrated WISER's 15th Anniversary with a Forum and reception. The anniversary reminded us why WISER was launched: to help provide women with practical information and to learn the ways to protect themselves against the risks of poverty in retirement. Our National Education and Resource Center is one of the ways that we reach out to women through our many partnerships. But this is a difficult time and the basic systems that women rely on most: Social Security, Medicare and Medicaid are under serious attack. These programs directly affect more women than men because we live longer and there are many more of us — millions living longer into our 90's. So while the deck is still stacked against women, WISER will continue to help the millions of women who will be entering retirement over the next 15 years, and beyond.

Cindy Hounsell

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WOMENS INSTITUTE FOR A SECURE RETIREMENT

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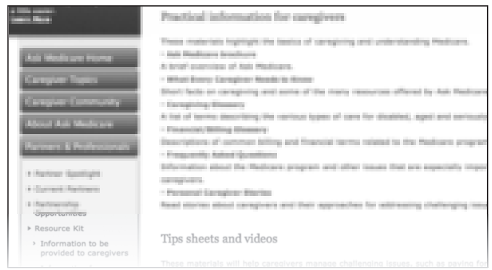
National Education & Resource Center on Women & Retirement Planning

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

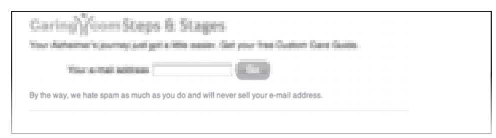
New Tools for Caregivers



Ask Medicare

This online resource, designed to help caregivers make informed health decisions, was recently added to the *Caregiver Resource Kit*. The kit offers useful tips and tools for organizations that help support caregivers and enables groups to share information. It also includes brochures and other helpful resources for caregivers themselves. Go to the Caregiver Resources page at **www.wiserwomen.org**.

Steps & Stages for Caregivers of Alzheimer's Patients



Caring.com's new resource allows those caring for patients with Alzheimer's to receive expert guidance, practical tips and resources customized to the different stages of the illness. Users can also connect with and get support from other caregivers facing the same stage. To sign up for this free tool, visit **www.caring.com/steps-stages/alzheimers**.

Pre-Existing Condition Insurance Plan

To ensure that more people with pre-existing conditions have access to health care, the U.S. Department of Health and Human Services has announced plans to reduce premiums and ease eligibility requirements, making it easier for Americans to enroll in the Pre-Existing Condition Insurance Plan (PCIP). This program serves as a bridge for people with pre-existing conditions to obtain health insurance before 2014, when insurers will no longer be able to deny coverage to people with pre-existing conditions. For more information on the PCIP, including eligibility, plan benefits, rates, and how to apply, visit **www.pcip.gov**.

New Weapon Against Medicare Fraud

Starting July 1st, the Centers for Medicare and Medicaid Services (CMS) will begin using innovative predictive modeling technology as a tool to fight against Medicare fraud. This new technology will help identify potentially fraudulent Medicare claims nationwide and help stop fraudulent claims before they can be paid. Moving beyond the former "pay & chase" recovery model, this new approach focuses on preventing fraud at its source before money can be lost.

The Stubborn Wage Gap—Myths, Facts

One constant factor in the lives of working women over the past 40 years has been the gender gap in pay. The debate still rages about why this gap persists. Many experts point to a combination of factors, with gender discrimination topping the list. Lately, some experts have cited alternative factors—some controversial and some simply not supported by the facts.

Sorting fact from fiction

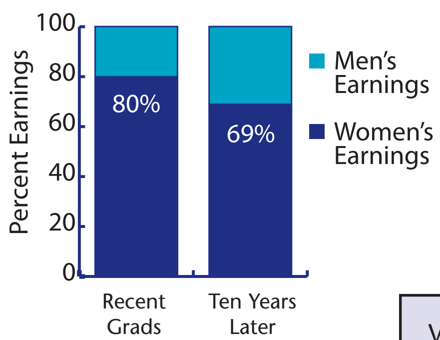
It is important for women to plan for dealing with this gap—lower lifetime earnings will result in fewer assets accumulated. A key determinant of how a woman will fare in retirement is the amount of money she has accumulated over a lifetime.

Myths:

One myth in current circulation is that women are more likely to choose occupations that pay less money. However, numerous studies have shown that even in the same occupations as men, women earn less. The federal Bureau of Labor Statistics reports that pay inequalities exist in nearly every occupation, including professors, computer programmers and even media reporters.

- A recent study by the Institute for Women's Policy Research demonstrated that female pharmacists working full-time earn only 75% of what full-time male pharmacists earn.
- Even in the female dominated profession of nursing, males earn about $3,000 more a year than women.
- Other studies have shown that within one year of graduating from college, women earn only 80% of what recent male graduates earn. Ten years later, these same women earn only 69% of what college educated men earn.

