

Five Questions to Ask Your Mother or Grandmother

Too often, older women live out their retirement years in precarious financial straits, trying to stretch modest incomes to meet the increasing costs of health care, housing and day-to-day expenses. Women's retirement income is, on average, significantly lower than men's, and women are more likely to be poor in their retirement years. Additionally, women outlive men, and as a result, are more likely to outlive their savings.

Women are the retirees who can least afford to make mistakes with their money and are most in need of financial advice and information both during their working years and their retirement years. While there is abundant financial advice for affluent women, women with modest incomes and savings often have difficulty finding sound advice both before and after retirement.

Whether your mother or grandmother is approaching retirement or is already retired, the chances are she is struggling with one or more of the issues discussed below. Give her a valuable gift. Ask her the following five questions; talk with her about her financial and health care needs; then, take advantage of some of the suggestions. Together you may find some solutions that will make both your lives better.

1. Can you make ends meet; are you worried about depleting all of your savings?

Many older people worry about whether they will outlive their savings and not have sufficient resources at the end of their lives. Before the growth of 401(k) plans, many employers provided a pension that lasted for a lifetime. Today, while some people are fortunate enough to have those types of pensions, many are left on their own to make investment decisions, take the risk, and answer the three big "what ifs" of retirement: What if I live too long; what if my investments lose money; and what if inflation eats into my investments?

- **Annuities.** Clearly, there is no magic formula and no one right answer. But for some women exploring the purchase of an annuity makes sense. An annuity can be purchased from an insurance company for a lump sum and certain types of annuities can guarantee a regular monthly payment for the rest of your mother's or grandmother's life. Some annuities are designed so their payments vary with the markets. Some annuities have cost-of-living adjustments (COLAs) built in and others do not. Most annuities end when you die, but some can be set up so you may designate a beneficiary. There are many different kinds of annuities with different features, so it is important to do your research or consult a financial planner about the risks and benefits before you decide to buy one. (For more about annuities, go to www.wiserwomen and find, "*Making You Money Last for a Lifetime.*")

- **Reverse Mortgage.** If your loved one owns her home, a reverse mortgage may be worth considering. A reverse mortgage is a way for someone age 62 or older to borrow against the equity in her home. It is a mortgage that gives the homeowner a loan either as a line of credit, a lump sum, or a series of monthly payments. It works in just the reverse of a conventional forward mortgage. With a reverse mortgage, each time the homeowner receives a payment, the equity in her home decreases and the debt increases.

The important point of a reverse mortgage is that as long as she lives in her home, the homeowner (your mother, for example) does not need to repay the reverse mortgage. The mortgage is repaid when she sells the home or dies. The estate can repay the reverse mortgage when the homeowner dies with the proceeds from the sale of the home or any other source of funds. Note: There are fees associated with reverse mortgages. Do your research and compare before you sign the papers. (For more information go to:

[http://www.aarp.org/money/personal/reverse_mortgages/.](http://www.aarp.org/money/personal/reverse_mortgages/))

2. Do you have a competent tax and financial advisor?

Especially in these trying and confusing economic times, good professional advice can be crucial to women before and after retirement to avoid the costly mistakes that rob them of the chances to maximize their savings and investments. Women with modest incomes and savings need a sound financial plan before retiring and a plan for making the best use of savings and assets after retirement. Mistakes are often made when facing issues that are unfamiliar and they can have important consequences. Examples might be where and how to invest savings, when to withdraw IRA funds or whether to choose survivor benefits on a spouse's pension.

A good financial planner can map out a plan and make sure that your family member understands all the benefits and risks of these and other important decisions. Suggest to your mother or grandmother that she ask around for recommendations for a planner from people she trusts. Perhaps you know someone she can talk with.

You may want to contact the National Association for Personal Financial Advisors (NAPFA) at: www.napfa.org or the Financial Planning Association at www.fpaforfinancialplanning.org. for some suggestions. It is important to interview several potential advisors before choosing one. Look for someone who is realistic, doesn't promise too much and asks how much risk the potential client is or is not comfortable with. Ask the planner how he or she gets paid. "Fee only" planners charge a flat hourly fee and do not receive commissions from products they recommend. Commission-based planners earn commissions on the investments they sell and may have a bias.

3. Are you struggling with prescription drug costs?

It is not unusual for an older woman to have thousands of dollars in annual prescription drug costs. Health care expenses are a major cause of depleted financial resources for older women as well as a cause of ill health because people put off getting medical care. Every day there are older people who are choosing between their medicine or other health care expenses and food or rent.

- **Medicare Part D.** Medicare Part D offers coverage for a portion of a senior's prescription drug costs, but even with this coverage, there can be significant out-of-pocket costs. Enrolling in Part D of Medicare is optional and seniors with other choices should weigh the pros and cons of each option and choose carefully. (Some of the Medicare Part C plans, called Medicare Advantage, and some of the HMOs that take Medicare patients have prescription drug coverage.) Private companies administer Part D plans and seniors who opt for this coverage pay a deductible, premiums, and co-payments. Total costs vary by plan. Each of the private plans decides which drugs they will cover, and may make changes within 60 days notice. Seniors are permitted to change plans only once a year.

Medicare Part D also provides extra help with the Low Income Subsidy (LIS), for beneficiaries with low income and assets. If your mother or grandmother is 65, not currently married or not living with a spouse and her savings, investments, and real estate are not worth more than \$12,510 she may be eligible. If she is married and living with her spouse the limit is \$25,000. The level of assistance will vary depending on your loved one's financial status. (Note: not counted in the dollar limits are the home she lives in, her care, personal possessions, burial plots or irrevocable burial contracts.)

