Summer/Fall 2012

WISERWoman

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

Money Market Funds: the good, the bad and the ugly (Not necessarily in that order)

When her grandmother died earlier this year, Kim received $25,000 from a life insurance policy. Kim did not expect to receive this gift and she never had this much money at one time, aside from what she has been able to save in her 401(k) account at work. But because of the low-interest rates being paid by banks, Kim was not sure where to park her money. After doing a little research on her own she decided to talk to a certified financial planner. Kim then decided that she would put her money in a money market mutual fund.

Money Market Funds hold $2.6 Trillion.

The good

A money market fund is also called a money market mutual fund or an MMF. It's a low-risk, low-return investment. Traditionally, with this kind of investment, the investor could be fairly confident that her money will be safe while it earned a small amount of interest. As a mutual fund, the federal government does not insure them, but these types of money market funds had long been considered one of the safest possible places to invest.

Money market funds have often been used as a convenient place to park large amounts of cash for a short time. Kim used it for an inheritance. Others may use it to hold money for an emergency fund or from a home sale until they buy their next one. People nearing or in retirement use money market funds, too. Most of these funds allow investors to write checks against them while earning interest. It usually takes just a few days to get money out.

Money market funds have been considered safe because they are made up of investments like certificates of deposit (CDs), government securities (like Treasury bills) and commercial paper.

However, MMFs usually carry management fees that include operating expenses that are explained in the fund's prospectus. While some financial service companies are now waiving the fees because of today's low interest rates, you generally have to check the financial companies' websites to keep up with the updates as some accounts may charge transaction fees or check-writing fees.

The ugly

But really, how safe are these funds? Some experts find reason to worry about them and they have recently been targeted in the financial news. You might remember what happened in 2008 to cast doubt on their safety. A run on one money market fund that got into trouble started a near panic so there were massive withdrawals at other funds. In just one week, investors withdrew $300 billion from money market funds, or 14% of total assets they held.

To stop the run, the federal government intervened with a temporary program. It guaranteed the funds, providing the same kind of protection found in regular bank accounts. But that guarantee program has now expired, and Congress has since passed a law stating the government can no longer intervene this way. They felt the risk to taxpayers was too great.

The bad

Some experts, including the Chair of the Securities and Exchange Commission (SEC), worry about these funds. The

Money Market Funds *continued on page 5*

From WISER's President

Dear Reader:

The story of women, work and retirement is complex. Research on how women are faring has led to renewed attention on women's financial security.

New Census Bureau data finds the most vulnerable group of women – single age 65 and older – has seen an increase in poverty.

What can women do about this trend? For starters, women need to pay close attention to their financial security and not assume that it will all just work out. It is not working out for millions of older women. Women have increased their labor force participation, are working at later ages, and their wages in proportion to men's have risen 15% since 1979.

But there is still a gender income gap, so women ultimately accumulate significantly less retirement wealth. Women need to start paying attention to their own needs and stop entrusting their financial well-being to chance. You simply can't afford it!

Cindy Hounsell

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National Education & Resource Center on Women & Retirement Planning

Information from the National Education & Resource Center on Women & Retirement Planning

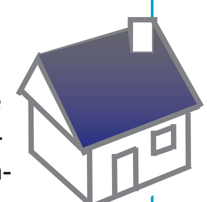
Confusion over COBRA, Medicare

There seems to be a lot of confusion these days over the connection between COBRA and Medicare – this confusion is causing some people to be hit with Medicare's late enrollment penalties. According to the Medicare Rights Center, your COBRA coverage usually ends on the date you enroll in Medicare. So, if you have COBRA and become Medicare-eligible you should enroll in Part B, while your spouse and dependents may keep COBRA coverage for up to 36 months. There is a rule that allows an enrollment exception for people with healthcare coverage through a current employer, but COBRA coverage would not count since that is a coverage offered after employment ends.

Compassionate Allowances – 52 New Conditions

The Social Security Administration recently announced 52 new Compassionate Allowance conditions to the Compassionate Allowances program. The program fast-tracks disability decisions to ensure that Americans with the most serious disabilities receive their benefit decisions in a timely manner. Most of the new allowances involve neurological disorders, cancers and rare diseases. For more information, visit **www.socialsecurity.gov/compassionateallowances**.

