

WISER Nurse

A NEWSLETTER FROM THE WOMEN'S INSTITUTE FOR A SECURE RETIREMENT
and the CENTER FOR AMERICAN NURSES

NURSES' INVESTOR EDUCATION PROJECT

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The CARD* Act of 2009 What the Legislation Could Mean for Your Credit Right Now

The Credit Card Accountability, Responsibility, and Disclosure Act* takes effect in January 2010, nine months after its signing date. But, there are issues to pay attention to now before CARD starts its protections. If you have one or more credit cards, you will most likely be affected by changes resulting from the new law.

What to watch out for before CARD takes effect:

Many credit card companies are changing their rules right now to get ahead of the restrictions and requirements that will take effect. Be sure to read carefully any mailings or inserts that come with your bill so that you are not surprised by an additional charge or fee.

Issues to look out for before January 2010:

- ☒ **Increased interest rates on your old accounts.**
- ☒ **Increased interest rates for purchases on any new accounts.**
- ☒ **Cancellation of your cards or slowing of credit limit increases.** Credit card issuers assert that the changes in the law will prevent them from distinguishing between risky and non-risky borrowers. As a result, they may be less willing to lend. You also might not be able to borrow as much as you used to, or have a freeze put on your card.
- ☒ **Reduced or eliminated reward programs.** The gift cards, airline miles, charitable donations, and other "bonuses" you earn by using your card will most likely change. Many of these programs may be eliminated.

Unlike the days when two-year olds were receiving credit card offers, the new requirements will make it more difficult



Illustration by Margaret Scott

for consumers to establish credit. The number of consumers offered credit cards will decline and that will make it more difficult, especially for applicants aged 18-20 to open new credit accounts.

What will the CARD Act do for you as a consumer after it takes affect:

- ☒ **Restricts all interest rate increases during the first year.** Credit card companies must provide at least 45 days notice of interest rate increases on future purchases.
- ☒ **Restricts interest rate increases on existing balances.**

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Your existing balances will generally be protected from interest rate increases.

- ☒ **Limits fees and penalty interest.** If the interest rate goes up because you have not made the minimum payment within 60 days after the due date, the rate must go back to the original lower rate if you make on-time minimum payments for six months.
- ☒ **Requires issuers to review your ability to pay before raising your rate limits or issuing you a new card.**
- ☒ **Requires “sensible” due dates and time to pay.** Bills must be sent to you no later than 21 days before the due date, and payment must

be credited as on-time if it is received by 5 P.M. on the due date.

- ☒ **Requires further disclosure.** The card issuer must tell you how long it would take to pay off a credit card balance if you make only the minimum payment each month, and what the total cost in interest and principal payments would be if you make only the minimum payment each month.
- ☒ **Protects young consumers.** Credit cards cannot be issued to those under age 21 unless they have an adult co-signer or can show proof that they have the income or means to repay the debt.

- ☒ **Establishes gift card protections.** Gift cards must remain active for at least five years from the day of their activation.

Be a careful consumer. CARD provides many useful protections for consumers of credit; but many changes can be made by the credit card company before the law takes effect. In the end, you are responsible for what happens to your credit now and in the future. You sign the credit card agreement; so, it is important that you **read and understand what you have signed up for—especially before January 2010.** ☒

Muni Bond Checklist

Municipal bonds, or “munis,” are securities that states, cities, and other government entities issue. They typically raise money for public projects, like building roads and schools. As with all bonds, investors lend money to the issuer. In return, investors receive interest payments (typically twice a year), and repayment of their principal on a specific date.

Here are guidelines, excerpted from a more comprehensive checklist available on FINRA’s website – the nation’s largest independent regulator for all securities firms.

- ✓ Find out if the bond is a “general obligation” bond or a “revenue” bond.
- ✓ Read the Official Statement.
- ✓ Check out the bond’s credit rating and the issuer’s creditworthiness.
- ✓ Understand how the issuer will pay out interest. Most muni bonds pay semiannually, but some pay all interest at maturity.
- ✓ Understand the bond’s tax implications before you buy.
- ✓ Know the bond’s “call provisions”.

For the full checklist, go to: <http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/Bonds/P118925>.

New Online Tool from AARP Can Save Money on Prescription Drugs

Each year, millions of older Americans fall into the “doughnut hole”— a coverage gap in Medicare’s prescription drug plan that leaves individuals responsible for their drug cost payments while still paying their premiums.



To help avoid falling into this gap, AARP has launched the **Doughnut Hole Calculator.**

The calculator includes the same data used by the Medicare Prescription Drug Plan Finder to ensure that users are getting the most accurate and up-to-date drug pricing information available. The Doughnut Hole Calculator is available at www.aarp.org/doughnuthole.

Targeting Retirement with Target Date Funds

Target date funds are supposed to be “set it and forget it” mutual funds. A target date fund invests with the aim of a specific retirement year in mind. The investment mix depends on how many years between now and the date named in the target retirement fund. A target 2020 fund, for example, contains investments appropriate for people who plan to retire in or around the year 2020.

