

Money Management for Seniors



Presented by:



Introduction

This workshop is designed for people who may be thinking about retirement, nearing their retirement date, or who are already retired. It will cover some of the questions that many seniors share in dealing with their finances. It can also provide helpful information for those people who are responsible for helping senior family members with their finances.

Let's begin by meeting some people who have questions about their financial situations:



Ann and Walt have both been retired for several years. They live in the home where they raised their family, but they are thinking of moving to a smaller place. They are able to live comfortably on their retirement income, but wonder if there are things they should be doing to be better prepared for the future, and to provide for their children and grandchildren some day.



Luann is a widow who has been on her own for several years. She gets by on her late husband's pension and Social Security, but in some months money is tight. She worries about protecting the savings she has, and she is finding it a bit more difficult to handle her personal business affairs.



George is a few years away from retirement and looking forward to it. He is beginning to think about how his life and his finances will change when he is no longer working. He wonders what he can be doing now to prepare, and what he can expect when he does retire.

**Introduction
(continued)**

Suzanne is divorced and has just retired. Until recently her husband handled most of their personal business, but since the divorce she has learned a lot about taking care of herself. She is not sure if she will want to stay in her home, or if she will be able to financially.

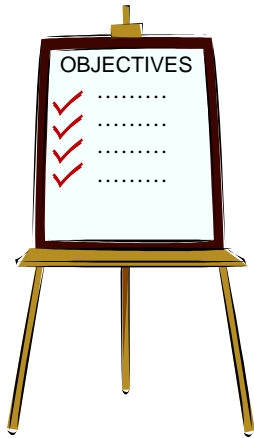


Carla is concerned about her parents, both of whom are elderly. They are increasingly relying on her to help them with their financial affairs, and at times she is concerned about the decisions they make on their own. After all that they have worked for, she wants to help them make the most of their money, but she is not sure she knows what to tell them.

These people are like many of us. We are all concerned about making the best financial decisions for ourselves and our families. We want to be sure that we will have what we need as we grow older, and we want to protect the money and other assets we have worked hard for throughout our lives.

Although each of us has needs and situations that are unique, you will see throughout this workshop that there are some steps that we can take to address the areas that concern us the most. And to make the process easier, there are many resources, agencies and organizations in place to support seniors along the way.

Workshop Objectives



The purpose of this workshop is to help you to:

- Think about your sources of income during your retirement years
- Take steps to protect your finances and provide for your family
- Recognize and avoid frauds and scams that target seniors
- Locate some of the many resources that are available to help you answer your financial questions

In this workshop, we will be touching on a wide variety of financial and legal issues, and our discussion will give you some ideas about the steps you need to take next. However, keep in mind that because everyone's situation is different, you should do further research and consult with a qualified advisor or attorney before you make any final decisions.

**Financial
Planning for
Seniors**

At every stage of life we face changes and decisions – some of them simple and some of them much more complex. Growing older can bring new concerns and challenges, as well as rewards.

If we have been in the working world, at some point we face retirement – which can bring huge changes to our lifestyle and our finances. We suddenly have more time and freedom to pursue our interests, travel and spend time with our families. Our social circles change, and our family situations may change as well.

Getting our finances in the best shape we can is a way to allow us to enjoy this phase of life to its fullest. People are retiring sooner and living longer, and therefore need to provide for themselves by maximizing their sources of income and keeping their expenses in line.

Whether you are nearing retirement or are a few years away, it makes sense to think about what your financial life will be like when you are no longer working. This means taking a look at what you own today, what debts you owe, and what you expect your income and expenses to be in the future. If you are already retired, your income may be fixed, but it still makes sense to take a look at your income and your expenses on a regular basis.

**Sources of
Retirement
Income**

Many retired seniors receive regular income from one or more sources:

- Social Security
- Pensions from their employer(s)
- Distributions from retirement savings, such as IRAs or 401(k) plans
- Other government programs or assistance

Let's take a closer look at these sources of income.

Social Security **Social Security** is a federal government program that provides monthly payments to retired or disabled individuals. The amount you receive is based on your earnings during the years that you worked, and your age at the time of your retirement.

