

Financial Fitness for Life

What Older Adults Need to Know About Money By **Barbara O'Neill, Ph.D., CFP(r)**

The New Jersey Coalition for Financial Education, in cooperation with Rutgers Cooperative Extension, recently produced a 20-page newspaper tab, *Financial Fitness for the Best Rest of Your Life: What Older Adults Need to Know About Money*, which covers financial topics of interest to adults age 50+. Free print copies are available through many offices on aging and Rutgers Cooperative Extension offices. It is also available electronically as a PDF file on the Web sites www.njsaves.org and <http://njaes.rutgers.edu/money/>. Funding to develop and print this publication was provided by the Calvin K. Kazanjian Economics Foundation, Inc. and BNY Mortgage.

Financial Fitness for the Best Rest of Your Life: What Older Adults Need to Know About Money has five sections covering the following topics: Social Security, Health and Long-Term Care Insurance, Later-Life Investment Decisions, Creating a Retirement “Paycheck,” and Wills and Estate Planning. Each section includes six quiz questions, a glossary, action steps, and resources. The newspa-

per also includes “sidebars” on related topics such as Go Direct, a national campaign to encourage direct deposit for federal benefit payments, reverse mortgages, and mandatory withdrawals from tax-deferred retirement savings plans.

Looking for ideas to better manage your finances before and after retirement? Below are twelve of almost two dozen “Action Steps” designed to improve your financial fitness.

Financial planning in later life is complicated. There are many new decisions to make (e.g., long-term care insurance and Medigap policies) and strict IRS rules concerning withdrawals from tax-deferred accounts. Other big concerns are investment asset allocation and making sure that you don’t outlive your assets. *Financial Fitness for the Best Rest of Your Life: What Older Adults Need to Know About Money* was written with you in mind. I encourage you to read this publication and develop a financial “to do” list. Today is the first day of the rest of your financial life. Make the most of it!

STAYING FINANCIALLY FIT OVER THE LONG TERM

REVIEW your annual Social Security Earnings and Benefit Estimate Statement annually for accuracy while working. Report any incorrect information to Social Security by calling 1-800-772-1213. For online information about Social Security, visit www.socialsecurity.gov.

DETERMINE how Social Security fits into your overall retirement income picture. If you are currently retired, calculate the percentage of your total income that comes from Social Security.

COMPLETE the American Savings Education Council’s Ballpark Estimate worksheet, available at www.asec.org, if you are working and planning for retirement. Then develop a plan to cover the gap between Social Security and/or pension benefits and the amount of income you’ll need. For example, start or increase contributions to a tax-deferred employer retirement savings plan.

APPLY for Medicare within three months of your 65th birthday. Contact the State Health Insurance Assistance Program (SHIP) office, the NJ Department of Banking and Insurance, or a financial adviser for assistance with Medigap and long-term care insurance and help in pricing policies.

BEGIN a family conversation about long-term care and explore alternative options. For example, adult children may decide to jointly pay their parents’ long-term care insurance premiums rather than risk a nursing home stay that could deplete assets earmarked for their inheritance.

CONSIDER hiring a professional adviser for help with retirement savings calculations, asset withdrawal decisions, investment of lump-sum distributions, and other financial decisions. To find a local financial planner, visit www.fpanet.org, www.napfa.org, and www.cfp-board.org.

TAKE advantage of all available investment opportunities before retirement, especially those with employer matching. This is “free money” that should not be passed up. If you are age 50 or over by year-end, take advantage of the catch-up contributions allowed for tax-deferred employer plans and individual retirement accounts (IRAs).

CONSIDER consolidating retirement plans (e.g., IRAs) that are scattered among many financial providers. This will make it easier to track your investments and calculate mandatory minimum withdrawals.

PLAN on living at least until your early 90s (absent major health issues) and invest long term. Your investment time horizon is the rest of your life, not your retirement date. Keep some stock in your portfolio to help your purchasing power in the face of inflation. Consider stock index funds that track the market.

GENERALLY, when withdrawing money for retirement income, first make withdrawals from taxable accounts or tax-free investments (e.g., municipal bonds) and leave tax-deferred accounts to grow as long as possible. Required minimum withdrawals must begin at age 70 1/2.

REVIEW estate planning documents periodically and update your will and power of attorney if and when circumstances change. Beneficiary and contingent beneficiary designations in wills, trusts, insurance policies and retirement plans (e.g., 401(k) and 403(b) plans and IRAs) should also be reviewed periodically.

GATHER information about financial assets and put it in one place. A helpful document is A Record of Important Family Papers at <http://njaes.rutgers.edu/money/pdfs/importantpapers.pdf>. Make sure that assets are titled properly to avoid a conflict between a will and joint ownership with right of survivorship arrangements.