New Tool for Managing the Equity in Your Home



The National Council on Aging recently launched a new website, **www.HomeEquityAdvisor.org**, to help older homeowners make the most of their largest financial asset—their home. This site provides information, tools, and consumer advice to help homeowners use and protect the value in their homes.

National Consumer Voice

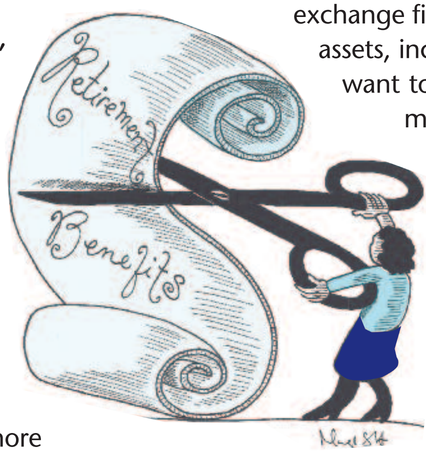
The National Consumer Voice for Quality Long-term Care released a new report, Consumer Perspectives on Quality Home Care, indicating that consumers want to remain in their own homes as they age, or as a disability requires assistance. Based on the findings, here are some policy actions needed for the boomer population: 1) fund programs like Medicare and Medicaid; 2) make home and community-based services a mandated Medicaid service; 3) enact policies that increase training, wages and benefits for direct care workers; 4) carry out background checks on home health workers; and 5) support home care ombudsman demonstration projects. These issues would help consumers receive more in-home care; have flexibility and choice of the workers coming into their homes; and ensure accountability for the care received. Read the full report at **www.theconsumervoice.org/CPR**

PENSIONS & DIVORCE TIPS: Tracking down all the pension and retirement plans

If you're getting a divorce, it's important to identify all the marital or community property before the divorce is final, including any pension or retirement plans that your husband may have accumulated while you were married. Your divorce decree or property settlement agreement should mention every plan that the two of you earned while married, and state whether each plan is being divided or not.

Here are 3 tips to make sure that none of your husband's plans are overlooked when the property is being divided:

1. **Identify all your husband's employers, past and present, during the marriage**. A person might have the same job under more than one employer if, for example, his company is bought out by a larger company, or a company division is sold to another company. The retirement plans might change even if the job stays the same.



2. **Identify all the pension or retirement plans he may have had under each employer**. An employee may have more than one pension or retirement plan – even several plans — from a single employer. For example, an employee might have a pension plan and a 401(k) plan, or a profit sharing plan and an Employee Stock Ownership Plan (ESOP). Then, find out what happened to the benefits earned in each plan. Are they still being held in that plan, or did your husband withdraw the money or roll it over to an IRA or another plan or account? If the funds are still with a plan or in another account that can be located, they may be treated as divisible property in the divorce.

3. **Identify all the "individual" retirement plans**. There are many types of plans that a person can set up on his own — Individual Retirement Accounts, Roth IRAs, SEP-IRAs, tax-deferred annuities, etc. Ask for a recent benefit statement for each plan that includes account numbers and amounts. (You can also check old tax returns that may contain this information.)

When a divorce proceeding begins, the parties usually exchange financial statements that list their income and assets, including retirement benefits. Your lawyer may want to ask for additional information about retirement benefits directly from your husband's former employers. That would usually require your husband's written authorization to each company to release employment-related information, or your lawyer could ask the court to issue subpoenas that order the employers or financial institutions to provide information. Getting your husband's voluntary cooperation, if possible, would always be less expensive than paying your lawyer to get the court involved in obtaining financial information.

Keep in mind that the marital or community property laws of your state determine what assets are divisible at divorce and how each spouse's share is figured. Websites like www.DivorceSource.com offer state-specific divorce information.

National Alliance for Caregiving Publishes *Best Practices in Workplace Eldercare* Report

Many workers provide care for older relatives, and have difficulty balancing their work and caregiving responsibilities. A recent report by the National Alliance for Caregiving looked at the benefits and services some employers provide for employees with eldercare responsibilities, and highlighted programs that would be particularly helpful for caregivers.