Traditionally, a person had to work until age 65 to receive full retirement benefits. However, changes in the law have increased the age for full benefits to 67, phased in over a number of years. Depending on the year that you were born, your retirement age for full benefits will be somewhere between age 65 and 67.

If you choose, you can elect to retire and begin to collect Social Security as early as age 62. If you take this early retirement option, your monthly benefit is reduced. For example, if you turned 62 in 2004 and elected to begin collecting Social Security, your monthly payment would be about 24% less than if you waited until age 65. Once you begin to receive payments, your benefit amount stays at the lower level, even when you reach full retirement age. Let's look at an example:



Robert is turning 62 in 2004 and he is considering retiring. As a result of his earnings history, he will be eligible for a monthly payment of \$800 when he reaches full retirement age, which based on his year of birth is 65 years and 10 months. If he decides to retire at 62, he will begin collecting social security benefits sooner, but his monthly amount will be reduced to \$600.

If you decide to continue working beyond the age for full benefits, the amount of benefit you will receive when you do retire will increase. The benefit increases for each additional year of work, up to age 70.

Each year the Social Security Administration mails you a statement showing your earnings to date and the estimated benefits you will receive when you retire. You should review this form to be sure that you are getting credit for all of your earnings. There is also a website at www.socialsecurity.gov that allows you to look at what you can expect your benefits to be under various retirement options.

**Social Security
(continued)**

In many cases a spouse who does not have an earnings history on their own can receive Social Security benefits based on the earnings of their partner. For example, a person who reaches full retirement age can collect an amount equal to one-half of their spouse's benefit amount.

A spouse can also continue to collect benefits after a partner dies. For example, a woman who is a widow can collect the benefit that would have been paid to her husband. If the wife has reached full retirement age, she can collect the full amount of her husband's benefit. If she is at least 60 years old but less than full retirement age, she can collect a lesser amount. She cannot, however, collect benefits of her own as well as her husband's – she would be paid only the amount that is greater.

To apply for Social Security benefits you can call 1-800-772-1213 or visit your local Social Security office. You will need to bring or mail your birth certificate, your last W-2 form, your bank account information and proof of citizenship or immigration status if you were not born in the United States.

Pensions

A pension is a retirement benefit provided by an employer. Each pension plan is different, and the rules are determined by the company. In general, a company determines the amount of pension benefit someone receives when they retire based on the number of years that they worked and the amount of money they earned.

Most employer pension plans are called **defined benefit plans**. That means that the employer has guaranteed that you will receive a certain amount of money when you retire. The benefit is usually monthly for the rest of your life.

Typically, you must work for a company for a specific number of years before you have a legal right to your pension benefits. This is called **vesting**. For example, a company's pension plan can specify that you must be employed for five years to be fully vested. If you leave their employment before five years, you will not receive any pension benefits. If you leave after five years, you are entitled to a pension based on the number of years that you worked, but you can't collect it until you reach retirement age.

Some pension plans give you an option to take one lump-sum payment when you retire, instead of receiving monthly checks. If you take this option, you have more control over your money, but you lose the security of the monthly checks. To avoid paying taxes on the full amount, you will probably want to have the distribution "rolled over" into an **Individual Retirement Account (IRA)**.

Most pensions are protected by the **Pension Benefit Guaranty Corporation (PBGC)**, a federal government entity. The PBGC oversees pension plans to be sure that they are financially sound, and provides pension payments for people whose employers have gone out of business or closed their pension plans.

If you have had more than one employer who offered pension benefits, you may be vested in more than one pension. You may have to contact the employee benefits department of your previous employers to be sure that you collect any pensions you have earned. If you can't track the company down because it has closed or merged with another company, you can contact the PBGC for help by calling 1-800-400-7242 or visiting www.pbgc.gov.

Joint and Survivor Benefits

Married couples may each receive a pension if they both worked, or they may rely on the pension of the spouse who was the main breadwinner. But what happens if one spouse dies? The surviving spouse could be left with substantially less income. Some expenses will decrease with only one person to support, but many will stay the same, including home upkeep, utilities, and property taxes. In fact, as prices go up over the years, it is likely that the remaining spouse's living expenses will increase over time.

