



Financial Planning

Especially for Women

Extension programs serve people of all ages regardless of socioeconomic level, race, color, sex, religion, disability or national origin. The Texas A&M University System, U.S. Department of Agriculture, and the County Commissioners Courts of Texas Cooperating.

What to Keep in a Home File Cabinet, by Jane Bryant Quinn

- Tax records if you itemize deductions—for example, church and charitable contributions, mortgage interest, real-estate taxes, and unreimbursed medical bills (deductible only if they exceed 7.5% of you adjusted gross income ; toss at year's end if they don't)

Keep back tax returns for *at least* three years; that's when audits *normally* stop. The IRS can go back six years if you underreported your income by more than 25%, and forever if it suspects fraud.

You need to keep older tax returns if they show the capital gain you're carrying forward on your house, investment losses from previous years, or any contributions made to a nondeductible Individual Retirement Account (IRA). If you expect a company pension, save all back tax returns. Companies don't always maintain accurate records.

- Checking account statements. Keep for three (or six) years for tax purposes. Save canceled checks and receipts that prove tax deductions, the value of household goods (for insurance purposes), or money you spent improving your house. Keep deposit slips until deposits show up on your monthly statement. Toss everything else, including canceled checks.
- Booklets on employee benefits and where to call to get them paid.
- Homeowner's and auto insurance policies and tenant agreements. Toss old policies, once the statute of limitations has run out (often two or three years).
- Credit card statements. Check them for accuracy and keep for six months or so, in case of dispute arises over what was actually paid. Then toss, unless you need an inventory of purchases. Always keep the original lending agreement and any notices of changes.
- Other debt statements, including mortgages, car leases and loans, and personal loans.
- Pay stubs. Toss them at year-end, when you get your W-2.
- Retirement plan documents, including all annual statements from your employer. Keep current information about investment choices and performance.
- Other investment material. Keep annual statements and prospectuses. If you have a brokerage account, keep the brokerage agreement and confirmations of trades (so you'll know the buying price and commission you paid).

What to Keep in an Home Safe

Keep these items in a home safe so they're readily available:

- Your durable power of attorney, so someone can manage your affairs if you're incapacitated.
- Your health-care directive or living will, so someone can make

- medical decisions if you can't.
- A note stating where you keep the bank safe-deposit box key.

Insurance Basics for Women to Consider, First Union—Women and Money

Roughly one-third of women in the United States have no life insurance, while two-thirds of women from two income households feel their life insurance coverage is inadequate. With life expectancies increasing and women generally out-living their husbands, adequate coverage for health and long-term care in a nursing home are important considerations and arrangements should be made well in advance.

Disability, although largely ignored, may be the single most devastating threat to you or your family's financial future. While we all see the importance of life insurance in the event of our death, many fail to consider that our chance of being disabled is far greater than that of dying prematurely. Almost half of all mortgage foreclosures are the result of disability, while only 2% are foreclosed due to a death.

The most important types of insurance to consider include health, life, disability, homeowner or renter's, auto, and long-term care. Here are a few tips to help you along the way:

- Don't assume Social Security will cover you in the event of a disability. The requirements for collecting Social Security disability payments are very strict and most initial applicants are denied coverage. To qualify you must be unable to work in any job, have been disabled at least five months and anticipate continuing to be disabled for at least one year, or die without.
- Don't ignore the need for long-term care. Two in five people will need long-term care at some point in their lives. Because women typically outlive men, women are 50% more likely to enter nursing homes. Standard health insurance plans and Medicare do not cover this expense—about \$40,000/year.
- Don't underestimate the amount of life insurance you should purchase. The amount you need is influenced by the number of children and your general financial condition.
- Raising the deductibles on auto, home, and health insurance can save you between 15-40% on premiums. The money you save will more than cover any out-of-pocket expenses you might incur.
- Be sure your name, not just your husband's, is listed on auto insurance policies. Without this protection, if you at some point were no longer a resident of the household, you may not have coverage.
- If your car is more than 10 years old and worth less than \$1000, consider dropping any collision and comprehensive coverage and just carry liability. Your car could be worth less than the cost of insurance.
- Consider purchasing as much of your insurance from a single provider to qualify for multiple policy discounts.

