



# WHAT TODAY'S WOMAN NEEDS TO KNOW AND DO

## The New Retirement Journey

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**MetLife**  
Mature Market  
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## WISER

The Women's Institute for a Secure Retirement works to provide women at all income levels (aged 18 to 70) with basic financial information aimed at helping them take financial control over their lives and to increase awareness of the structural barriers that prevent women's adequate participation in the nation's retirement systems.

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# Introduction

Women have experienced a lot of change over the decades. This current generation of women is more likely than their mother's to work outside the home, hold college degrees, and still take time off to care for families.

While women today have more economic opportunity than ever before, it comes with big financial responsibilities. This is especially true when it comes to funding our retirement.

If you think of retirement as a destination, many of our mothers were packed more completely for the journey. They had suitcases filled with what they would need: a spousal Social Security benefit, affordable private health care insurance in addition to Medicare, a pension (either theirs or their husband's) and a deed to their mortgage-free home.

Today, on the other hand, many women will likely travel lighter into retirement. We may have a suitcase with 401(k), 403(b) and/or IRA savings, a Social Security benefit, and Medicare benefits. The bags with pensions and private health care coverage probably will not make the trip. We are also likely to carry mortgage or other debt with us. Today's working women are twice as likely as our mothers' generation to carry debt of \$25,000 or more.<sup>1</sup>

Simply put, this is not our mother's retirement. In fact, today's women are redefining retirement, with plans to work outside the home longer than their mothers and actively pursue interests such as travel, volunteerism, and higher education.

The MetLife Mature Market Institute and the Women's Institute for a Secure Retirement (WISER) prepared this booklet to provide guidance on how you can take advantage of the opportunities—and rise to the challenges—that most of our mothers never had.

# How Do You and Your Mother Compare?

When it comes to retirement planning and security, our experiences are likely to be vastly different from those our mothers experienced:<sup>2</sup>

Your mother most likely	While you most likely
Received a spousal Social Security benefit based on her husband's work history.	Will receive a Social Security benefit based on your own work history.
Did not have to save much or know about investing because pension and Social Security benefits did not require it.	Need to save a lot and understand investing to be able to afford retirement, because Social Security alone may not be enough to live on.
Generally deferred to her spouse about family financial decisions.	Enjoy more equality with your partner with respect to financial decisions.
Was not inclined to use her home as a financial resource in retirement.	May be more open to options for tapping into your home equity.

Your travel plans in retirement are likely to be much different from your mother's. If you have not started packing your bags for the journey, now is a good time to start.

# Building Blocks to a Financially Secure Retirement

You will make many career decisions over your lifetime. You may change jobs to pursue more opportunity for growth, to have the flexibility to manage work and family, or to increase your pay. You may consider leaving the workforce to care for your family or decide to work longer than anticipated. When it is time to consider retirement, you will face decisions about the right timing based on your circumstances. It pays to consider all aspects and know your options.

## Considering a New Job

When you consider a job change or if you are not working and are looking for a job, you will probably have a laundry list of things that you would like. Do not forget to add employee benefits to your must-have list.

Look for an employer who offers a pension, 401(k) or 403(b) plan, and health care, life, and disability insurance. If you decide you want to leave a job with benefits, find out first if you have worked enough years to earn a right to a pension or to the employer match in the 401(k). If possible, work long enough to earn that right. If you have 401(k) savings, do not take a withdrawal if you can avoid it; roll them over to the new employer's plan or into an IRA. When you switch jobs, even a substantial pay increase may not offset the value of the benefits you will lose.

## Time Out for Family

You can take time off from work to care for your children or other family members. It is an emotional decision, but it is important to consider and weigh the consequences of the long-term financial impact.

Leaving work for an extended period could result in a loss of job skills and missed opportunities for promotion. You may lose touch with colleagues—your network. You might lose out on building benefits like vacation days, pension credit, or an employer match in a 401(k) plan. Consider what would happen if your spouse becomes disabled or dies, or if you get divorced. Find out what it will cost to get health care, disability, and life insurance coverage on your own.

If you leave the workforce, consider putting money into a spousal IRA. The limit increases, so check the amounts. You may be able to deduct your contributions when you file your federal income tax return.

Women often decide that taking time away from paid work is the right thing for their families. Make sure it is best for both you and your family's financial security. If the financial impact seems too great, consider reducing your hours, asking for a flexible work arrangement, or restricting travel.

## **Deciding When to Retire**

Today's women expect to work outside the home longer than previous generations.<sup>3</sup> This is good financially for a number of reasons. Working longer:

- Gives you more time to save
- Increases your monthly Social Security benefit (up until age 70)
- Means fewer non-working years to finance.

We are seeing a trend among older workers to extend their work lives. Many older workers would prefer to phase out of full-time work.<sup>4</sup> The decision to work longer often comes from financial resource issues, but also because of personal preferences.

## Social Security and Your Decision

Consider how the timing of your retirement will affect your Social Security benefits. Most of us are covered by Social Security, which pays inflation-adjusted retirement income for life. You may be eligible for your own “retired worker” benefit based on your work history, or if you are married, a “spousal benefit” based on your husband’s work history.<sup>5</sup> Early Social Security retirement benefits can start at age 62, while “normal” retirement age benefits begin between ages 65 and 67, depending on your date of birth. See Figure 1 to determine your “normal” retirement age.

**Figure 1: Full Social Security Retirement Age**

Year of Birth	Normal Retirement Age
1943–54	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

**Source:** Social Security Administration

The longer you wait to begin receiving Social Security benefits (up to age 70), the higher your monthly benefit will be. This may be an important consideration if Social Security will make up a significant percentage of your post-retirement income.

Each person’s benefit is determined based on his or her work history and salary as well as age at retirement. The age at which one retires also affects the benefit his or her spouse will receive if that spouse is entitled to a “Spousal Benefit.” Figure 2 provides an example on how waiting to take Social Security may affect one’s monthly benefit.

