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WISERWoman

A QUARTERLY NEWSLETTER FROM THE WOMEN'S INSTITUTE FOR A SECURE RETIREMENT

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 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.

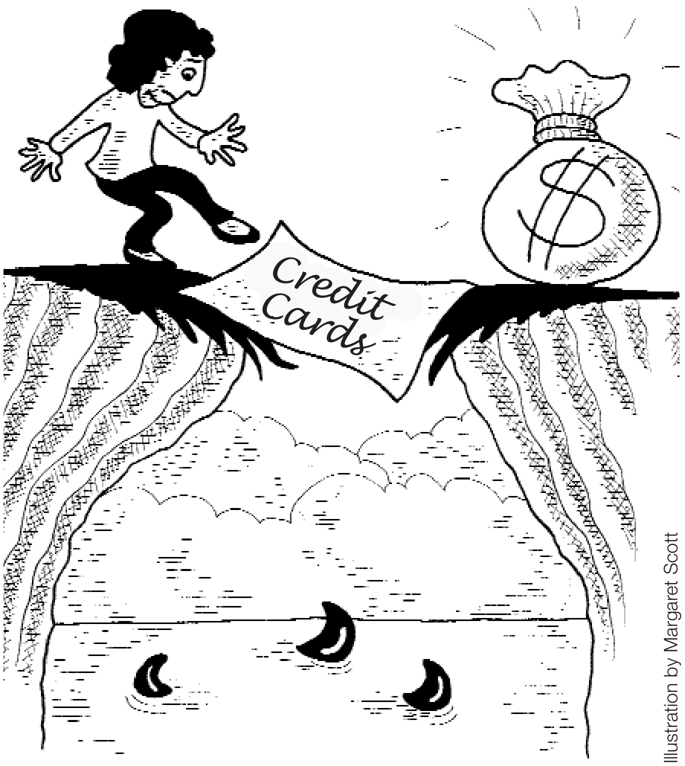

Illustration by Margaret Scott

*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.** 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.

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From WISER's President

Dear Readers,

Understanding and managing financial matters can be confusing and stressful. Changing legislation affecting everything from retirement benefits and healthcare, to mortgages and credit only adds to the challenge of creating a sound financial plan. With so much information and so many resources out there, it is easy to become overwhelmed. For many people, the response is to avoid these issues entirely. While the process can be confusing, the most important thing to remember is that it **must** be done. To protect our financial well-being, we all need to stay informed and seek out useful advice and resources. And WISER is here to help. Our goal is to provide simple, straight-forward information and resources that take the mystery out of financial issues. To find out more, visit our website at www.wiserwomen.org.

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Cracking Down on Medicare Fraud and What You Can Do to Help

National Education & Resource Center on Women & Retirement Planning

Medicare fraud costs taxpayers billions of dollars each year due to false claims and exaggerated medical bills. Medicare consumers are oftentimes unknowingly contributing to the problem through various goods and services that are charged on their behalf by fraudulent providers. Because Medicare claims are often paid without question, the system and its beneficiaries are especially vulnerable to fraud and abuse.

- ***Guard your Medicare number***
- ***Be suspicious of "Free" services***
- ***Check your Medicare statements***

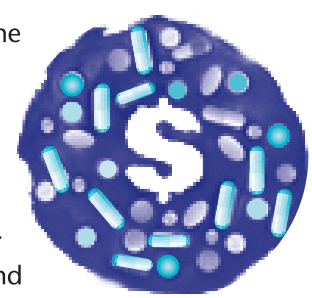
To crackdown on healthcare fraud, a nationwide network of volunteers called the Senior Medicare Patrol (SMP) is working to help Medicare and Medicaid beneficiaries identify deceptive healthcare practices. These practices include overbilling or providing unnecessary services.

The SMP program began in 1997 when the U.S. Administration on Aging launched demonstration projects to utilize the skills and experiences of older and retired citizens. These volunteers identify and report fraud and abuse in their communities. The program now has more 4,685 trained volunteers working in groups in all 50 states. Since its inception, it has recovered $4.5 million in Medicare funds.

