WISERWoman

Winter 2010

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

Are You Sure About Your Life Insurance?

Whether through illness, accident or age, the difficulty of losing a spouse is a profound life experience. It affects all of us through the experiences of our mothers, aunts and friends. While we know that life goes on *after* the loss of a spouse, the financial impact can continue for a lifetime. In a recent study, MetLife found that five to seven years after a loss, more than a third of survivors say they remain financially vulnerable. The reason stems from having too little—or even no—life insurance protection.

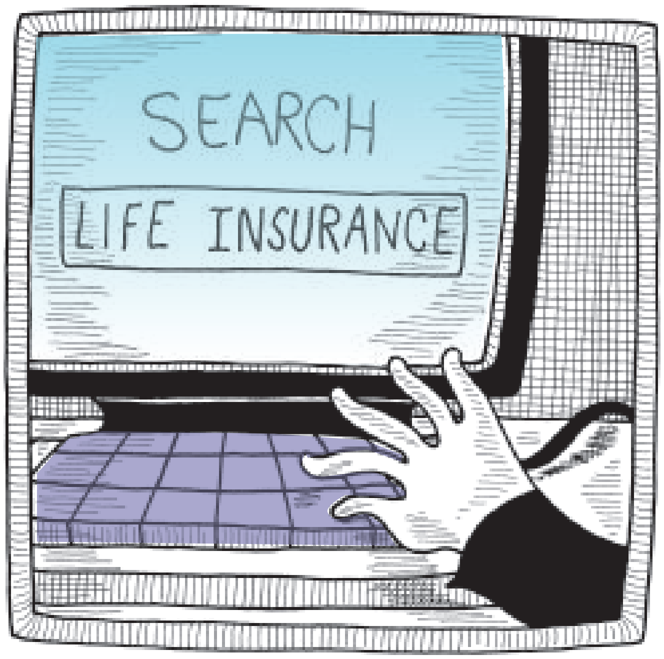


Illustration by Margaret Scott

Anna Marie McMillin knows all of this firsthand. She lost her husband when he was just 49 years old. They barely had enough life insurance to pay for the funeral. "It was devastating to lose him so young," says Anna Marie, "But at 67, I still feel the pain financially." Anna Marie lives on her surviving spouse Social Security benefits and the money her daughters send her when they have some to spare.

Consider what would happen to you financially if you unexpectedly lost your spouse. Even if you contribute substantially to the family earnings, a loss of one of the incomes can be devastating. Now turn this around—what would happen if you died unexpectedly? Can your family survive financially without you?

The purpose of life insurance is to replace income. The goal is to allow the surviving family to maintain their current lifestyle. How much is enough? Some financial advisors say five to ten years of salary may be an appropriate target, while others say 20 years. Each person's circumstances vary, so there is no easy answer. Consider your outstanding debt and your family's ability to pay it off with one less income. Think about how long your kids will remain dependent. Finally, talk to a reputable licensed professional who can walk you through all the considerations. There is a real need for women to take action; another MetLife study revealed that, although women express more concern than men about their family's financial security after their death (66% vs. 52%), they consistently have lower life insurance coverage than their male counterparts. Educating yourself and your spouse about the coverage options to determine the best policy for your family's situation is an essential step in securing financial security for life.

The Basic Types

Life insurance comes in two types: *term* and *permanent*. **Term life insurance** provides coverage for a certain number of years (hence the word "term"). You can buy a policy that lasts 1 year or up to 30 years. The sole purpose of a term policy is to pay money to your beneficiaries if you die while you are under the policy.

Taking out a term life insurance policy requires a medical exam. When the term is up, you may be able to extend your policy, but you will probably have to undergo another medical exam. The older you are, the higher term life insurance premiums are, so your rate will increase when you renew. If you cannot afford permanent insurance, it is wise to buy at least some term insurance because it may be possible to convert that term insurance to permanent coverage later.

Life Insurance *continued on page 4*

From WISER's President

Lately, there has been a growing recognition of the need to prepare for the unexpected. The economy's current state may not allow you to put *retirement planning* on your list of financial priorities, but taking advantage of employer-sponsored benefits should definitely be right up there. We have heard recent stories about young, financially stable families thrown into poverty after the death of a spouse. The stories center around families who could have had adequate life insurance through their employers but either they did not sign up or signed up for a minimal amount. Since it is that taxing time of year, while you are focused on your financial records for tax filing season, make a commitment to know what you have and make sure you are taking advantage of what is already available to you.

Cindy Hounsell

Published by WISER.