**Figure 2: Your Estimated Social Security Retirement Benefits**

<b>Retirement: You Have Earned Enough Credits to Qualify for Benefits</b>	
At age 62, your payment would be about	\$1,064/month
If you continue working until your full retirement age (67 years), your payment would be about	\$1,543/month
If you continue working until age 70, your payment would be about	\$1,924/month

**Source:** Sample Statement, Social Security Administration, 2009

In this example, the individual would receive an extra \$860 per month for the rest of his/her life by waiting eight years to take Social Security. Find out how different retirement ages will change your benefit. Refer to the annual benefits estimate statement you get each year from the Social Security Administration.

### **The Value of Extending Your Work Life**

In addition to considering the impact on your Social Security benefits, the decision as to when to stop working also affects your overall savings if you have a 401(k), 403(b), or similar retirement saving plan. The longer you

work, the more you will be able to generate an income enabling you to build up your assets. If you work longer, you will have fewer years to have to fund in your retirement.

Your anticipated income from Social Security and other sources of income balanced against your anticipated expenses will be key considerations in your retirement planning. You may choose to continue working part-time even while receiving Social Security to supplement your income or save for future needs. Other factors, such as if and when retiree benefits including health insurance may be available to you, can also affect your retirement decision.

# Learn Investment Basics

Far more than our mothers ever did, we must focus from an early age on saving and investing for retirement. More people in our parents' generation had access to a pension provided by an employer, but most of us are responsible for building our own benefits. If our mothers could give us one piece of advice about retirement planning, it would likely be to save more.

A good investment plan is built on three key pieces of information: how much you will need to support your retirement lifestyle, how long you have between now and then, and how comfortable you are with taking financial risk. Your answers can drive your investment strategy and decisions as to how to divide your savings among investments to reach your goal.

## How Much You Will Need

Figuring out how much you will need to support your retirement involves many factors, including inflation and taxes, the likelihood of living a long life, the types of income you expect to receive in retirement, how you plan to invest and spend your money when retired, and whether you want to leave anything to the next generation.

If you are among the majority of working women who expect to have an active life in retirement, you will want to consider your spending needs for both basic expenses and special interests. It is also important to consider medical and health care costs beyond what Medicare provides. Dental care, vision care, and potential long-term care expenses must be considered. These subjects will be more closely reviewed in the next chapter.

A good financial goal for retirement is to replace 100% of your pre-retirement income for each year in retirement. Some financial professionals have traditionally suggested a lower goal, since some costs tend to go down in retirement, like taxes and commuting. But with the cost of health care on the rise, chances of living a long life, and your desire to remain active during retirement, a better solution is for women to aim for a higher goal.

Women are living longer today than ever before. A 65-year-old woman today will—on average—live another 20 years.<sup>6</sup> In fact, current trends suggest that 13% of women who reach age 65 will live to be 95.<sup>7</sup> To estimate how long you might live, take your family history, your health, and these statistics into account.

### **How Long Between Now and Retirement?**

The time between when you start to save for retirement and when you expect to retire is called your “time horizon.” The earlier you start saving, the more time your money has to grow. The closer you get to retirement before starting to save, the more money you will need to put away.



Take a look at the difference a long time horizon can make for your savings:

**Figure 3: Savings Growth Over Time\***

	Jennifer	Valerie
<b>Started Saving at Age...</b>	22	40
<b>Amount Saved</b>	\$500/year	\$500/year
<b>Stops Saving at Age...</b>	30	65
<b>Years of Contributing</b>	9	26
<b>Total Saved</b>	\$4,500	\$13,000
<b>Value by Age 65</b>	\$68,418	\$36,742

Assumes 7% interest rate.

**Source:** Women's Institute for a Secure Retirement, Fact Sheet: "Investing Early Pays Off," 2006.

Because Jennifer has a much longer time horizon than Valerie, she could nearly double the amount available for her retirement over Valerie's by the time she turns 66. Jennifer saves less but has more in the end.

*\*Calculations in chart are for illustrative purposes only. They are based on hypothetical rates of return and do not represent investment in any specific product. They may not be used to predict or project investment performance. Unless noted, charges and expenses that would be associated with an actual investment are not reflected.*

## **Risk and Return: The Yin and Yang of Investing**

Your time horizon has a lot to do with the type of investment that is right for you. The longer your time horizon, the more risk you can take. If you are in or close to retirement, a sudden downturn in the economy can have a significant impact on your retirement security.

The risk of any investment is tied to the potential it offers to make more money weighed against the potential it poses to lose money. You can withstand investment ups and downs over a long time horizon, in pursuit of higher returns. However, as you get closer to retirement you should lessen your investment risk. Your investment choices should reflect how long you have until retirement and how much risk you are willing to take.

Stocks, which represent pieces of ownership in a company, may be considered risky investments. A stock's value can go up and down dramatically over a short period of time and you may even lose your entire investment. But over the long term, based on past performance (which is no indication of future results), stocks can earn higher returns than other types of investments. Over periods of 10 or more years, the good years tend to make up for the bad years.\*

However, stocks can have down periods that last for several years. Success in stock investing also means a willingness (and ability, with a long time horizon) to ride out the bad years. A way to lessen this risk is to invest in stock mutual funds. These funds allow you to buy into a broad group of stocks that enable you to spread risk beyond a single company.

*\*Ibbotson Associates.*

There are also a number of more conservative savings options. These include **Certificates of Deposit (CDs)**, **Money Market Funds**, **Bonds**, and government vehicles such as **Treasury Bills**, **Treasury Inflation-Protected Securities (TIPS)**, and **I Bonds**. These investments tend to carry less risk than stocks, but there is risk with every investment. You might think, for example, that by keeping your savings in a money market account you are protecting yourself from investment risk. But the risk of inflation creeps in. Your savings strategy should allow your investments to beat the rising costs of goods and services; otherwise, your money loses purchasing power. Additionally, with increased longevity, not keeping pace with inflation increases your risk of outliving your assets.