- Avoid poor insurance values such as dread disease (for illnesses such as cancer) and credit insurance. Instead, purchase high quality health and disability insurance, which will cover these events as well as many others.

Social Security, by Jane Bryant Quinn

You can collect on your husband's account if you're a widow who is at least 60 or a disabled widow who is at least 50. Ditto for divorced spouses of the same age if your ex-husband dies and if your marriage lasted for at least ten years.

You can also collect if your husband or ex-husband dies and you're caring for a child of the marriage who is under 16 or was disabled before age 22. In this case, it doesn't matter how long the marriage lasted.

If your husband or ex-husband dies, your children get a monthly payment on his account if they're under 18, under 19 and still in high school, or were disabled before age 22.

Payments made to a first wife, by the way, don't take on dime away from the second wife. Each of you gets the full amount allowed. At death, the widow (not the ex) can collect a \$255 burial payment. In most cases, widows and qualified divorcees get 71.5 percent to 100 percent of their husband's full benefit, depending mainly on their age when they claim the benefit.

If you've held a paying job, you probably have your own Social Security account. But at retirement, you can collect on your husband's account, instead of yours, if you'd get a bigger benefit that way. Thanks to this rule, women who spend most of their lives raising children receive Social Security for their efforts. (If *you* earned most of the family income, your husband might get a better benefit from drawing on your Social Security account!)

If you and your mate are retired and he dies, your total Social Security income will decline—by how much depends on a bunch of circumstances. When you first apply for Social Security, ask what will happen after either of you dies.

It is a wise idea to contact the Social Security Administration for a copy of your benefits. Often, the amount of entitlement is incorrect due to errors and missing years of income.

Health Insurance by Jane Bryant Quinn

If you're covered under your husband's employee plan:

1. You can usually stay in the plan for up to three years, at your expense, if his company employs 20 or more people. You're charged the cost of the insurance to the employer plus (possibly) 2 percent. Don't miss any of the deadlines! For example,

you have to notify the insurer within 30 days of your husband's death or 60 days of your divorce or legal separation.

2. Usually, you *cannot* stay in the plan if his company employs fewer than 20 people. If you have been covered under his group insurance for at least 18 months, however, you can buy an individual policy with no health exam and no waiting period for preexisting conditions.

If your family carries its own policy, you can keep it if your husband dies. Be sure to tell the insurer that one less person is being covered, which will lower the premiums. If you divorce, simple fairness should dictate that the insurance stays with the spouse in poorer health, who may not be able to find other coverage.

Pension, by Jane Bryant Quinn

When your husband retires, his pension plan normally sets up join-and-survivor payments lasting as long as you both shall live. That way, you get some percentage of his pension—typically 50%—if he dies before you. But joint-and-survivor pensions provide smaller monthly payments than if the pension were to cover his life only.

The law doesn't let your husband take a pension that ends when he dies, unless you agree in writing. You might agree if you have an ample pension of your own.

Sometimes, an insurance salesperson talks you into a *different arrangement*. Your husband takes the pension for his life only, then uses the extra monthly income to buy a life insurance policy. If he dies before you do, you lose the pension but gain the insurance proceeds. This is a pretty *risky* arrangement. You have to invest the life insurance in such a way as to get as large an income as the pension would have paid. That's not always possible. I've studied lost of these deals, and *do not recommend them*.

Incidentally, your consent is needed only in traditional pension arrangements and, in certain cases, 401(k)s. If, with your consent, your husband rolls all his money into an Individual Retirement Account, he can spend it as he likes without giving you a dime.

What about pensions in divorce? You're generally entitled to a share, although not necessarily half. When you both have retirement savings, both plans will be on the table. A woman will often take property in lieu of a piece of her ex-husband's pension. If all you can get is a future allocation, be sure that your lawyer follows all the rules. It's complicated to assert your rights to pension-plan money. If you're already divorced and didn't include the pension in your divorce agreement, it's too late now.

U. S. Department of Labor–Women and Pensions: What Women Need to Know and Do

While workers need to save more for retirement, women face additional challenges because they have lower earnings, experience higher job turnover, and are employed in industries with low or no pension coverage.

Visit the website,

http://personalfinance.firstunion.com/pf/fpg/0,215,202_204_628,00.html for detailed information on the following list of questions you should have answers to.