When you retire with a pension, you will be given some choices. You can receive the full pension monthly benefit you are entitled to, and payments will continue for the rest of your life. If you take this option and you die before your spouse, the surviving spouse will not receive any more money after you are gone. Your spouse must consent to this election.

Or, you can elect a "joint and survivor" option. This means that you agree to take a slightly lower monthly pension payment now, but if you die before your spouse, they can continue to receive all or a portion of your monthly pension for the rest of their lives. However, if your spouse dies before you do, you may still be stuck at the lower amount. (Some employers offer a plan that returns you to the full amount if your spouse dies before you.)

Many couples choose a "joint and survivor" pension option because it provides some lifetime financial security for both partners.



Retirement Plans

Some employers offer retirement savings plans instead of, or in addition to, traditional pensions. These are often called **401(k) plans**. In a 401(k), both you and your employer can contribute money while you are working. Often, the employer contribution is set up to match part of your savings. For example, for every \$1 you contribute, the employer contributes a set amount, such as 50 cents or even \$1, up to a certain limit. In some cases, the employer matches your contributions by putting company stock into your account instead of cash.

Employees become eligible to participate in a 401(k) plan after working for the company for some period of time, often six months or a year. Each year you decide how much of each paycheck you want to put aside into your retirement account. You do not have to pay taxes on the money you put in, or on any income the money earns while it is invested. You do have to pay taxes on the money when you take it out at retirement, however, many people are in a lower tax bracket once they are no longer working.

A similar type of plan is called a 403(b). It works like a 401(k), but it is designed for employees of certain non-profit organizations. If you work for a school or hospital, for example, you may be eligible to participate in a 403(b) plan.

Because 401(k) funds are intended for retirement, you cannot take the money out early without paying a stiff penalty. Generally, penalties apply to any money taken out before age 59 ½. However, if you take early retirement, in some cases you may be able to avoid penalties as early as age 55.

When you retire, you will have to decide if you want to leave your money in the plan, take it out in installments, take a lump-sum distribution (and pay taxes on the full amount), or roll over your distributions to an IRA or annuity. (We will see more about IRAs and annuities in a minute.)

If you still have money in your 401(k) when you reach 70 ½, you must start taking required minimum distributions, or face a penalty of 50% on the amount you were supposed to take out. If you are still working at age 70 ½, you may be permitted to defer distributions until you retire.

If you are still working and your employer offers a 401(k) plan, you might want to increase your contributions in preparation for retirement, at least to the point that you are taking full advantage of the company's matching program, if any. There are maximum amounts that you can contribute (the limits change each year), and people over 50 years old are able to contribute an extra amount to help their retirement savings "catch up".

Individual Retirement Accounts (IRA's)

A traditional **Individual Retirement Account**, or IRA, is an account held for you by a bank or brokerage house. When you contribute money to an IRA, you may not have to pay tax on that portion of your income if you meet certain requirements. In addition, you may defer taxes on the interest that the account earns. This can allow your money to grow faster.

There are rules that govern how IRA money is distributed. Generally, if you withdraw any money from an IRA before you reach the age of 59 ½ there is a 10% early withdrawal penalty. There are a number of exceptions, including if:

- You become disabled
- You use the money to pay for qualified higher education expenses
- You are buying your first home
- You use the money to pay certain medical expenses

If you take any money out before you are permitted, you have to pay taxes on the amount you take out, plus the 10% early withdrawal penalty described above. Beginning at age 59 ½, you can take out any amount you want (and pay the applicable taxes), or you can leave your money in the account and let it grow.

Once you reach 70 ½, you must take a minimum withdrawal each year. If you don't, you will be subject to a penalty of 50% of the amount you were supposed to take. Your required minimum withdrawal is based on the value of the account and life expectancy factors.

If you are still working and have an IRA, you may want to step up your contributions as you get closer to retirement. The amount that you are allowed to contribute annually to an IRA is scheduled to increase each year through 2010, and people over 50 are able to contribute a bit more than younger people. You do not have to contribute the same amount each year. You can open an IRA account at any time before age 70 ½.