An important way to manage investment risk is **diversification\***, spreading your money over a mix of investments. To diversify your investments, you first decide on an **asset allocation** strategy—the right mix of investment types based on your time horizon and tolerance for risk. For example, someone with a long time horizon and comfort with investment risk may put 80% or more of her retirement savings in stock funds, and the rest in bond funds. However, someone with a short time horizon and a low tolerance for risk may put 80% or more of her retirement savings in Treasury Bills.

*\*Diversification cannot eliminate the risk of investment losses, and past mutual fund performance is not a guarantee of future results. Money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although they seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.*

Once you decide how to allocate your savings across investment types, you need to look at how you are investing *within* each investment type. Mutual funds offer easy diversification. They are diversified collections of stocks, bonds, or a mix of both. Mutual funds still carry investment risk, but they help you spread it around.\*

Learning more about investments, including their risks and potential for growth, takes time, and making decisions can be difficult. This guide is a good starting point. Ask if your employer provides educational materials related to a 401(k) or similar retirement savings plan. These programs typically offer a range of investments from which to choose. You may also want to consult with a financial professional who can assist you based on your particular circumstances and time horizon for investment.

*\*Mutual funds are sold by prospectus only, which is available from your registered representative. Please carefully consider investment objectives, risks, charges, and expenses before investing. For this and other information about any mutual fund investment please obtain a prospectus and read it carefully before you invest. Investment return and principal value will fluctuate with changes in market conditions such that shares may be worth more or less than original cost when redeemed.*

# Protect Your Assets

Many of us overlook one of the most important pieces of our financial security picture: insurance. Several types of insurance can help us manage the risks we may experience.

## Disability Insurance

While it is hard to imagine that you may become disabled by an injury or illness, it can happen. The financial risk of sustaining a disabling disease or injury is much higher than most people understand. A disability is an injury or illness that prevents you from working. Only a handful of disabilities result from workplace injury. Many more come from acute illnesses like cancer or heart disease.

Disability insurance replaces part of your income, usually around 60%, up to a certain limit, whether an illness or injury is short-term or permanent.

Find out if your employer offers disability insurance. The cost in monthly premiums is usually lower in group plans than if you buy your own insurance. When selecting a policy, choose an adequate benefit amount and a long enough benefit period to protect yourself and your family against the worst cases. If the policy offers a waiting period option, and you can manage financially during that time, consider it. This is similar to buying a health insurance policy with a high deductible—it takes longer for the benefit to kick in, but the premiums can be much lower.

## Long-Term Care Insurance

Long-term care is the type of care needed by someone who has difficulty completing day-to-day activities of daily living (bathing, dressing, eating, toileting, continence, or moving in or out of a bed or chair) or who needs supervision due to a

cognitive impairment. The need can arise from an accident, a medical event such as a stroke, or the progression of a chronic illness such as Parkinson's disease or Alzheimer's disease. People are living longer than ever before and as we age our risk for needing long-term care increases. Long-term care services are costly and can seriously impact one's retirement nest egg. Ongoing long-term care costs are not covered by Medicare or most health insurance policies. Planning for the possibility of these expenses is important to your retirement security.

There are different ways in which people manage long-term care expenses. One approach is to pay for long-term care themselves. They may also choose to rely on family, relatives, and/or local social service resources. Another approach is long-term care insurance. When combined with other measures in a comprehensive retirement strategy, long-term care insurance can play a role in the overall protection strategy and help give you greater choice about the type of care and where it takes place. Private long-term care insurance can provide benefits for a wide array of care options, including in-home services, an adult day services center, an assisted living facility, or a nursing home. You can buy a long-term care insurance policy on your own, and sometimes you can get a policy through your employer.

There are advantages to purchasing long-term care insurance at earlier ages. Rates are based in part on the age at which you purchase coverage and are generally lower at younger ages. Long-term care insurance policies are, in most instances, medically underwritten. Certain health conditions may result in you receiving less favorable rates and others may prevent you from obtaining coverage. In general, the younger you are the more likely you will be eligible for coverage.

## Life Insurance

Life insurance insures against the loss of life. If your income plays a major role in your family's finances, life insurance helps protect that income resource if you die. If you depend on someone else for financial support, that person should carry life insurance. If you do not work outside the home, you also need life insurance. If you were to die, your spouse/partner would need to provide for the roles you played in the home—he/she may need to hire someone to care for your children while he/she is at work. The benefit amount is based upon the face value of the policy.

There are two types of life insurance—term and permanent. Term life insurance provides coverage for a certain number of years. You can buy it for as little as a year or as long as 30 years. (Not all policy variations are available in all states.) The insurance plan pays money to your beneficiaries if you die while you are covered by the policy. A term policy may be renewable, which means you can extend your policy without a medical exam. Premiums will be higher during the new term.

Permanent insurance is also called “whole life,” “universal life,” or “cash value” insurance. This type of life insurance has tax-deferred cash accumulation features. When you pay policy premiums, part of the payment goes to provide life insurance death benefits and part goes to build up the cash value of the policy. You may be able to borrow against the value of the policy.\*

*\*Withdrawals may be subject to surrender charges and could have a permanent effect on the cash value and death benefit. Loans reduce the cash value and death benefit by the amount of the loan outstanding plus interest. Borrowed funds do not participate in sub-account performance in a variable life insurance policy.*

The amount of life insurance you may need depends on who relies on you for income and whether they have other sources of income to support them. Find out if you can purchase life insurance through your employer. Life insurance generally costs more as you get older and some people with serious health problems may not be able to buy it.

Review your life insurance needs at major life stages (i.e., when you have children or change jobs.) If you get divorced, you may want to change your beneficiaries. Depending on other resources, you may want to keep life insurance after you retire.

## **Health Insurance**

The top two retirement concerns of today's working women are related to health<sup>8</sup>—maintaining health in retirement and being able to afford health insurance.

Workers and retirees place a high value on employer-provided health insurance, as it is typically less expensive than individually purchased insurance. If you leave a group health plan when you change jobs, you may be able to sign up for COBRA (Consolidated Omnibus Budget Reconciliation Act) coverage. Under COBRA, you can keep your employer health insurance for up to 18 months if you are laid off, quit, or are let go from a company with 20 or more employees. You have to pay the full cost of the policy, plus an administrative fee.