Women Earn Less Than Men Throughout Their Careers



Another myth is that the pay gap can be explained by women voluntarily taking time out of the workforce to care for children. Certainly, part of the wage gap can be explained by this. However, this alone cannot explain all or most of the lifetime pay gap. A Columbia University analysis found that after returning to work from maternity leave, women earned less than men throughout their careers, while men who fathered children earned more. Sociologists suggest that employers may perceive women with children as less committed to their work, and men with kids as more committed.

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Are women's wages "catching up?"

Not really. A false impression was created that the wage gap was narrowing when the recession hit the construction industry hard, reducing men's wages nationally. Now, unfortunately it's a turnabout for women. The recession and impact on state and municipal government budgets is now hitting traditional female occupations hard, with public sector and education jobs at risk of layoffs and wage cuts, making the recent narrowing of the gap an illusion.

What's the Bottom Line?

Overall, women's lower lifetime earnings means that they are about twice as likely to live in poverty in later years than men. Women's lower earnings means lower Social Security benefits, reduced pensions and less money for retirement savings resulting in fewer assets at retirement. Complicating matters is that women live longer than men, and must stretch their assets over more years. Aging women are also more likely to have more chronic illnesses and more expensive health care costs.

Single women have less than half of the wealth that single men have. Why? Women suffer more pay discrimination, are more likely to be in jobs without fringe benefits, are more likely to be single mothers stretching a single paycheck to support more than one person and are more likely to have gaps in employment due to caregiving.

Visit the WAGE Project's website and use the **Salary Calculator** at http://wageproject.salary.com

Support the **Paycheck Fairness Act** that would strengthen the laws against gender-based discrimination.

Celebrating 15 Years of Being WISER!

On May 25th, 2011, WISER celebrated 15 years of improving the lives and future economic security of millions of women.

To mark the occasion, WISER hosted a lively discussion forum, titled, "Retirement Security for Boomer Women: Reality or Illusion?" Panelists included Sheila Zedlewski, Urban Institute; Mary Beth Franklin, *Kiplinger Magazine*; Howard Gleckman, author of "Caring for our Parents"; Shaun O'Brien, AARP. Representative Earl Pomeroy, former Congressman from North Dakota, served as the moderator. Mathew Greenwald of Mathew Greenwald & Associates also released the results of WISER's recent study which looks at what concerns women most about their finances and what works for them when it comes to financial planning.

Illustration by Margaret Scott

The forum was followed by the WISER Hero Awards and reception. These awards recognize the efforts of those individuals who work tirelessly to help ensure that all women enjoy rewarding and financially secure lives.

More information about the event, including study results, WISER Hero awardees and photos can be found in the Events section at our website: **www.wiserwomen.org**.

To donate in support of WISER's 15th Anniversary

Send a check made out to WISER to:

WISER 15th Anniversary
1146 19th Street, NW
Suite 700
Washington, DC 20036

Or, visit our website to donate online: **www.wiserwomen.org**.

401(k) Fees

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previously obscure world of 401(k) plan fees and expenses. This is all good news, but it will require savers to master complicated new concepts and absorb more detailed data on their investments. The learning curve on all this new information may be steep, but employers and service providers can be expected to help out plan participants. In the end, the result should be that 401(k) savers will gain new tools and knowledge to help them insure that their savings grow appropriately to meet their needs for income in retirement.

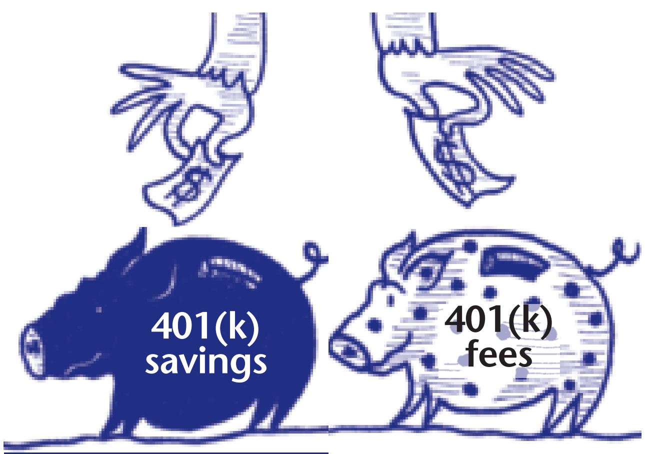

Illustration by Margaret Scott

Endnote

1 The full report is available at http://assets.aarp.org/rgcenter/econ/401k-fees-awareness-11.pdf.

AARP has created the 401(k) Fee calculator and an information video to help raise awareness of the effect of fees on savings. The AARP fee calculator is available to registered users at https://login.aarp.org/online-community/loginform.action and the video can be seen at http://www.youtube.com/watch?v=m90cMLUvF4w.

