Caregiver Today, Retirement – Ever?

When asked, most older people overwhelmingly say that they want to age in their home, even when they are in poor health or need assistance with day-to-day activities. Yet, in-home care is costly with median daily costs of $131 for a home health aide.

Paid and Unpaid Family Caregivers

There is already a significant demand for paid caregivers — an estimated 1.3 million new caregivers will be needed to meet the demand by 2024. However, these jobs will likely be difficult to fill given the low wages and the lack of benefits provided to the paid home health workforce.

As people live longer, the scarcity and cost of paid home health aides will become more serious. The result? More Americans will find themselves pitching in to care for their older relatives and friends on an unpaid basis.

There are already over 40 million Americans providing such unpaid care to an older relative or friend. Most do so voluntarily and want to help improve an older person’s quality of life. Yet, many caregivers do not consider how providing care today will affect their own financial well-being in the future. This may cause long-term problems for many family caregivers, especially single women.

Who are the “Unpaid” Caregivers?

Transamerica Institute’s report, The Many Faces of Caregivers: A Close-Up Look at Caregiving and Its Impacts, presents a detailed picture of unpaid family caregivers:

- The majority of family caregivers are women – half are not employed.
- Nearly four in ten are Boomers, born between 1946 and 1964.

- Roughly one in three women caregivers reports household income under $35,000, and seven in ten gave little or no thought to their own financial situation when becoming a caregiver.
- Caregivers pay an average of $7,000 annually in out-of-pocket expenses for their care recipients.
- One in five primary caregivers say their financial situation has worsened since becoming a caregiver.

Implications for Unpaid Caregivers

It’s not surprising that many caregivers face an uncertain financial future. Older caregivers are closer to the time when they will need to draw on retirement assets. Lower-income caregivers often have difficulty making ends meet. Caregivers who are not employed do not contribute to Social Security or any employer-provided retirement plans. In fact, according to the Transamerica Institute, over one in four caregivers reduced their work hours or job responsibilities, often reducing or losing eligibility for employer-provided savings.

These disparities have caused striking gaps in caregivers’ retirement savings. Male caregivers report an estimated median of $130,000 in retirement savings compared to $19,000 among women. Alarmingly, one in every five women caregivers have no retirement savings what-so-ever — a rate twice as high as among men.

What Can Caregivers Do to Prepare and Protect Themselves?

If you are a caregiver or know someone who may be one someday, it’s important to take the steps necessary to avoid compromising your own financial security. Read 4 Financial Steps for Caregivers on page 4. ☞
From WISER’s President

Dear Readers,

When planning for the future, an issue that may not immediately come to mind is the financial impact of caregiving. Many women expect to care for someone at some point in their lives if they haven’t already, whether a parent or spouse. But far fewer have planned for that time in their lives. Caregiving comes with financial consequences. This newsletter will help you think through those issues and provide you with steps you can take now to protect yourself financially.

Also in this issue, we cover some important Social Security topics. For women especially, Social Security provides the foundation of retirement income. It is important to understand how the system works so that you can avoid making costly mistakes that can impact your retirement income for life.

Cindy Hounsell
President

From the WISER/Administration on Aging’s
NATIONAL RESOURCE CENTER on
Women&Retirement Planning

Social Security Changes in 2019

Social Security and Supplemental Security Income (SSI) benefits will increase 2.8 percent in 2019. The average beneficiary will receive an additional $39/month.

More than 62 million Social Security beneficiaries will receive the 2.8 percent cost-of-living adjustment (COLA) in January 2019. Increased payments to more than 8 million SSI beneficiaries will begin on December 31, 2018.

Social Security and SSI beneficiaries are normally notified by mail in early December about their new benefit amount. Most people who receive Social Security payments are also able to view their COLA notice online through their my Social Security account at ssa.gov/myaccount.

The Social Security tax is 6.20% on maximum earnings up to $132,900.

The average monthly benefits in 2019 are estimated at:

- $1,461 for all retired workers; $2,448 for aged couples; $1,386 for widow/widowers; and $1,234 for all disabled workers.
- The SSI Federal Monthly benefit for individuals is $771; for couples it is $1,157.

For 2019, the Social Security earnings test limits will increase significantly. Social Security recipients who will not reach their full retirement age for all of 2019 can earn up to $17,640 ($600 more than in 2018) before any benefits are withheld. For those who will reach full retirement age during 2019, the limit is $46,920 ($1,560 more than in 2018) but the earnings are only counted before the month your reach the full retirement age.