If you need to buy health insurance, find out if you or a family member belongs to an organization that offers a group plan. Check with your state insurance department to ensure the plan is licensed.

Health care coverage for most people aged 65+ comes from the federal Medicare program. Original Medicare has two parts: Part A and Part B. As long as an individual meets the eligibility and duration guidelines, Medicare Part A provides partial coverage for hospital stays and care in a skilled nursing facility, as well as some home health visits. Medicare Part B, which is voluntary and carries a premium charge, provides partial coverage for doctor visits, medical equipment, and some preventive benefits. Medicare also offers managed care programs called Medicare Advantage Plans, that beneficiaries can select in lieu of original Medicare. In 2006, Medicare introduced a voluntary prescription drug program, Medicare Part D, which provides partial coverage for prescription drugs.

Medicare does not cover routine dental care, hearing aids, and glasses. Medicare also has deductibles, co-payments, and co-insurance for many of the covered services. Most Medicare recipients purchase private health insurance called Medicare Supplement or Medigap plans to help cover some of these out-of-pocket costs associated with Medicare Parts A and B. Some Medigap plans cover additional services not covered under Medicare such as treatment for foreign travel emergencies. Medigap plans do not cover co-payments or co-insurance or coverage gaps that are connected with the Medicare Prescription Drug program. If individuals purchase a Medicare Advantage Plan they do not need Medigap insurance. Some employers offer retiree health insurance which can serve the same purpose as a Medigap plan. They may offer prescription drug coverage as part of retiree health benefits. In this instance, you would not need the Medicare Part D Plan. Your employer should be able to tell you how its plan compares to the Medicare Standard Plan.

If you are planning to retire before you become eligible for Medicare benefits, find out if your employer offers retiree health insurance coverage, and at what point the coverage becomes available. If you are in a job with health insurance, are close to retirement age, and your employer offers retiree health insurance, find out what eligibility conditions you need to meet. Working a little longer to qualify for retiree health benefits may be worth it.

Also explore whether you will have retiree dental insurance or vision benefits through your employer. If you do not have benefits or coverage for routine dental and eye care, including glasses, you will need to factor in these expenses or look for insurance that may cover them on an individual basis or through an association or organization.

# How Not to Run Out of Money

We know from research that life expectancy continues to grow, that we are likely to live longer than our mothers, and that most women understand this.

What does longer life expectancy mean to women? In addition to our hopes for a healthy and happy life in our later years, living longer also means retirement will cost more. Our research indicates that women today plan to work outside the home longer than previous generations, which may reflect recognition of increased life spans and the costs that come with it. Women also expect to have a better retirement than their mothers, which shows confidence that their retirement lifestyles are achievable.<sup>9</sup>

To help ensure that living longer does not mean living poorer or running out of money, you may want to consider an **annuity** which can provide you with income for life.\*

In simplest terms, an annuity is a contract with an insurance company to provide you with regular payments at a later time in exchange for your purchase of the annuity with either a single payment you make today or a series of payments you make over time. Depending on the option you select for receiving payments from the annuity, an annuity can be the only financial tool that can be guaranteed to provide an income you cannot outlive.

*\*All product guarantees are based on the financial strength and claims-paying ability of the issuing insurance company. The amounts allocated to the variable investment options of your account balance are subject to market fluctuations so that, when withdrawn or annuitized it may be worth more or less than its original value.*

Annuities can be either fixed or variable. Fixed annuities guarantee that you will receive back your purchase payments, plus a specified interest rate, either immediately or at some point in the future. With variable annuities, the payment or payments you make are invested in sub-accounts. You choose the sub-accounts to which you want to allocate your payment(s) and how much to assign to each based on your time horizon and your risk tolerance. As the values of the sub-accounts rise and fall with the markets, the amount of income you are guaranteed to receive in the future also rises and falls.

Annuities can also be either immediate or deferred. An immediate annuity, also called an income annuity, is often purchased by those already retired, usually with one lump sum payment. Payments to you must begin within one year and they typically provide regular payments that will last for the rest of your life. Deferred annuities can serve as a retirement saving and retirement income vehicle. They can be helpful to younger people and pre-retirees who do not need immediate payouts. Variable deferred annuities may offer optional “living benefits,” for a fee, to help protect your account balance, future income, and death benefits, from market fluctuations.

Deferred annuities have two basic phases: the accumulation phase and the income or payout phase. During the accumulation phase your money is deposited in an account(s). These annuities aim to provide longer-term and tax-deferred growth before making payments to you in retirement. You can fund a deferred annuity through either a single one-time payment or multiple payments over time. The income phase begins when you begin to receive payments from the insurance company.

When you begin the income phase in either an immediate or deferred annuity you may receive payments in a variety of ways:

- A “Life Annuity” guarantees you income for life. Once you pass away, no payments are made to your beneficiaries.
- A “Life Annuity with Period Certain” guarantees that you will receive income for life. If you die before a certain time period as specified in the contract your beneficiary will receive the payments for the rest of that time period.
- A “Period Certain Annuity” provides payments for a certain period of time. If you live beyond the specified period, you will no longer receive payments.
- A “Joint and Survivor Annuity” provides guaranteed income for life for both your life and the life of your spouse. After the second person dies, beneficiaries receive no payments.

Whether an annuity is right for you and what type might best meet your needs depends on your circumstances. A financial professional can assist you. He or she can help you understand the benefits as well as the expenses, possible drawbacks, and risks associated with annuity options as they relate to your overall financial plan.\*

*\*Variable annuities are offered by prospectus only, which is available from your registered representative. You should carefully consider the product’s features, risks, charges and expenses, and the investment objectives, risks, and policies of the underlying portfolios, as well as other information about the underlying funding options. This and other information is available in the prospectus, which you should read carefully before investing. Product availability and features may vary by state.*

*Annuity contracts contain exclusions, limitations, reduction of benefits, surrender charges, and terms for keeping them in force. Your representative can provide you with costs and complete details.*

# Ways to Tap into Your Home Equity

Your home can provide financial options in retirement. You may choose to sell it and buy or rent a smaller, more affordable place. The money you receive from the sale can go toward your living expenses. The majority of retirees, however, do not sell their homes to finance retirement. Most prefer to remain in their homes and age in place.