If you retire or change jobs and have money in a company-sponsored retirement plan, you may be able to move the money to an IRA. This is called an **IRA rollover**. By moving the money directly into an IRA, you can avoid taxes and penalties and keep your money growing tax-deferred.

Another type of retirement account is called a **Roth IRA**. The primary difference between a traditional IRA and a Roth IRA is that while contributions to a Roth are not tax-deductible, you do not have to pay taxes on eligible distributions when you take the money out. No minimum distributions are required, and you can open the account at any age.

If you are interested in an IRA account, your PNC representative can help you determine which type of account would meet your needs.

Annuities

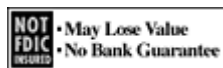
Annuities are investments sold by life insurance companies. You can invest in an annuity by putting in a lump sum, such as money you receive from a pension, a life insurance policy or an inheritance. You can also invest in an annuity by making monthly payments. In either case, annuities can be a good way to save for retirement.

Money invested in a deferred annuity is intended to be used when you reach retirement age. If you have invested in an annuity, you can take all of the money out or schedule regular payments to be made to you, subject to limitations outlined in the policy. Withdrawals may be subject to income taxes, and if taken prior to age 59 ½, a 10% federal tax penalty may apply.

Some annuities, called **fixed annuities**, earn a set rate of interest for a specific period of time, such as one, three or five years. At the end of the period, the interest rate is reset for the next period. Other annuities called **variable annuities** offer different investment options for you to choose from, such as stocks and bonds. A variable annuity fluctuates in value. The amount you could potentially earn depends on the options you select and how those options perform.

Annuities are not insured by the FDIC or any Federal Agency and are obligations of the issuing insurance company. Because of the way they work, they require a long-term commitment and should not be used for money you may need before retirement or before limitations outlined in the policy.

If you think that an annuity might be a good choice for your needs, contact PNC Bank and they can direct you to the appropriate person to explain the investment options, interest rates, fees and restrictions.



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Other Sources of Income and Benefits

For some people, the amount of money they receive from Social Security or their pension is not enough to make ends meet, and they may not have had the benefit of other types of retirement savings. Programs designed to help low income seniors can supplement their payments and help make things easier.

If you have access to the internet, or have a family member who does, there is an easy way to determine if there are benefits that you may be eligible for. “BenefitsCheckUp” is a website sponsored by the National Council on the Aging. By answering a simple and confidential questionnaire, you can determine if there are programs that can help you. The website can be found at www.benefitscheckup.org.

Supplemental Security Income

Supplemental Security Income (SSI) is a federal government program that provides a monthly income to people who are 65 or older, and who have low income and few assets. People who are blind or disabled may also be eligible regardless of age. In most cases, you must be a U.S. citizen or a U.S. national (from an American territory) to qualify.

To determine whether you qualify for SSI, the government looks at the things you own, such as investments, to see if they are under a certain limit (in 2004 the limit was \$3,000 for a married couple, \$2,000 for an individual). Some things are not counted, including your home, one car and your personal property such as clothes and furniture.

To apply for SSI, go to your local Social Security office, or call 1-800-772-1213. You will need to take your Social Security number, your birth certificate, proof of where you live and your bank books or statements. If you are approved, your monthly checks will start the month after you apply.

Food Stamps



The federal government's food stamp program provides low-income citizens with money to purchase groceries. Food stamps are available to anyone, but the restrictions for approval are a bit more lenient for people over 60.

To be approved for food stamps, you must meet income limitations (including what you receive from pensions or Social Security), as well as limits on what you own. The amount of money you receive is based on your income, resources, and the number of people living in your house.

For most people, the amount of money they receive in food stamps is not enough to cover all of their grocery expenses, but it does help stretch their dollars further. And it frees up cash that they would have spent on groceries to help toward paying for other things, like their rent or utility bills.

To apply for food stamps, call 1-800-221-5689 or visit your local Department of Social Services. If you are approved, you will receive a card that looks like a credit card. Each month you will be able to use the card to buy food, up to the amount the government puts in your account each month.