WISER®

WOMENS INSTITUTE FOR A SECURE RETIREMENT

The Women's Institute for a Secure Retirement
Cindy Hounsell, President
1146 19th Street, NW, Suite 700
Washington, DC 20036
info@wiserwomen.org • www.wiserwomen.org

Newsletter contributors: Kristen Arnold, Ashley Mannes, Lara Hinz, and Kathy Stokes.

Design and layout: *amp&rsand* graphic design, llc.

Newsletter subscriptions are available for $15. To subscribe, send your name, address, and a check to the address above.

New Treasury Rule to Protect Seniors' Benefits

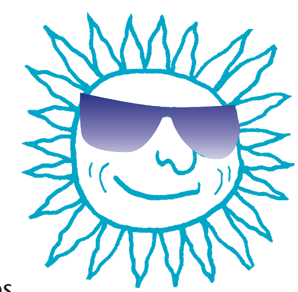
National Education & Resource Center on Women & Retirement Planning

By law, seniors' Social Security, VA and other federal pension funds are supposed to be protected from being seized by creditors; but more and more, banks have been ignoring the law and garnishing these benefits. Seniors unknowingly overdraw accounts and bounce checks, which has been leading to unnecessary fees. New rules from the Treasury are expected to help with this problem by making it mandatory for banks that receive garnishment orders to check the account to see if the individual has received direct deposit from Social Security or veterans benefits in the last 45 days. If they have, the bank must work to protect those funds, which often will mean ceasing to freeze an account.

Have You Been Denied COBRA Premium Reduction? Contact the DOL

As a part of the American Recovery and Reinvestment Act of 2009, you may be able to retain your employer-based health coverage even if you have lost your job. If you requested these benefits but have been denied, you may send an application to the Department of Labor at **www.askebsa.dol.gov/COBRA**/ and they will review your denial. To complete the application, you should have the following: COBRA election notice, information on your plan's sponsor and insurance company, employer, insurance card, pay stubs that exhibit deductions for health benefits, and papers illustrating your or a family member's termination. See WISER's website for more information on COBRA. **www.wiserwomen.org**

Staying Warm – LIHEAP Grants Given to States



The U.S. Department of Health and Human Services gave $1.2 billion to states under LIHEAP (Low-Income Home Energy Assistance Program). This program helps low-income individuals and families to heat their homes during the winter and cool them in the summer. This is especially important for families at a time when many are unemployed and experiencing financial strains. LIHEAP currently helps over six million homes with their energy expenses. You can call the NEAR (National Energy Assistance Referral) office at **1-866-674-6327**, or contact your local LIHEAP agency, which can be found online at **http://www.acf.hhs.gov/programs/ocs/liheap/grantees/states.html**.

New Feature to Social Security's Online Calculator

Individuals enrolled in Medicare but not yet receiving Social Security benefits can use an online calculator to estimate their future Social Security benefits. A Medicare-only online estimator is set to be released next year. You can find this benefit calculator on the Social Security Administration's website at: **http://www.socialsecurity.gov/estimator/**.

Debts of Your Deceased Relative: Are You Responsible?

When a relative dies, family members are not likely to be thinking about who is responsible for outstanding debts. Being aware of actions that you can take can make the process easier. The Federal Trade Commission asserts that surviving relatives are not legally obligated to pay debts, unless the deceased was your spouse. Even then, you might not be legally obligated, and you should consider contacting an attorney.

Surviving relatives are not legally obligated to pay debts, unless the deceased was your spouse. Even then, you might not be legally obligated… consider contacting an attorney.

If a debt collector contacts you about a relative's debts, you should provide the information for your relative's personal representative. Be sure not to give out personal information to anyone who contacts you, as this could be a scam and an attempt to steal your identity.

If the debt collector continues to contact you, you can write a "cease and desist" letter requesting that they stop. Make a copy of the letter, and get a "return receipt" so you know when the collector receives it. Now the collector can only legally contact you to tell you there will be no more contact, or to tell you about an action that will be taken, such as filing a lawsuit.

Debt collectors are not legally allowed to release information about a relative's debt to anyone other than the deceased's spouse, or a parent or a guardian if the deceased is a minor. They are also prohibited from harassing you or lying in attempts to collect their debts. If you think the debt collector has broken the law, consult an attorney.