If your loved is covered under Medicaid, her prescription drug coverage will still come from Medicare. Note: Some drugs that aren't covered by Medicare may still be covered by Medicaid.

- **State Drug Assistance Plans.** Some states offer help with paying drug plan premiums and/or other drug costs. You can find out if your State has a program by visiting the Department of Health and Human Services (HHS) [State Pharmaceutical Assistance program](#) site at: www.medicare.gov/spap.asp.
- **HMOs.** You may want to suggest that your family member consider investigating whether there is a high quality HMO or managed care plan in her area that accepts Medicare patients. Medicare pays for managed care and HMO coverage and sometimes HMOs include prescription drug benefits. Note: Do not assume that because the provider is an HMO that it has prescription drug coverage. Be sure to check.

- **Pharmaceutical Company Assistance Plans.** Many of the major drug manufacturers offer assistance programs to people enrolled in Medicare Part D. You can find out whether a Patient Assistance Program is offered by the manufacturers of the drugs your mother or grandmother take by going to the HHS [Pharmaceutical Assistance Program](http://www.medicare.gov/pap/index.asp) site at: www.medicare.gov/pap/index.asp.
- **National and Community-Based Charitable Programs.** National and community-based charitable programs (such as the National Patient Advocate Foundation or the National Organization for Rare Disorders) may have programs that can help your loved one with her prescription drug costs. Information on programs in your area is available on the HHS [Benefits Checkup](#) website.

For more consumer information on Medicare prescription drug coverage, state, and private prescription drug plans go to: www.medicare.gov.

4. Are you getting all the medical care you need?

In addition to the burden of prescription drug coverage, many women are skipping important preventive or other medically necessary care because they can't afford the out-of-pocket costs in Medicare. If your mother or grandmother is not receiving all the care she needs including regular check-ups, she is jeopardizing her health. Medicare does covers a range of preventive services such as pap smears, mammograms and colorectal screening. For more information about what is covered, go to the National Council on the Aging sponsored website at www.mymedicarematters.org.

If your loved one has very low or no income and assets, you can investigate the Medicaid option or find out if private insurance is feasible. You can also ask her if she'd consider joining an HMO. Finally, call your local Area Agency on Aging and ask for suggestions. You can locate the Area Agency nearest you by going to: www.n4a.org.

A website maintained by the National Council on Aging provides a free, confidential on-line tool that screens individuals for a variety of federal, state and local programs that can provide significant benefits or aid to seniors in need of help. Getting help in one area may free up dollars for needed health care services. Go to www.ncoa.org and click on *Benefits for Seniors*, then click on *Benefits Check Up*.

If your mother or grandmother is already receiving Medicare Parts A or B, private Medigap insurance may also help her afford her medical care. Generally, it is best to buy medigap policies during the open enrollment period - the 6 month time period after enrollment in Medicare Part B. During this time, a person can't be denied insurance or charged more because of health conditions. Policies are guaranteed to be renewable as long the premiums are paid on time so the coverage does not lapse. If a medigap policy is purchased after the open enrollment period ends, insurance companies can use medical underwriting to decide whether to accept your mother and also how much to charge.

Investigate all the options at: <http://www.medicare.gov/medigap/default.asp> or by calling Medicare at 1-800-MEDICARE (1-877-486-2048 for TTY users) and requesting information about medigap plans.

5. Have you been approached to get involved in charitable contributions, investment schemes, business ventures or loans that seem questionable?

Incidents of fraud and other kinds of financial abuse perpetrated against the unsuspecting elderly are common. It is tragic to see a senior's hard earned savings or home lost through fraud, theft or predatory loans. Ask your mother or grandmother to wait and carefully examine all products and services marketed to her, and requests for charitable contributions as well as loans and investments. It can be very helpful to consult a third party before signing anything or giving anyone money. Possible sources of third party advice might be the Better Business Bureau, a reputable financial advisor, or a charities watchdog agency such as the Better Business Bureau's Wise Giving alliance, www.give.org or Charity Navigator at www.charitynavigator.org.

Warning signs of scams include fast talking telemarketers that pressure individuals to sign-up for services, give personal information over the phone, or promise gifts if she signs up right away for product or services.

"Pigeon Drop" scams occur when a con artist claims to be willing to split found money with a person if she will make a "good faith" payment by withdrawing funds from her bank account.

"The Fake Accident Ploy" gets the elderly person to withdraw money on the pretext that the elder's child or another relative is in the hospital and needs the money.

Remind your loved one never to give personal or financial information over the phone, particularly bank or credit card numbers and Social Security numbers.

Predatory lenders often reach low-income and minority neighborhoods through aggressive marketing. They make false promises about easy access to credit and low payments to pay for home repairs or consolidate debt.

Warning signs of a predatory loan include high pressure or misleading sales efforts; excessive fees and interest rates; excessive origination fees; large prepayment penalties that trap borrowers in an unaffordable loan; balloon payments that are impossible to repay and result in foreclosure; and loan flipping in which a loan is refinanced 2 or 3 times a year, adding new fees so the balance keeps rising.

Predatory lenders target neighborhoods through direct mail, signs in the neighborhood, telephone and door-to-door solicitations and flyers. Sometimes they use local home improvement companies to solicit business and either originate the loan or steer the customer to the predatory lender. The home improvements are often overpriced and poorly done.

The best protection against scam artists is to avoid acting immediately, thoroughly check out the businesses or individuals involved, ask lots of questions and read carefully before you sign. When in doubt, trust your instincts and don't risk doing business with a group or individual you don't feel confident in.