Did You Know?

The median 401(k) plan balance at the end of 2010 was $24,680.

Beware! Financial Abuse Via Power of Attorney

One of the fastest growing forms of elder financial abuse is the abuse of the durable financial Power of Attorney tool.

What is a Durable Power of Attorney for Finances?

It is a legal document and agreement between two parties that allows a person (the principal) to appoint someone to act on their behalf (the agent) and handle their finances or business operations. In the case of the elderly, this document is often used when the person is becoming mentally incapacitated. Typically the agent pays bills, deposits checks, invests money and acts on specified financial or business issues. The agent is required to manage financial transactions in the best interests of the principal, avoid conflicts of interest and keep the principal's property separate.

Do You Need a Financial Power of Attorney?

A durable financial power of attorney is an important tool to protect your financial assets or business operations if you are incapacitated. It provides the peace of mind that someone will protect your assets and provide for your ongoing support and care. Just about everyone can benefit from having a durable financial power of attorney.

What are the Risks?

The position of trust is abused and assets are stolen or misused. The incapacitated person is put at risk of impoverishment because assets meant for their care and support have been misappropriated.

Incidences of abuse are increasing at an alarming rate. Fear, isolation and mental incapacity all contribute to the inability of the elderly person to take action when their assets are misused. Unfortunately, this sharp increase in power of attorney abuse cases has resulted in increasing barriers to its use. Fearing fraud and lawsuits, some banks and financial institutions are refusing to honor the agreements.

What You Can Do

Experts advise that careful planning and taking the following steps can help you protect yourself:

- **Give careful thought to the person you name as your agent,** who must be someone you trust. A close family member may not necessarily be the best choice.
- **Set the agreement up when you are in good health**. Doing so will avoid challenges that you were not of sound mind.
- **Get help from a lawyer** and be specific as to which powers you intend to give to another person. Ask the lawyer to keep the original document.
- **Decide what type of agreement you want.** A durable power of attorney takes effect immediately and remains in effect after the principal becomes incapacitated. A springing power of attorney is an agreement that takes effect at a later specified date or event, such as a time of physical or mental incapacity and requires a physician to decide that you are no longer capable of making financial decisions.

Having more than one set of eyes on large transactions reduces the likelihood of abuse.

- **Review and sign the agreement every six months in the presence of witnesses**. Some banks will not honor agreements over 6 months old.
- **Use Specific forms.** Check with your banks and brokerage firms to see if they have their own forms that they use. Using their own forms creates a greater level of comfort with the institutions.
- **Limit the powers you grant to the agent.**
- **Give an outside monitor oversight authority over your agent.** Or give your agent check writing authority up to a certain amount, but for larger amounts, require another person's approval. Having more than one set of eyes on large transactions reduces the likelihood of abuse.
- **Consider what should be done if the agent you name dies or is incapacitated** after you are no longer able to execute a new power of attorney.
- **Make sure you have a will.** The durable power of attorney ends when you die. Your agent is not permitted to dispose of your property or make or pay for funeral arrangements. You will need an executor of a will for those tasks.

If you suspect that someone is being abused financially, see the National Center for Elder Abuse's website for tips on detecting and reporting abuse. **http://www.ncea.aoa.gov**

Where's WISER?

WISER seeks to educate women about their unique financial challenges and inspire them to take action towards planning for retirement. Our work, however, goes beyond our fact sheets, newsletters and publications. Over the last several months, WISER has been featured in numerous news outlets, including: *The Wall Street Journal*, "Retirement: Women at Risk"; CNBC, "7 Tips to Improve Women's Retirement Prospects"; NBC News, "Lifetime Income: A Great Mother's Day Gift"; and *Forbes*, "Retirement Planning and Its Challenges for Women."

In addition to outreach through the press, WISER also presents in workshops and at events around the country, largely through our National Education and Resource Center on Women and Retirement Planning. Recent events include the American Society on Aging's *Aging in America* Conference in San Francisco, CA; Northern Virginia Urban League in Alexandria, VA; Home and Community Based Services Conference in Washington, DC; and the Mid-America Institute on Aging Conference in Evansville, IN.

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: Latest tools and calculators, Changes to Medicare and Social Security

WISERWoman

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First Class POSTAGE

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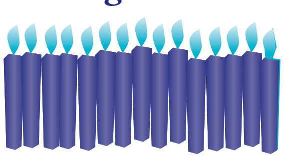

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