Federal Trade Commission Sources:

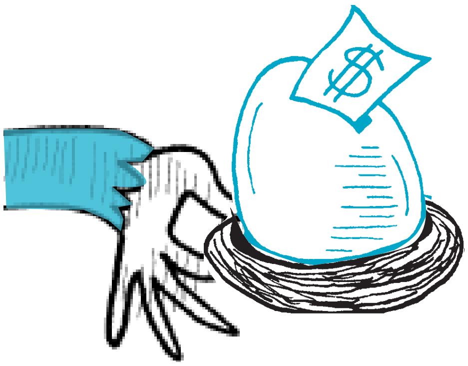
- Facts for Consumers: "Debt Collection FAQs: A Guide for Consumers," *Focus on Credit*. Feb 2009.
- "Paying the Debts of a Deceased Relative: Who Is Responsible?" *Consumer Alert*. June 2009.

Choosing a Life Insurance Beneficiary

The process of choosing a beneficiary can be overwhelming. Here are some helpful tips to aid you in making this personal decision.

First, consider who currently relies on you for their financial needs. Generally, children should be first when choosing a primary beneficiary. They will need support for their everyday needs as they grow older, along with educational expenses.

Next, consider your spouse or partner, who would become responsible for the mortgage, car payment, or other financial commitments. By naming your partner, he/she will have the means to provide for both your family and any fiscal responsibilities you leave behind. Also consider parents or other family members you currently provide for as potential future beneficiaries. These individuals can be provided for by naming them as secondary beneficiaries to your children or spouse.



An important trap to avoid is not naming a beneficiary at all, which can cause legal complications or create unexpected tax bills, leaving loved ones high and dry. Additionally, it is important to keep records updated if anything changes in your life, such as a divorce, death or any future developments. Also, young children as beneficiaries will receive the full proceeds at 18 or 21. Therefore, if you are uncomfortable with how they may spend this money at that age you may want to look into alternative means of parsing out the benefits over time. These traps can be tricky, but by thinking ahead and working with a company or lawyer you trust you can avoid them.

Assigning a beneficiary is a very important part of financial planning. Be very clear: include their Social Security number and relation to you in addition to the amount you wish to allocate. This is a wonderful time to be generous with your wealth and to take care of those you love, so do it!

Life Insurance

continued from page 1

Permanent insurance is also called “whole life,” “universal life” or “cash value” insurance. This product is life insurance with an investment feature attached. When you pay premiums, part of the payment goes to provide life insurance death benefits and part goes to build up the cash value of the policy. The cash value of the policy grows on a tax-deferred basis. You can borrow against it, but be sure to understand the terms of the loan. Permanent coverage can also be combined with term insurance to provide more coverage during financially significant periods.

What type of insurance is right for you? As with all financial matters, it depends. Consider talking to at least two reputable professionals and ask around for referrals.

Check with Your Employer

Many employers offer group life insurance policies as part of their benefits package. Find out if it is available to you or your spouse. It is generally less expensive when buying under a group plan. Group plans are administered through a payroll deduction, making it convenient to pay for coverage. Keep in mind that life insurance costs more as you get older, and some people with serious health problems may not be able to buy it. Another thing to keep in mind is if you choose to pay insurance premiums monthly or quarterly, your premiums will be more expensive than if you choose to pay them annually. Finally, as expert Bob Sullivan states, “Insurance isn’t an investment vehicle either. Leave retirement savings to your retirement account, and use life insurance as…life insurance.”

> *“Insurance isn’t an investment vehicle either. Leave retirement savings to your retirement account, and use life insurance as… life insurance.”*

Think about how much money your family would need to afford everyday expenses and save for things like college and retirement. Inflation will require your family to have more money later to pay for the same everyday expenses you consume now. A common rule of thumb is to use multiples of your income, depending on how old you are to determine how much life insurance you should purchase. For example, a 55 year old earner should have around 10 times her annual salary, and a 45 year old worker should have around 15 times as much. Younger employees need much more: If an employee is 25 years old, she should have around 25 times her annual income in life insurance.

Review your life insurance needs at major life stages, such as when you have children or change jobs. If you get divorced, you may want to change the beneficiaries of your policy or consider legally requiring your ex to have a policy that benefits you and your children. If you or your spouse carry no life insurance or too little, your family is at financial risk.

A great life insurance needs calculator can be found at **http://www.lifehappens.org/life-insurance/life-calculator**.

The chart below shows the amount of money you would need to receive today in order to replace a lifetime of earned income.

	Annual Income		
Age	**$25,000**	**$50,000**	**$100,000**
30	$619,030	$1,152,684	$2,219,951
35	$542,769	$1,010,680	$1,946,472
40	$462,771	$861,719	$1,659,593
45	$378,854	$705,460	$1,358,654
50	$290,826	$541,544	$1,042,965
55	$198,482	$369,590	$711,806

Source: MetLife. “What to Look For in Life Insurance.” Life Advice. 2009.