Best practices include:

- Paid time off and flexible scheduling.
- Geriatric care management services. These services offer individualized consultations for workers to assess an elder's needs.

Caregiving Best Practices *continued on page 4*

Did You Know?

After a divorce or separation, women's household income falls 41 percent, on average; almost twice the size of the decline that men experience. (U.S. GAO, 2012)

THEY'RE HERE! Social Security Statements Now Online

Mailings also resume for older (and some younger) workers

In May, the Social Security Administration (SSA) launched an online version of the Social Security statement available to all workers age 18 and over at www.socialsecurity.gov/mystatement. Over 3 million workers have signed in to receive this new service.

WISER recommends checking your online statement. The statement is an essential financial planning tool to help you estimate your income in retirement and determine how much money you will need to supplement your Social Security benefits. The information provided in the online statement is exactly the same as what has been provided on the mailed statements. The statement gives you details about your spouse's and dependent's possible benefits if you die, as well as your disability benefits if you become disabled. For further information, read WISER's factsheet "Your Social Security Statement: What It Means and Why It's Important" at www.wiserwomen.org under the Social Security tab.

You should also check your statement each year to make sure your yearly earnings records have been accurately posted. This is important because Social Security benefits are based on average earnings over your lifetime. If your earning records are wrong, you won't receive all the benefits you've worked so hard for!

To get your online statement, you must provide information about yourself that matches information already on file with Social Security. Once your identity is verified, you establish a "My Social Security" account with a unique number and password which allows you to access your online statement. The portal also links to information about SSA's other online services, including its online retirement application.

Another option is to visit your local Social Security office to sign up for an online account to access your statement. You may also request a printed statement from your local office. To find the office nearest to you, use SSA's Field Office Locator at www.socialsecurity.gov.

Online Statements

Online Social Security statements let you see all of the Social Security and Medicare taxes that you have paid over your lifetime, check for errors, and see an estimate monthly benefit based on your current earnings and the age when you plan to retire. Go to www.socialsecurity.gov/mystatement to create an account.

What About Paper Statements?

At age 25, workers will receive a one-time statement in the mail.

At age 60, all workers will receive mailed statements again (arriving approximately 3 months before their birthday), provided they are not already currently receiving any of their Social Security benefits at that time.

Between ages 25-59, you will only be able to see your statement online. No paper statements will be mailed to you.

The SSA's 2013 fiscal year budget request included funds to resume mailings to all workers age 25 and older. If funds become available, it would still take some time for SSA to start up again and statements still would not be sent to younger workers under age 25.

Best Practices in the Workplace

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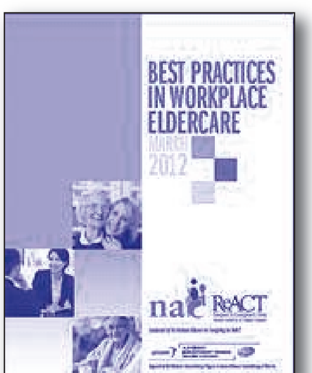
- Planning ahead. It is helpful for employers to conduct an assessment before developing programs so that the programs they offer will respond to the needs of their workers.
- The use of evidence-based programs. For example, Emblem Health partners with NYU's Caregiver Intervention program. The program, which is designed to assist caregivers providing care to someone with dementia, has been shown to delay nursing home placement by up to 18 months.



Previous studies indicate that workers often do not use the eldercare programs that their employers offer. This is not because workers are unaware of the programs, but rather because they do not feel they need the programs that are offered, or they feel reluctant to discuss their caregiving responsibilities at work.

Given these findings, being supportive and encouraging workers to use the programs may be the best thing that employers can do to make the workplace more family friendly.

Money Market Funds

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SEC (a federal body that regulates the securities industry) made changes to the rules in 2010 that many experts feel have plugged the holes that put investors and the broader economy at undue risk. SEC Chair Mary Shapiro thinks more must be done, although her colleagues don't all agree. Some members of Congress worry about these funds, too, and have held hearings on them. Very recently, the SEC decided it did not have the number of votes to make further reforms to reduce the chances of another panic. The mutual fund industry believes that the funds are safe from runs because they hold safer assets than before, and they do not support the idea that the funds should hold a bigger cushion.