Yes	No	Pension Checklist for Women
		Does your employer have a pension plan?
		Do you know what type of plan it is?
		Are you included in the plan?
		Do you know how much your pension will be?
		Do you know what happens to your pension if you retire early?
		Do you know what happens to your pension if you change jobs?
		Do you know what happens to a pension if you or your spouse dies?
		Is your pension insured?
		Do you have pension information from all of your jobs?
		Do you know what benefits your spouse's plan provides?
		Are you entitled to a portion of your spouse's pension benefit if you get divorced?
		Do you know the Social Security benefits to which you may be entitled?
		Can my pension benefits be reduced by Social Security or other government payments?
		Do you know how you can save for retirement if you do not have a pension plan?

Wills, Trusts by Nancy Dunnan

It is imperative that you have a will, and that you keep it updated. There are certain life events that should trigger an update, such as divorce, death of someone named in your current will, a move to a new state, receiving an inheritance, birth of a child or grandchild, significant change in income or a serious or chronic illness.

A **trust** is an arrangement in which one person (or an institution) holds the legal title to real property or personal property for the benefit of another person or persons. Property can be stocks, bonds, mutual funds, savings, real estate, jewelry or your personal possessions. The two most common types of trusts are irrevocable (those that cannot be changed) and revocable.

A **living trust** is also known as a revocable trust. It is created during your lifetime (hence the name living trust) and it can be amended or revoked at any time (hence the name revocable). The trust directs exactly how the assets in the trust are 1) to be managed during your lifetime and 2) how assets should be distributed when you die. You have the power at any time to reclaim the trust's assets, to amend the terms of the trust, or even to terminate it altogether. In other words, you do not commit yourself to anything—at least not until you die and the trust then becomes irrevocable.

Savings Options

- Savings accounts
- Special purpose accounts: Christmas funds
- IRA's—Roth and Traditional
- Money market fund
- Savings bonds
- Educational trusts

Inheritance, by Jane Bryant Quinn

You get all the property you and your husband jointly own. You cannot legally be cut out of his will (unless you signed a prenuptial agreement. Now for some trickier questions:

- What if he dies when you're legally separated but not yet divorced? Then you collect whatever he has left you in his will. If he cut you out of his will, you can march into court and claim your spousal share—anywhere from \$50,000 to half the assets, depending on your state and how long the marriage lasted.
- What if you're named as beneficiary on your ex-husband's life

insurance policy, retirement plan, or living trust? If he dies before removing your name, most states let you collect—even if your ex has married again. Let this be a wake-up call to the Second Wives Club: make sure your husband is leaving all his property to you.

Financial Planning for Women–Resource List

Pension & Welfare Benefits Administration
U. S. Department of Labor
(202) 219-8776
<http://www.dol.gov/dol/pwba>

Pension Benefit Guaranty Corporation
(202) 326-4000

Social Security Administration
(800) 772-1213

Internal Revenue Service
(800) 829-3676

Consumer Information Center
Pueblo, Colorado 81009

What You Should Know About Your Pension Rights (No. 358C, \$.50)

Top Ten Ways to Beat the Clock and Prepare for Retirement (No. 568C, Free)

Your Guaranteed Pension (No. 620C, Free)

Books:

Ernst & Young's Financial Planning for Women, Wiley Publ., \$16.95

It Takes Money, Honey. Georgette Mosbacher, Regan Books

The 9 Steps to Financial Freedom, Suze Orman, Crown Publ

Scott, David Logan. The guide to personal budgeting: how to stretch your dollars through wise money management. Old Saybrook, Conn: Globe Pequot Press, c 1995.

Personal Finances: Includes Family Budget Models. Moody Press, 1998 (with Larry Burkett/Burnett)

Dean, James D., Morris, Charles W. Breaking out of plastic prison: a 10-step program to financial freedom. Fleming H. Revell Co. 1997.

Bilker, Scott. Credit card & debt management: a step-by-step how-to guide for organizing debt & saving money on interest payments. Press One Publishers, 1996.

Braitman, Ellen. Dollars and sense for college stuents: or how not to run out of money by mid-terms. Princeton Review: 1998.

Lawrence, Judy. The money tracker: a quick and easy way to keep tabs on your spending. Dearborn Financial Publishing, Inc., 1996.

Eisenberg, Richard & the editors of Money Magazine. The money book of personal finance. Warner Books: 1996.