To find out more about how to detect Medicare fraud, or to report suspected fraud or abuse, visit **www.smpresource.org**. The website also provides information on becoming a SMP volunteer in your community.

New Online Tool from AARP Can Help 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.

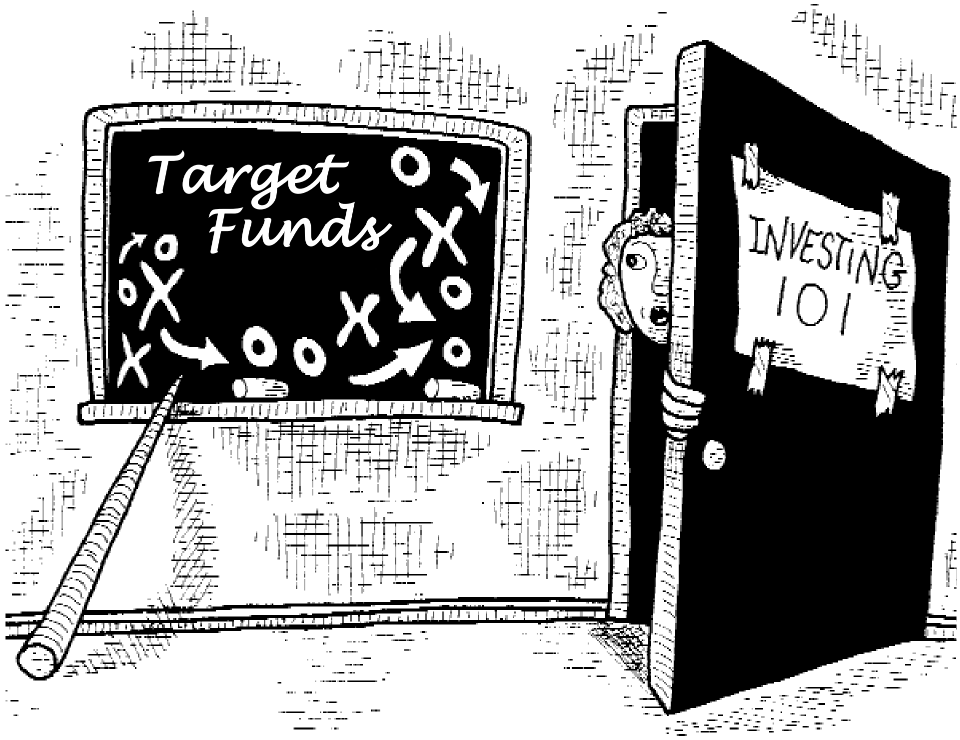


To help avoid falling into this gap, AARP has launched the **Doughnut Hole Calculator**. This tool guides visitors through their prescription drug options using localized information about their plans and prescriptions to determine if or when they will fall into the coverage gap. Visitors can view a graph of their out-of-pocket spending by month, look up lower cost drugs for their conditions, create a Personal Medication Record and print out personalized letters to their doctors to help start a conversation about safely switching prescriptions.

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 Envestnet Asset Management Inc. and Behavioral Research Associates LLC.*

LEGISLATIVE UPDATE: Benefits for Caregivers

Caregivers' Benefits

In addition to proposals that would make Social Security solvent for the long term, some policymakers are proposing that legislation to improve benefits should also be explored.

Improving benefits for women by recognizing caregiving.

If you have reduced your work from full-to part-time or left the workforce altogether to take care of a member of your family, that time out for caregiving can reduce your chances of saving for retirement, or qualifying to receive a benefit. It can also reduce your Social Security benefit amount.

Some legislative proposals to assist caregivers are directly related to Social Security; others approach the issue in other ways. Each proposal approaches the problem differently and each has a different cost attached.

Here are four caregiver assistance proposals currently being offered in Congress:

HR 769 Social Security Caregiver Credit Act of 2009 amends the Social Security Act to provide wage credits for up to five years of caring for a dependent relative 80 hours or more per month without pay. While there is no actual pay involved, five years of credits could significantly increase a caregiver's Social Security benefit amount.

HR 519 Elder Caregiver Support and Information Enhancement Act of 2009 amends the Older Americans Act to authorize additional appropriations for FY2010-FY2012 for the family caregiver support program.