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The ultimate question

Are money market funds safe for you as an individual investor? The history of these funds shows that, when they've lost money in the past, the companies owning the funds put their own cash in, keeping their investors whole.

Businesses as well as state and local government agencies that depend on money market funds to manage cash flow feel that the rules changes from 2010 fixed the funds' weaknesses. While the financial services industry is not interested in more rules changes, some experts will continue to push for further reforms.

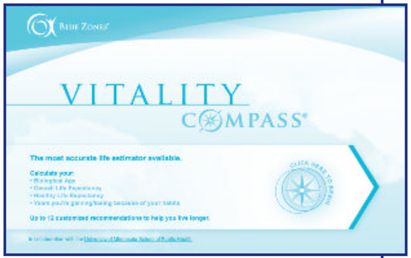
Some experts question why anyone would want to park their money in these money market mutual funds when a bank money market account is safer and can accomplish the same thing. Many banks and credit unions charge no fees and they are insured by the federal government agency – the FDIC.

You have to decide for yourself if a money market fund is the right place for your money. Before you invest in any mutual fund, read the prospectus. What does the fund invest in? How is the fund rated by the major ratings agencies (like Standard & Poor's or A.M. Best)? It is your money, so know exactly where it's going.

Longevity & Expense Calculators

Longevity calculators can help you budget for your retirement by estimating how many years you have to plan for in retirement. Because different calculators give you different estimates, it may be helpful to try several different ones, especially as this may give you an upper and lower estimate of your potential lifespan.

The **Bluezones Vitality Compass** at **bluezones.com/vitality** provides an estimate of how long you will live, and also includes your virtual age (your body's age based on your health) and how long you will live healthily. Another good calculator is available at **livingto100.com**.



The **Social Security Administration's** life expectancy calculator at **www.ssa.gov/planners** is a simple one that is based solely on birthdate and gender.

Retirement Expenses:

Many retirement planning resources focus on saving and creating income for retirement. However, it is also important to plan for expenses. Though healthcare is the most likely cost to increase with age, housing remains a substantial expense for older Americans. **Restoflife.com** provides good advice for managing these and other expenses.

HealthView SERVICES

Health Expenses:

Health care costs are a significant cost facing older Americans. The free **Healthview calculator http://apps.hvsfinancial.com/hvadvisor** isn't too detailed, but it provides an estimate that can be useful in budgeting for future healthcare costs. You input your age, gender, and health level (Excellent, good or poor), and it provides an estimate of healthcare costs from age 65 onwards, and how much you will need to save in order to cover them.

Money, Forbes Recognize WISER and Cindy Hounsell For Guiding Millions of Women on the Road to Financial Security

WISER and its president, Cindy Hounsell, were recently recognized by two highly respected business and personal finance publications for their leadership role in promoting financial education and security for women.

In its July issue, *Money* magazine named Hounsell in its article *Heroes*, which the magazine describes as "a yearlong celebration of 40 people who have made extraordinary efforts to improve others' financial well-being." *Money* cites Hounsell for helping women secure their financial futures.

"A stewardess-turned-pension-lawyer – whose own pension was clipped by Pan Am's failure – Hounsell was amazed by how little some of her female clients knew about money," *Money* writes. "So in 1996 Hounsell launched WISER, a D.C. nonprofit that, via publications, workshops, and an army of trainers, preaches the importance of retirement planning and teaches women how to get it done." *Money* credits Hounsell and WISER with "delivering retirement guidance to millions of women."

Forbes

The July *ForbesWoman* column named WISER's website to its **Top 100 Websites for Women 2012** list. Columnist Caroline Howard explained that *ForbesWoman* looks for "informative and compelling content, smart navigable design, engaged communities and, of course, a voice that speaks to and for the female reader…"

Take a look at our site—and check back regularly—www.wiserwomen.org.

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: Long Term Care

- **Issues & Solutions—a look at the latest government report on older women and retirement security.**

WISERWoman

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