Did You Know?

If you are single with no dependents, you probably do not need life insurance.

LEGISLATIVE UPDATE

S 1963: the Caregivers and Veterans Omnibus Health Services Act of 2009

This bill will provide assistance to caregivers of veterans who were seriously wounded after September 11, 2001. This assistance takes the form of a monthly stipend for the caregivers, travel benefits for traveling to the Veterans Affairs (VA) facility, education/counseling, and oversight by the VA of caregivers during their home visits. In addition, caregivers of seriously injured veterans will receive medical care from the VA if they do not have another health plan. It would also authorize the VA to contract for a national survey of family caregivers of seriously disabled veterans, in an attempt to gain more data and insight into the situations of these caregivers.

Victory for Caregivers!

Over 63 governments in 22 states have passed laws that make it illegal to discriminate against caregivers at work because of their obligations at home. Successful lawsuits have shown that discrimination by employers against their caregiver employees is costly and is quickly making employers aware of the protective laws. In these governments, family responsibility is treated like age, sex, race and religion, offering needed protection for individuals who work while caring for a family member. "Caregivers As a Protected Class?: The Growth of State and Local Laws Prohibiting Family Responsibilities and Discrimination," a study by UC Hastings College of Law, lists the governments with protection for caregivers and goes into detail about the legislation. It can be found at: **http://www.worklifelaw.org/pubs/LocalFRDLawsReport.pdf**

Portrait of Today's Family Caregiver

The National Alliance for Caregiving's 2009 Survey provides a comprehensive look at who caregivers are today and how they are affected by these roles. In the past year, an estimated 65.7 million individuals have provided unpaid family caregiving. Sixty-six percent of these caregivers are female, who are 48 years old on average. They have been providing care for an average of almost five years, for over 20 hours per week, which illustrates caregiving's significance.

The caregivers spend much of their time helping their family members perform Activities of Daily Living (ADLs), such as getting in and out of bed, getting dressed and other basic but essential tasks. This difficult work sometimes necessitates the help of other caregivers: over half said that one or more other unpaid caregivers also helped their care recipient. It is no surprise that the use of paid care is directly related to the caregiver's household income.

> *Almost 60 percent of caregivers believe a caregiver tax credit of $3,000 is the best assistance they could receive from the federal government.*

Caregiving affects almost every aspect of life. Physical and emotional effects of caregiving were acknowledged in this survey. The longer the caregiver has been providing care, the more likely (s)he is to be in poor health. Furthermore, women are more likely than men to feel high stress from providing care. Two-thirds of caregivers reported having gone to work late, left early, or taken time off.

The survey also asks caregivers in what areas they need assistance. The demand for caregiving information in general, care recipient safety, and easy activities to do with their care recipient has increased since the last survey in 2004. Almost 60 percent of caregivers believe a caregiver tax credit of $3,000 is the best assistance they could receive from the federal government. The next most popular policy would be a voucher program to receive the minimum wage for some of their caregiving hours. Clearly, caregiving strains the budgets and time of caregivers, and national policy could help to alleviate those strains.

WISER's website provides fact sheets and links to great resources for caregivers and their families. Visit **www.wiserwomen .org**

Source: "Caregiving in the U.S." National Alliance for Caregiving, 2009 funded by the MetLife Foundation. See the Pdf, available at **www.caregiving.org**.

Medicare Now Made Easier

Medicare has made some changes to help many seniors meet their health and wealth resolutions. Federal adjustments to both the Medicare Savings Programs (MSP) and Medicare's Low Income Subsidy ("Extra Help") mean greater eligibility for older adults to obtain financial assistance with their prescription drug coverage.

Seniors can learn more about the programs they may qualify for by filling out the BenefitsCheckUp online application found at **www.benefitscheckup.org**. By using this updated Medicare Rx Extra Help application, seniors can quickly and easily file their application online, saving them a trip to their state office. Additionally, the new 2010 asset limit for MSP has increased to the same level as the Extra Help subsidy ($6,600 per single and $9,910 per couple) meaning you may now qualify for both programs. It is important to update your application sooner rather than later as your eligibility may have changed between 2009 and now.

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:

- **Cash Investments, T-Bills, Money Market Accounts**

WISERWoman

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

1146 19th Street, NW
Suite 700
Washington, DC 20036

First Class POSTAGE

BUG