HR 1192 Alzheimer's Family Assistance Act of 2009 amends the Internal Revenue Service Code to allow a tax credit for family caregivers of spouses and dependents who have long-term care needs. It also allows a tax deduction for long-term care insurance premiums and has some consumer protections for long-term care insurance contracts.

S 697 Community Living Assistance Services and Supports Act (CLASS) amends the Public Health Service Act to allow people with disabilities to pay for service and supports that they need. The legislation permits family members to be paid to provide those services and supports; thus giving the caregiver-service providers both pay and an opportunity to contribute to Social Security and potentially earn a higher benefit.

Caregiver benefits could greatly help women boost their retirement income. Today, the Social Security benefit only provides basic security. For the average single worker, the Social Security benefit is about $14,000 a year—an amount which provides only a modest foundation of support in retirement.

Credit Card Accountability

continued from page 1

- **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.

"In the end, you are responsible for what happens to your credit"

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 affect. 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.**

Straight Talk on Municipal Bonds

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.

Why munis?

A main reason investors turn to munis is their tax benefit. The interest on most munis is free from federal income tax. If you live in the municipality's geography, interest income may be free from city or state taxes, as well.

Investors also see munis as "safe." Defaults rarely occur. That said, today's economic climate is devastating the budgets of many state and local governments. It is important to do some homework before investing.

What to look for

Types

There are two types of munis – "general obligation" and "revenue" bonds. General obligation bonds are backed by the issuer's full faith and credit. The stronger the tax base of the issuer, the more credit worthy the bond.

Revenue bonds are backed by the revenue that a facility collects, such as a toll road. Sometimes, a specific tax backs a revenue bond. Their credit worthiness depends on the financial success of the project they support or the amounts that a specific tax raises.

Risk factors

Here are some risk factors muni investing carries:

Default risk – the risk that the issuer will not be able to pay the interest or repay the loan. Before investing, look into the issuer's financial condition. One way is to review the bond's "Official Statement." The Municipal Bond Standards Review Board now makes these statements available online. Among the information included in a statement is the issuer's "call provision" – under what circumstances the issuer can recall the bond prior to maturity.

Credit risk – the likelihood of possible default. Most munis have credit ratings offered by several agencies. Do not rely on credit ratings alone – as seen recently, the agencies do not always get it right.

Interest rate risk - the chance that market conditions will reduce the value of the bonds you hold. If you purchase a bond at a low interest rate and then new bonds come out at higher rates, you lose the opportunity to invest for higher returns. There are other angles to interest rate risk; "opportunity risk" is just one.

How to buy munis

You can buy munis through a broker. If you plan to rely on the broker for research, choose one with muni bond experience, and the skills to analyze credit quality. The minimum investment on most munis is $5,000.

Muni Bond Checklist

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.

For a comprehensive article on munis from FINRA, go to: http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/Bonds/P118923.

For access to official statements of municipal bonds, go to: http://www.emma.msrb.org/MarketActivity/RecentTrades.aspx.

Did You Know?

According to a recent study by Demos, credit card debt for consumers age 65 and older is rising faster than any other age group.

New Book Helps Younger Americans "Get A Financial Life!"

National Public Radio commentator, frequent television expert and WISER Board member, Beth Kobliner, has revised and updated her *New York Times* bestselling book to address the current economic recession. *Get A Financial Life: Personal Finance in Your Twenties and Thirties* offers fresh solutions and practical tools to help younger people take control of their financial futures. The book provides clear-cut information about all the pieces of the often times confusing economic puzzle—from debt and housing issues to banking, investing, taxes, and insurance.

"One of the best ways for women to ensure their lifelong economic security is to take proactive steps early in life towards understanding and managing finances and other assets," says WISER President Cindy Hounsell. "Beth Kobliner's book is a great resource for developing long-term financial goals and a concrete plan to reach them."

★ ★ ★

Beth Kobliner will be featured on an upcoming PBS Special on personal finance for young people called ***Your Life, Your Money***, with Russell Simmons and "Scrubs" host Donald Faison. It airs nationally September 9th at 9pm.

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:

- **Life Insurance**

WISERWoman

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