The RAISE ACT (Recognize, Assist, Include, Support, and Engage) Family Caregivers Act

Earlier this year, a bipartisan bill to develop a national strategy for supporting the more than 40 million family members providing care to their relatives was signed into law.

The Recognize, Assist, Include, Support, and Engage (RAISE) Family Caregivers Act will bring together representatives from many different parts of the care community, as well as federal, state and local officials to make recommendations that recognize and sustain the demanding and complex job that family members perform.

Under the new law, the Secretary of Health and Human Services will establish an advisory panel to look at the many issues facing family caregivers and come up with recommendations that will help with care coordination, provide more information and resources for caregivers, and offer respite care options.

Caregiving in the U.S. 2015, National Alliance for Caregiving and AARP
Maximizing Your Social Security Survivor/Widow Benefits: “Taking One Then the Other!”

Approximately five million widows and widowers are receiving Social Security benefits based on the earnings of their deceased spouse. For many of those survivors, particularly older women, their survivor benefits are critical to keeping them out of poverty. Older widows are usually in a more precarious financial situation unless the couple has planned well and there is substantial income coming from a pension, savings or life insurance.

The eligibility age of a widow(er) is age 60 for a reduced survivor benefit, while disabled survivors may apply at age 50. Divorced widow(er)s are also eligible. The amount of the benefit is based on the earnings of the person who died. If the survivor can afford to wait until reaching full retirement age, then she/he will receive a full benefit.

The Rules are Complicated

The rules for claiming Social Security survivor benefits are complicated and many widows (and widowers) are getting short changed. Social Security Administration (SSA) publications and its website include information for widows’ benefits under the broader term “survivor benefits”.

A report from the Inspector General (IG) of the SSA confirmed that the SSA staff does not adequately inform widow(er)s of their option to file a “restricted” application for the survivor benefit and delay filing their own retirement application based on their own earnings. A delay – up to age 70 – will result in a 32% increase of their monthly retirement benefits. The IG report estimated that SSA’s failure to provide this information had resulted in over nine thousand beneficiaries being underpaid over $132 million. SSA agreed with the findings.

Many widows are dually eligible for widow’s survivor benefits AND their own retirement benefit as a result of women’s entry into the workforce over the last several decades. Social Security retirement benefits begin as early as early as age 62; survivor benefits can begin even earlier.

Adding to the confusion is that SSA considers that an application for retirement or survivor benefits is an application for both benefits unless the applicant specifically restricts the retirement benefit.

A widow can file a restricted application for the survivor benefit and let her own retirement benefit build up to age 70. One benefit can be taken first and then the other later, after it has grown.

SSA survivor benefits cannot be filed online. Survivors are instructed to call SSA at 1-800-772-1213 to request an appointment, either by phone or at a local SSA office. SSA employees must explain the advantages and disadvantages of filing an application so claimants can make an informed decision. While the decision to file rests solely with the survivor, SSA must discuss and document any unfavorable filing decision.

Read the Statements

Your Social Security 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. It will also give you details about your spouse’s and dependent’s possible benefits should you die, as well as your disability benefits if you become disabled.

Here are steps to take to make an informed decision about Social Security benefits:

- Be involved in all aspects of your family’s financial planning, including Social Security.
- Make sure your spouse receives his or her Statement also — and that you mutually review both Statements.
- Sign up for an online account to access to your Social Security Statement. This is available to all workers age 18 and over at ssa.gov/myaccount. Remember, most Statements are not mailed.

At age 60 if you have worked in a job in which Social Security taxes were withheld, SSA will mail you a Social Security Statement annually three months before your birthdate.

For further information, read WISER’s factsheet Your Social Security Statement: What It Means and Why It’s Important at wisewomen.org under the Social Security tab.
4 Financial Steps for Caregivers

While family caregiving is by definition unpaid, it carries enormous financial consequences for caregivers. More than 20 percent of caregivers say their financial situation has worsened because they took on the role of caregiver.1 To help ensure your financial well-being as a caregiver, here are four steps you can take.

1. Think about your own future if you are considering leaving your full-time job or switching to part-time work.
   - Can you afford to live on a reduced income for a long period? The average length of time for women caregivers is 6 years.
   - Would working part-time affect your health care benefits? Find out the minimum number of hours you can work and still be eligible for health insurance.
   - Could you pay for health insurance if you left your job? Find out the cost of COBRA or other health coverage before you decide to leave.
   - Would working part-time affect retirement benefits? How? Find out if you have already earned a benefit.