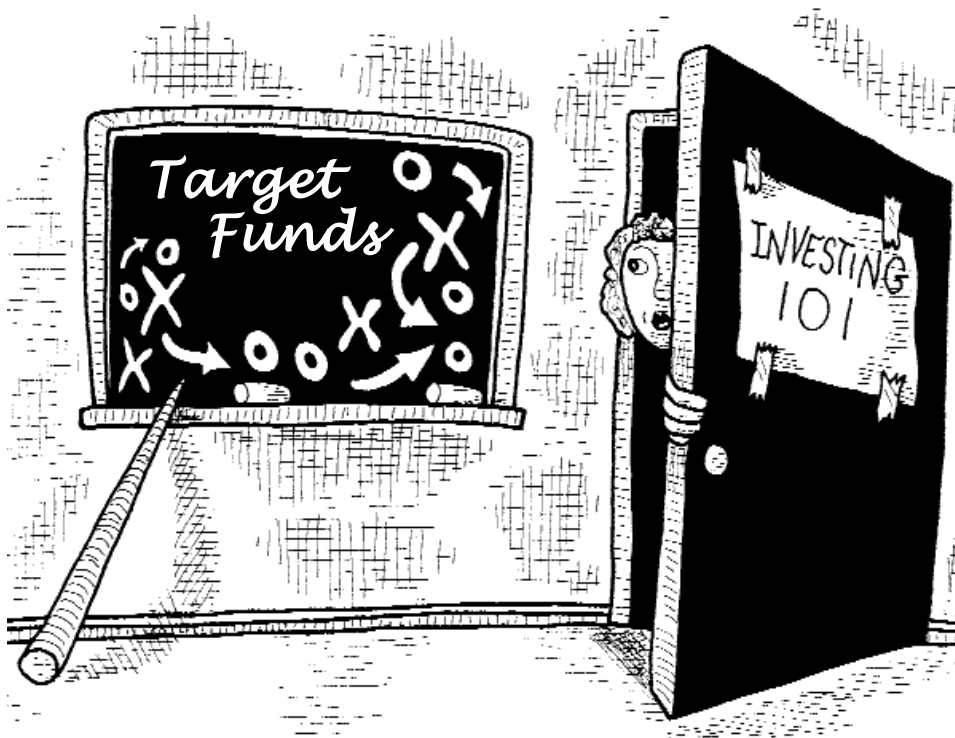
Target date funds intend to provide “risk appropriate” management of your retirement investment. The funds move to more conservative, less risky investments as you approach your target retirement age.

Sounds great, right? Well, yes and no. The good news is that you can leave your money in a target date fund and it will manage the investment mix for you. The not so good news is that target date funds do not guarantee a particular rate of return or a specific date for retirement. Plus, no two funds are alike. Funds targeted for the same retirement date can have vastly different investment mixes and strategies.

Many workers who invest their savings in target date funds do not understand them very well. A recent study showed that almost 62% of respondents thought that they would be able to retire on the fund’s target date. Almost 38% believed the funds had a guaranteed rate of return. And almost one-third thought they could save less and still reach their retirement goals if they used target funds.¹

The market jolted many target date retirement fund investors last year. Some people in funds targeted for 2010 lost 40% of their investment practically overnight.

Regulators and legislators have taken notice. They are considering ways to establish guidelines for target date funds. This attention is particularly important as more 401(k)-type plans use target date funds as default investments when employees are automatically enrolled in the plans.



A target date fund could be right for you if you do not have the time to manage your retirement investment, or you are not comfortable making investment decisions. Even though target date funds are supposed to be a simple solution to retirement investing, you still need to do some homework. Here are things to keep in mind:

- ❑ No two funds are alike, even when they target the same retirement date.
- ❑ Take the time to read about the investment mix and strategy. Compare it to your personal comfort with investment risk.
- ❑ Understand that a target date fund does not guarantee you will have the money you needed for retirement in the target year.
- ❑ Know that there is no guarantee you will be able to retire in the year your fund targets.

For more information about target date funds, see WISER’s fact sheet at www.wiserwomen.org ❑

¹ Survey conducted by Investnet Asset Management Inc. and Behavioral Research Associates LLC.

About the Nurses' Investor Education Project

Opportunities, Challenges, and Moving Forward

The Center for American Nurses and the Women's Institute for a Secure Retirement (WISER) have formed a retirement project partnership called the Nurses' Investor Education Project. It is a three-year project funded by a grant from the FINRA Investor Education Foundation.

The Nurses' Investor Education Project Goals:

- 1) Understanding nurses' financial knowledge with a special focus on their understanding of and preferences for investment education;
- 2) Changing nurses' investment behavior and planning; and
- 3) Creating investor education materials, activities, and a training program that will provide benefits beyond the conclusion of the project.

The Center for American Nurses, established in 2003, is a District of Columbia non-profit corporation.

NURSES' INVESTOR EDUCATION PROJECT

It offers tools, services, and strategies designed to make nurses their own best advocates in their practice environments. Through research, continuing education, and knowledge sharing among today's nursing community, the Center serves more than 44,000 nurses seeking to overcome workforce

challenges and realize opportunities.

The Women's Institute for a Secure Retirement (WISER), launched in 1996, is the only non-profit organization dedicated exclusively to providing education to improve the long-term financial quality of life for women. WISER is funded by both public and private grants, including eight years of grant funding from the U.S. Administration on Aging to develop financial education for minority and low-income women.

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