For many retirees, the home is their greatest asset. In 2007, almost 80% of older households owned a home, including almost 78% of those age 75+.<sup>10</sup> Almost 65% of the 21.7 million homeowner households headed by someone age 62+ owned their homes without any mortgage.<sup>11</sup>

A **reverse mortgage** is one option for individuals age 62+ to increase their income security, increase their financial resilience, and improve debt management in retirement. A reverse mortgage is a financial option that allows individuals to tap into the equity they have built in their homes to receive cash while living in and owning their homes. They would continue to be responsible for paying property taxes, homeowner's insurance and maintenance of the home as their primary residence.

It is the opposite of a regular or forward mortgage, where you take on debt to buy your home, and as you pay off the loan, you build equity. A reverse mortgage allows you to produce income by taking on debt and reducing the home's equity.\*

When you are 62+, have paid off your mortgage, or have a small mortgage remaining, you may be eligible for this option. There are no income, employment, or credit

*\*Please consult your personal legal or tax advisor before using the proceeds for the purpose of any financial product.*

requirements. You may need to make repairs to ensure your house meets minimum property standards. The repair costs can be covered using the proceeds from the loan.

With a reverse mortgage, you borrow against the equity in your home. No loan payments are due as long as you live in the house. Instead, you receive payments from the lender. You could receive these payments monthly, in the form of a single lump sum, as a line of credit to use when needed, or as a combination of the other options. Interest accrues on the portion of the loan amount disbursed. If there are co-owners and they are co-borrowers, the loan does not become due as long as one borrower lives in the home at least six months of the year.

The amount you are eligible for is based upon your age, interest rates, and your home's value. Ninety-five percent of reverse mortgages are called Home Equity Conversion Mortgages (HECMs), and are insured by the Federal Housing Administration.<sup>12</sup> These loans do have closing costs and ongoing fees. The loan becomes due when the last borrower moves out of the home, is away from the home for more than 12 consecutive months (e.g., needs to go to a nursing home), or dies. If the home is sold and the proceeds are greater than the amount of the loan due, the borrower or the heirs are entitled to the excess. If the home is sold for less than what was due on an insured HECM loan, the FHA will make up the difference. If the borrower or the heirs choose not to sell the home, they are responsible for the amount due including, fees, closing costs and accrued interest, even if it is higher than the potential sale price of the home.

A reverse mortgage can be a valuable tool, but it is not for everyone. As with any financial product it is important to educate yourself on how a reverse mortgage works and how it would compare to other ways to meet your financial needs in retirement. HUD-certified reverse mortgage counselors can explain their features based on your situation.

# Retirement Saving and Planning: A Checklist for the Decades

It might be hard to believe, but there is plenty of room for retirement planning as soon as you enter the job market. The earlier you start saving and planning, the easier it will be to reach your goal. Listed below are some retirement planning and savings to-dos based on your age.

## In Your 20s

### **Check out benefits that come with jobs.**

- Consider the benefits—401(k), 403(b), pension, health, and other insurance—and not just salary. You may be surprised at how valuable benefits are when you add them up.

### **Get into the habit of saving.**

- Open checking and savings accounts if you do not have them.
- Deposit 5% of your salary into your savings account each pay period.
- Start an emergency fund. You should have three to six months pay saved up in case you run into financial surprises (i.e., a job loss or expensive car repairs).

### **Start saving for retirement.**

- Sign up for your company's 401(k) or 403(b) if there is one. Contribute at least enough to get the full match.
- If you do not have a 401(k), open an IRA. Set up automatic monthly contributions from your checking account.

### **Strive for a debt-free life.**

- While you need credit to build up a credit history, do not go overboard.

- ❑ Limit yourself to one credit card for emergencies, and pay the balance each month.
- ❑ If you have already piled up credit card debt, put as much money toward it as you can to pay it down as quickly as possible.
- ❑ Work on paying down student loan debt, and consider how to pay for additional education if you choose to pursue it.
- ❑ Plan for owning your first home.
- ❑ Learn to make a budget and use it.

## **In Your 30s**

### **Keep saving, and focus more on the investing part.**

- ❑ Continue contributing to your 401(k) plan or IRA. Shoot for 10% of your paycheck.
- ❑ Look at how your 401(k) plan or IRA money is invested. At your age, you can afford to put money in more aggressive investments (stocks and stock-based mutual funds).

### **Keep your debt in control.**

- ❑ If you are buying a home, aim to put down 20% to avoid the cost of mortgage insurance. Your mortgage payment should be no more than 28% of your monthly income (based on lender guidelines).

### **Do an insurance checkup.**

- ❑ If you have a family, buy term life insurance to protect them financially if you die.
- ❑ Assess your health insurance to make sure it meets your needs. If you do not have health coverage at work, find out if any organizations you belong to offer good plans and rates.

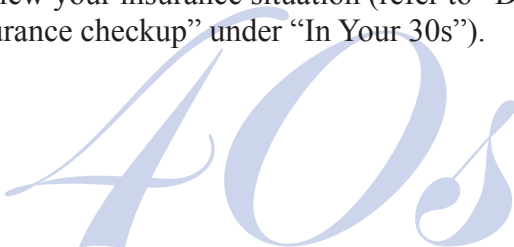
30s

- ❑ Make sure you are covered by disability insurance and be sure the amount of income you will receive is sufficient to meet your income needs should you become disabled. If you do not have employer-provided coverage check with your employer to see if it is available to you. If you have insurance through your employer but the amount is not sufficient, you may want to supplement it with an individual policy.
- ❑ Make sure you are carrying enough car and homeowner's insurance. You can often get a good deal if you use the same insurance company for both.
- ❑ If you rent, get renter's insurance to cover your losses in the event of theft, a fire, or other disaster.
- ❑ Take advantage of Internet tools to shop for the best insurance coverage and rates.
- ❑ Be sure to check the ratings of any insurance carriers you are considering. Rating companies include A.M. Best, [www.ambest.com](http://www.ambest.com), Moody's, [www.moodys.com](http://www.moodys.com), and Standard & Poor's, [www.standardandpoors.com](http://www.standardandpoors.com).