2. Access other resources so that you are not solely responsible for providing care.
   - Can you find other family members or friends to help? Talk with them about the time you spend providing care and discuss the actual costs of caregiving such as transportation, home health aides, or visiting nurses.
   - Consider a family care agreement or ask siblings to help pay for expenses.
   - Does your employer provide assistance for caregivers such as paid family leave? Or financial counseling?
   - What other resources are available online and in your community? The Eldercare Locator is a nationwide service that will connect you with trusted local services. Call 1-800-677-1116 or visit Eldercare.acl.gov.

3. Make a plan for managing your money and saving.
   - Create a budget for yourself. Track your spending each month, and keep a list of regular bills. Don’t forget to include bills associated with caregiving. Include emergency savings and saving for your retirement in your budget—even if it is only a small amount each month.
     - If your income does not cover your expenses and saving for retirement, determine how/if you can adjust your lifestyle or your expenses.
     - Pay off credit card and other debt, as much as you are able.

4. Plan for your retirement.
   - Participate in your employer-offered saving or retirement plan.
   - Open an IRA and continue to contribute.
   - Resist the temptation to cash out your retirement benefits. You will need them.


The guide is available at wiserwomen.org and includes practical information on a full range of financial issues related to caregiving, including:

- Family Financial Planning;
- Legal Agreements for Families and Caregivers;
- Leaving a Job or Working Part-Time;
- Creating a Household Budget;
- Saving for Retirement;
- Financial Help Available for Older Adults;
- Important Legal and Financial Documents; and
- Elder Financial Fraud and Abuse.

Social Security Overpayments

What do you do when you get a notice from the Social Security Administration (SSA) that claims you were overpaid benefits? The first step is to look for your last payment notice from SSA which usually comes at the end of the previous year. Try not to get too stressed at the prospect of navigating a large government bureaucracy. There is help available from a number of reliable resources. Below are some steps that can help ease the anxiety while working through a resolution:

- **First, check the notice provided by SSA.** It must provide you with a written statement of how much it believes you have been overpaid, the reason for the overpayment and the period of time for which you were considered overpaid.
  - The notice should be understandable so that you can determine whether SSA was correct about the overpayment.
  - If the notice was not clear or if it did not contain complete information, you can request a new notice that contains all the correct information.
- **You can appeal the claim:**
  - If you believe the claim you were overpaid benefits is incorrect, or if you think that the amount is wrong, you can challenge Social Security’s claim in writing.
  - Appeals must be done in writing within 60 days after the notice of overpayment was received.

- **You can request a payment plan.**
  - If you agree that Social Security has overpaid you, you can try to negotiate a lower monthly payment to avoid financial hardship.
  - You can use Social Security Form 632 to request a lower monthly payment. Get the form online, by calling 1-800-772-1213, or visiting your local office.

- **You can request a waiver of the repayment.**
  - If you were not at fault in causing the overpayment and
  - You can show that paying back Social Security would cause a great financial burden to you or
  - If you can show that paying back the overpaid amount would be very unfair (“against equity and good conscience”), then you can request a waiver.

Good News! Labor Department Clears Path for Automatic 401(k) Transfers

The U.S. Department of Labor issued an Advisory Opinion that will reduce the cashing out of money from 401(k) plans. This decision is paving the way for the Retirement Clearinghouse (RCH) to automatically transfer small balances of $5,000 or less unless the employee decides to opt out.

Auto portability provides seamless portability for retirement plan participants when they change jobs. Each year, 14.8 million plan participants will change jobs and 31% of those workers will cash out their retirement savings completely within the first year after a job change. Two-thirds of these cashouts are for reasons other than a financial emergency.

Research and experience have proven that retirement savings portability can reduce cashouts by over 50%. This news is especially good for women who often hold smaller account balances of less than $5,000 and cash out at a much higher rate than men. Preserving just one $5,000 balance at age 25 can result in $70,000 in retirement savings over a career.

Source: Retirement Clearinghouse, rch1.com
Reading for WISER Women

Personal finance journalist and author Mary Beth Franklin has spent decades helping Americans better understand their finances, and most notably their Social Security benefits. Her book, Maximizing Social Security Retirement Benefits, was written to arm consumers with critical information about how Social Security works and how it fits into an overall retirement income plan. Social Security is the foundation of retirement security for most Americans and especially women. The more you know about it works, the more you can avoid making costly mistakes. Learn more about Social Security at 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: Senior Housing