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The Company You Keep®

Making those golden years last: Financial Protection for Senior Women

You likely have great plans for your senior years and have saved money to fund those plans. Many people travel or take this opportunity to do the things they've always wished they had time to do—pick up a hobby, take some classes, go back for a degree. Others look forward to relaxing and spending time with their family and friends.

Will You Have Enough?

What many people neglect to plan for is the possibility that they might outlive their savings, which can happen for many reasons. An extended retirement, caused either by early retirement or living longer than you ever expected to, can be a reason. So can inflation, which means that the buying power of your money will diminish over time. For instance, even with an average inflation rate of 4%, retirees at age 60 with an income of $2,500/month will have the purchasing power of just $1,388/month by the time they're 75. In effect, half of your income will be lost in just fifteen years. In addition, health and even long-term care expenses could quickly deplete money that you spent years acquiring—money that was set aside for an expected healthy retirement.

Senior women are faced with a unique set of realities that makes it even more crucial to ensure their assets are protected. As women, on average, tend to live longer than men and the rate of divorce in this country has risen, a large percentage of senior women are now alone. And over 50% of women over age 75 who do not have a spouse— those who never married or are divorced or widowed—are living in poverty.* They can't count on a spouse's finances to help them through these years and may not have the familiarity with managing money that is needed to make it last.

What You Can Do

Fortunately, there are some basic strategies you can employ to help ensure that your golden years will stay that way. First of all, it's important to find ways to maximize returns on money in order to keep pace with inflation. It's also important to be comfortable with the risk level you are willing to assume on your money. Lastly, it's a good idea to make sure that you are financially protected in the event of illness, and that you have an estate plan in place.

There are a number of steps you can take to help ensure that your money will last for as long as you live. Several products and strategies can help you accomplish your financial goals. Here are a few to think about.

Consider an Annuity

If you have a lump-sum of money to invest—perhaps from a rolled-over CD, pension or an inheritance—and are looking for a less risky vehicle than the stock market, one option is an annuity. Fixed annuities can provide tax-deferred growth of your money, a competitive rate of return, and guaranteed income for the rest of your life. Since the income earned in an annuity is subject to tax only as payments are made, you can enjoy a steady stream of income without worrying about a huge tax bill at one time. (A portion of the gain in an annuity is taxed each time you receive a payment.)

Different types of annuities offer varying levels of return, making it easy to find an annuity that suits your risk tolerance level. Immediate annuities are popular with retirees since they provide an income at once or soon after purchase. An annuity can be a wonderful way to supplement retirement savings, allowing you to let your savings grow tax-deferred.

Keep Your Life Insurance Policy in Force

Many seniors think that they no longer need life insurance once they've retired. After all, they have likely paid off their mortgage, college bills and other major debts that might have adversely affected their family. However, if you think back to why you purchased life insurance in the first place, some of those same reasons may still be relevant today. Are there any dependents that you'd like to provide for in the event

* Social Security Administration, "Income of the Aged Chartbook 2000", April 2002.

of your death? Life insurance can be a vital part of an estate plan because, unlike many other assets, life insurance proceeds are not subject to probate and are immediately available to your heirs, usually income-tax free. Permanent life insurance also accumulates cash value tax-deferred, which can be borrowed against.** These are just some of the issues you may want to consider before letting go of any life insurance policies.

Protect Yourself in Case Your Health Declines

Much as we all hope we could stay with an adult child if we became seriously ill, that may not be the best solution. Unfortunately, it is sometimes not feasible for an adult child to house and take care of parents who are unwell. The reality is that most families these days require a dual income in order to survive, and it may be financially impossible for your child to take care of you full-time should you become ill. This is even truer if you have a divorced or single child who is the sole earner in his or her family.

Even if you want to remain in your home, your child still may not be able to take care of you. As families become geographically dispersed in ways that previous generations were not, it may be physically impossible for your children to quickly reach you. If your kids have moved to other parts of the country, they can't just "drop in" to check on you and make sure your ongoing needs are taken care of.

That's why it's so important for senior adults to do what they can to plan ahead and make contingencies for long-term illness. Long-term care insurance can be an important part of that plan. By planning ahead, you can help retain your financial independence even if you become ill, and rest assured that your needs will be taken care of.

You Can Make it Work

As you begin to think about how best to make your retirement savings work for you, it is important that you speak to competent legal, financial and insurance professionals. You've spent many years working and saving toward your retirement and have succeeded despite the pressures of being a woman. Now is the time to complete the circle and take control of your own future. With proper planning, these may truly be your "golden years."

** Loans accrue interest and reduce the death benefit.

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