## In Your 40s

### Refine your retirement saving strategy.

- ❑ Set a specific retirement savings goal. You can find free retirement planning calculators on the Web.
- ❑ Look at how your 401(k) plan or IRA money is invested. You are still young enough to keep a good portion of your investments in stocks and mutual funds.
- ❑ Do not be afraid to ask for help. A good financial planning professional can set and keep you on track to meet your goals.
- ❑ Review your insurance situation (refer to “Do an insurance checkup” under “In Your 30s”).



## In Your 50s

- ❑ Revisit your retirement savings goal to make sure it still makes sense and that you are on track to reach it.
- ❑ If you are behind on saving, take advantage of higher contribution limits in 401(k)s and IRAs that are now available to you.
- ❑ Consider whether a deferred annuity might be an option to include in your saving/investment plans.
- ❑ Look at how your 401(k) or IRA money is invested. You may want to re-evaluate your investment mix based on your planned time horizon for retirement.
- ❑ Review your insurance situation. (Refer to “Do an insurance checkup” under “In Your 30s”). If you do not already have a long-term care insurance policy, consider enrolling in a plan. Explore available options through your employer or on an individual basis. Generally, the younger you are when you enroll, the lower the premiums will be.

## In Your 60s

If you have not yet done so, determine when you plan to retire and where you are in relation to your goals.

### **Consider your retirement spending strategy.**

- ❑ Determine the right option for you:
  - Continue to invest your retirement assets, living off a small percentage each year, if needed.
  - Consider putting a portion of your retirement into a deferred or immediate annuity based on your current and future income needs.
  - If income is sufficient at present continue saving to grow your assets for future needs.

- ❑ At retirement, keep your 401(k) assets in your employer's plan if that is an option, or roll your balance to an IRA to retain the tax benefits.
- ❑ If you earned a traditional pension, compare the payout options and make sure your choice does not exclude you from other retiree benefits.
- ❑ Make sure you understand what your Social Security benefit will be at various ages and factor this into your decision as to when to retire.

### **Consider your health.**

- ❑ Apply for Medicare three months before you turn 65.
- ❑ Carefully research the Medicare prescription drug coverage options (Medicare Part D) available to make sure you get the best coverage for your needs, or check to see if your employer offers retiree prescription drug benefits.
- ❑ You may find your employer health coverage combined with Medicare makes it worth staying in your job for a few more years.
- ❑ Look at Medigap policies available in your area to supplement Medicare coverage (learn more at [www.medicare.gov](http://www.medicare.gov)) if you do not have retiree health benefits through your employer.

### **What to do if you cannot afford to retire.**

- ❑ Consider your options for continuing to work on a full or reduced schedule.
- ❑ Find out when you can receive your full Social Security benefit. You can hold off on collecting your benefit up to age 70 to increase your monthly payment.



## In Your 70s

- ❑ If you have a traditional IRA that you have not taken withdrawals from yet, you must start taking money out after age 70½. Otherwise, you may get hit with a big tax penalty.
- ❑ Start collecting Social Security at age 70 if you have delayed your benefit.
- ❑ Evaluate whether your income needs are being met. If you are finding expenses are higher than planned and your income is insufficient or you do not feel you have a cushion for unexpected expenses you might review options such as:
  - An immediate annuity
  - A reverse mortgage

70s

# Conclusion

Our generation is redefining retirement. We plan to work longer and stay active. We do not look at retirement as the end of something, but as a new beginning. We hope to travel, to pursue higher education, and to support our communities as volunteers.

We are showing an acceptance of the significant responsibility we face in funding our own retirement. When we turn that recognition into action, we are on our way to a secure and meaningful new era in our lives.

We hope this guide is of use as you take the journey of preparing financially for your future. Share it with your friends and colleagues, so that we may all help each other meet the challenges and seize the opportunities that will lead us to the kind of future we aspire to. See “Resources” for more on to the topics covered in this guide.

# Glossary

Please read this glossary carefully for important information about investments, risks, and expenses.

**Annuity**—(1) A series of periodic payments. (2) An insurance contract under which the company promises to make regular payments to an individual for a certain period or for life.

**Asset allocation**—A strategy for dividing your financial assets among financial risk categories, like stocks and bonds. It is a way to diversify your investments and other financial assets designed to reduce risk. While diversification through an asset allocation strategy is a useful technique that can help to manage overall portfolio risk and volatility, there is no certainty or assurance that a diversified portfolio will enhance overall return or outperform one that is not diversified.

**Bond**—Debt issued by a company or government entity. When you buy a bond, you loan money to the organization that issued it. You get an IOU and a promise that you will get your money back with interest. The value of debt securities will fluctuate with changes in interest rates, prepayment payment rates, exercise of call provisions, market conditions, and other variables. There is also a risk that the issuer will be unable to make principal and/or interest payments.

**Certificate of Deposit (CD)**—An FDIC-insured product that is low-risk and offers a fixed rate of return over a specified period of time.

**Diversification**—A strategy designed to reduce risk by spreading your money across a mix of investments and other financial risks.

**Employer match**—The amount of money your employer adds to your 401(k) or similar retirement savings plan, generally based on how much you contribute. Not all employers who offer a 401(k) match employee contributions.

**I Bond**—Federal government investment product that can be purchased in increments of up to \$5,000 per year. I Bonds earn interest from the first day of the month they are issued. Interest is accrued under two separate rates, a fixed rate that remains the same for the life of the bond and an inflation rate that is based on CPI changes and can change every six months.

**IRA**—A tax-favored retirement savings account or annuity for individual workers. Traditional IRAs allow tax-eligible individuals deductible contributions and investment earnings are taxed at withdrawal. Roth IRAs offer no up-front tax deduction, but contributions and qualified distributions of investment earnings are income tax-free. Penalties may apply to withdrawals prior to age 59½.

**Money Market Fund**—A mutual fund that invests primarily in cash and certain bonds rather than stocks. The bank or financial institution invests the deposit and typically pays a dividend each month. The investments are usually in CDs, Treasury securities, or short-term corporate bonds. Money market mutual funds are not insured by the FDIC although money market deposit accounts at the bank are insured by the FDIC.

**Mutual Fund**—A collection of stocks, bonds, or cash investments, or a combination of them. A mutual fund invests a pool of money from many investors. Investment return and principal value will fluctuate with changes in market conditions such that shares may be worth more or less than original cost when redeemed. Diversification cannot eliminate the risk of investment losses.

**Pension**—An earned right to a monthly retirement benefit for life from an employer. The amount is generally based on the retiree's age, covered compensation, and years of service.

**Return**—The money you earn on your investments and other financial assets.

**Reverse mortgage**—A contract that allows a homeowner to receive retirement income from his/her home equity, with no repayment required as long as he/she remains in the home.

**Risk**—The possibility that an investment or other financial asset will lose value.

**Stock**—A measure of ownership in a company.

**Time horizon**—The time you have to save and invest to achieve a financial goal.

**Treasury Bill (T-Bill)**—A debt product sold by the federal government which has terms ranging from 4 to 52 weeks. They are typically purchased at a discount and paid at full face value when the term is up. Interest earned is exempt from state and local tax.

**Treasury Inflation-Protected Securities (TIPS)**—Debt products from the federal government that can be purchased for 5-, 10-, or 20-year periods. The principal on TIPS adjust with the Consumer Price Index (CPI) so that it can go up or down. TIPS pay interest every 6 months based on the CPI at the time interest is paid. At maturity they pay out a sum based on the CPI at that time.

# Resources

## Useful Publications

**An Employee’s Guide to Health Benefits Under COBRA—The Consolidated Omnibus Budget Reconciliation Act of 1986**, U.S. Department of Labor, Employee Benefits Security Administration, September 2006.  
[www.dol.gov/ebsa/pdf/cobraemployee.pdf](http://www.dol.gov/ebsa/pdf/cobraemployee.pdf)

This guide provides details on COBRA-related questions in a clear, easy-to-read format.

**Beginners’ Guide to Asset Allocation, Diversification, and Rebalancing**, U.S. Securities and Exchange Commission (SEC). [www.sec.gov/investor/pubs/assetallocation.htm](http://www.sec.gov/investor/pubs/assetallocation.htm)  
A consumer investment guide.

**Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare (2010)**, Centers for Medicare & Medicaid Services, CMS Pub. No. 02110, Revised March 2010.  
[www.medicare.gov/Publications/Pubs/pdf/02110.pdf](http://www.medicare.gov/Publications/Pubs/pdf/02110.pdf)

An overview of Medicare and detailed information related to the Medigap Plans.

**Financial Steps for Caregivers: What You Need to Know About Money and Retirement**, Women’s Institute for a Secure Retirement, Revised 2008.  
[www.wiserwomen.org/pdf\\_files/stepscaregivers10\\_05.pdf](http://www.wiserwomen.org/pdf_files/stepscaregivers10_05.pdf)

A guide to explain the financial steps family caregivers will need to take to deal with the challenges of retirement planning.

**Invest Wisely: An Introduction to Mutual Funds**, U.S. Securities and Exchange Commission (SEC).  
[www.sec.gov/investor/pubs/inwsmf.htm](http://www.sec.gov/investor/pubs/inwsmf.htm)

An overview of mutual funds.

**Medicare & You 2011**, Centers for Medicare & Medicaid Services, CMS Publication No. 10050, January 2010.  
[www.medicare.gov/publications/pubs/pdf/10050.pdf](http://www.medicare.gov/publications/pubs/pdf/10050.pdf)

This guide explains Medicare basics and includes information about health plans, including Medicare Advantage, prescription drug plans, and enrollment.

**Retirement and Health Care Coverage... Questions and Answers for Dislocated Employees**, U.S. Department of Labor, Employee Benefits Security Administration (EBSA), Revised October 2008. [www.dol.gov/ebsa/pdf/dislocatnet02.pdf](http://www.dol.gov/ebsa/pdf/dislocatnet02.pdf)  
This guide discusses details related to COBRA and Pension Benefits in a clear question-and-answer format.

**Retirement Benefits**, Social Security Administration, Publication No.: 05-10035, January 2010.  
[www.ssa.gov/pubs/10035.pdf](http://www.ssa.gov/pubs/10035.pdf)  
This guide provides an overview of the retirement benefits under Social Security.

**Retirement Planning: Health Care Considerations**, MetLife Mature Market Institute, January 2010.  
[www.metlife.com/mmi/publications/essentials/index.html](http://www.metlife.com/mmi/publications/essentials/index.html)  
This question-and-answer guide is a brief overview of the planning considerations for future health care expenses depending upon when you expect to retire.

**Taking the Mystery Out of Retirement Planning**, U.S. Department of Labor, Employee Benefits Security Administration (EBSA), February 2010.  
[www.dol.gov/ebsa/publications/nearretirement.html](http://www.dol.gov/ebsa/publications/nearretirement.html)  
This guide provides an overview of the retirement planning process for workers 10 years from retirement.

**Use Your Home to Stay at Home: A Guide for Older Homeowners Who Need Help Now**, National Council on the Aging (NCOA), 2009.  
<http://www.ncoa.org/news-ncoa-publications/publications/reversemortgagereportpublications.pdf>  
A guide detailing the pros and cons of reverse mortgages as a tool to help people remain at home, even if they require assistance.

**What Every Woman Should Know**, Social Security Administration, Publication No.: 05-10127, August 2009.  
[www.ssa.gov/pubs/10127.pdf](http://www.ssa.gov/pubs/10127.pdf)  
A publication on Social Security, with a focus on issues specific to women.

## Internet Sites

### **AARP Foundation**

[www.aarp.org/revmort](http://www.aarp.org/revmort)

Provides information for consumers related to reverse mortgages. It covers many aspects and includes calculators and a downloadable consumer guide, *Reverse Mortgage Loans—Borrowing Against Your Home*.

### **The Insurance Information Institute**

[www.iii.org/individuals/annuities/](http://www.iii.org/individuals/annuities/)

Provides an overview of annuities. It gives product information in a very easy question-and-answer format. The Web site also includes information on other products, including health, disability, life, and long-term care insurance.

### **Medicare**

[www.medicare.gov/](http://www.medicare.gov/)

Contains detailed information on all aspects of Medicare including the prescription drug program. It provides local and state-specific information on available Medicare Prescription Drug plans, an individual plan comparison capability based on an individual's Medicare number and demographic information, and a formulary finder to allow individuals to search formularies in their state in relation to medications they are taking.

### **MetLife Mature Market Institute**

[www.maturemarketinstitute.com](http://www.maturemarketinstitute.com)

Provides research regarding retirement and retirement planning issues as well as a variety of educational consumer materials.

### **Mymoney.gov**

[www.mymoney.gov/](http://www.mymoney.gov/)

The U.S. government's Web site focused on educating Americans about basic financial issues—balancing a checkbook to savings and investment and retirement planning.

The site includes information from 20 federal agencies, and includes finance-related tools and calculators. You can also order a free “MyMoney” tool kit, which includes publications on saving, investing, protecting, and getting the most from your money.

### **National Clearinghouse for Long-Term Care Information**

[www.longtermcare.gov](http://www.longtermcare.gov)

This government-sponsored site, provides an overview of long-term care and the importance of planning. Consumers can request a copy of the “Own Your Future” long-term care planning kit.

### **Social Security Administration**

[www.ssa.gov](http://www.ssa.gov)

Provides information on all aspects of Social Security. Includes a “Retirement Estimator” to provide you with an estimate of your Social Security retirement benefit based on your actual Social Security earnings record. It also includes question-and-answer sections related to your Benefits Statement, Medicare Enrollment, Disability, etc. Publications are available in several languages.

### **TreasuryDirect**

[www.treasurydirect.gov](http://www.treasurydirect.gov)

The first and only financial services Web site that lets you buy and redeem securities directly from the U.S. Department of the Treasury in paperless electronic form. The site contains information for consumers about a variety of government Treasury Securities, including Treasury Bills (T-Bills), Bonds, and Treasury Inflation-Protected Securities (TIPS).

### **U.S. Department of Housing and Urban Development (HUD)**

<http://www.hud.gov/offices/hsg/sfh/hecm/hecmhome.cfm>

Provides “Top Ten HECM FAQs.” Allows you to search for both reverse mortgage lenders and HUD counselors in your local area.

**U.S. Department of Labor, Employee Benefits Security Administration (EBSA)**

[www.dol.gov/EBSA/savingmatters.html](http://www.dol.gov/EBSA/savingmatters.html)

Provides an educational campaign related to retirement planning called “Savings Matters.” Consumer brochures available in both English and Spanish.

**Women’s Institute for a Secure Retirement (WISER)**

[www.wiserwomen.org](http://www.wiserwomen.org)

Serves as a national clearinghouse and technical assistance center for retirement planning information tailored specifically for women. Information is offered through financial and retirement planning programs, publications in hard copy and Web-based formats. Provides a number of educational materials for consumers in English, Spanish, Portuguese, Korean, and Vietnamese. The site also provides a “retirement income calculator” and a quarterly newsletter.

# Endnotes

- <sup>1</sup> *It's Not Your Mother's Retirement*, MetLife Mature Market Institute and WISER, April 2007.
- <sup>2</sup> Ibid, 2007.
- <sup>3</sup> Ibid, 2007.
- <sup>4</sup> Fred Schneyer. "Retirement More of a Downshifting Than Sudden End to Working." *Plan Sponsor Magazine*. January 18, 2007.
- <sup>5</sup> *Retirement Benefits*, Social Security Administration, Publication No.: 05-10035, January 2010. <http://www.ssa.gov/pubs/10035.pdf>.
- <sup>6</sup> *Health, United States, 2008*, National Center for Health Statistics, With Chartbook, Hyattville, MD. 2009.
- <sup>7</sup> *Getting Ready to Retire: What You Need to Know About Annuities*, Actuarial Foundation, 2007.
- <sup>8</sup> *It's Not Your Mother's Retirement*, MetLife Mature Market Institute and WISER, April 2007.
- <sup>9</sup> Ibid.
- <sup>10</sup> U.S. Census Bureau (2008) American Housing Survey for the U.S.: 2007, Current Housing Reports, Series H150/07. Washington, DC: U.S. Government Printing Office.
- <sup>11</sup> Ibid.
- <sup>12</sup> HUD Reverse Mortgages—Free Public Service for Senior Homeowners, "Frequently Asked Questions," Reverse Mortgage Lender's Association, accessed via Internet at [www.hudreversemortgage.org/faq.html](http://www.hudreversemortgage.org/faq.html), January 2009.

**The MetLife Mature Market Institute**

57 Greens Farms Road  
Westport, CT 06880  
(203) 221-6580 • Fax (203) 454-5339  
MatureMarketInstitute@MetLife.com  
[www.MatureMarketInstitute.com](http://www.MatureMarketInstitute.com)

**WISER**

1146 19th Street NW, Suite 700  
Washington, DC 20036  
(202) 393-5452 • Fax (202) 393-5890  
[info@wiserwomen.org](mailto:info@wiserwomen.org)  
[www.wiserwomen.org](http://www.wiserwomen.org)



**[www.MatureMarketInstitute.com](http://www.MatureMarketInstitute.com)**

200 Park Avenue, New York, NY

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