Part-time or Full-time Work

Some seniors find other ways to supplement their income. Many people are able to continue to work after retirement, perhaps taking on a part-time job to make some extra money. For some, working provides a chance for social interaction and becomes an enjoyable pastime as well.

If you are thinking about working part-time, consider one of the many employers who place a high value on having seniors as employees. Keep in mind that if you are receiving Social Security benefits, amounts you earn by working may decrease your monthly benefit amount. Check with your local Social Security office for details.

Reverse Mortgages



Another way that seniors who own a home can supplement their income is through a **reverse mortgage**. A reverse mortgage is a type of loan in which you pledge your home as collateral. In that way, it is the same as a traditional mortgage. But in many other ways, it is different.

In a reverse mortgage, the bank makes a payment to you every month. The amount they pay you is based on how much the home is worth, your age, interest rates and how long you want them to pay you. Each month your loan balance, or the amount you owe the bank, increases by the amount of your check plus the interest you are charged on the loan. In exchange for payments, the bank takes a lien on your home.

While the loan is outstanding, you continue to own the house. You live there, pay property taxes and are responsible for maintaining the home. If you decide to sell the house and move somewhere else, you can use the money from the sale to repay the loan. If you stay in the house, your estate will be responsible for repaying the loan when you die. Your heirs can sell the house to repay the loan, or repay the loan using their own money and keep the house.

No matter how long you stay in your home or how many payments you receive, your loan balance can never go above the value of the home. The lender cannot collect payment from your income or any other source.

Reverse mortgages are available to people who own their home and have completely paid off their original mortgage. You may also be eligible for a reverse mortgage even if you are still making payments on your mortgage, depending on the amount of “equity” you have in your home. Your equity is equal to the amount your home is worth, less any loans you still owe.

If you are interested in a reverse mortgage, do your homework and make sure that you are dealing with a highly reputable lender. Many financial institutions that offer reverse mortgages are guaranteed by the Federal Housing Administration (FHA). The guarantee states that you or your estate will never owe more than the house is worth. It also guarantees payments to you even if the lender goes out of business.

Home is Where You Make It

One of the more emotional aspects of getting older is the realization that it may ultimately affect where and how we live. Over time our situations change – children grow up and move out, or sometimes grown children move back in and bring children of their own. We may be widowed, divorced or remarried. Our needs may change as well, and our current living arrangement may become too costly or too hard to maintain.

If you own your home, you may want to stay there as long as you can. As you plan ahead, you need to think about how it will meet your physical, emotional and financial needs in the future:

- Can you maintain the home and the property, or afford to pay someone to do it for you?
- Is the neighborhood safe?
- Will you be able to get around if you can no longer drive?
- Are you close to family, shopping, medical care, etc.?
- Do you have to go up and down stairs to get to your bedroom or bathroom?
- Could the house be modified if you or your spouse became disabled?

If you want to stay in your home but have concerns about living alone, you might think about other options that could allow you to do that. For example, you might have an adult child or grandchild move into the home with you, or share your home with a housemate.

Some seniors sell their home to their adult children, then rent it back from them. The children are able to get a mortgage and take advantage of the tax deductions of home ownership, and the parent can use the money for living expenses. This also allows the home to stay in the family without having to deal with wills, probate or estate taxes. Of course, even when you are dealing with family members, it is always a good idea to put any financial arrangements in writing.

Home is Where You Make It (continued)

If home ownership is not an option, or you are just ready to be free of some of the responsibilities of caring for a home, you have many other alternatives.



- A **retirement community** is a term that applies to a wide range of housing options marketed to seniors. These developments are designed for people who live independently, but who share common needs and interests. Retirement communities often include recreational facilities and social programs for residents.

To live in a retirement community, you may have to pay an initial entrance fee as well as monthly rent. Some communities are made up of condominiums that you can purchase, along with signing a contract for ongoing fees. While there are still some retirement communities that require residents to turn over all of their assets in exchange for lifetime residency, this is becoming less common.

- **Continuing care retirement communities** provide housing, meals, and health services in addition to social and recreational facilities. They often include separate areas for independent living, assisted living and nursing home care, all in one complex. Continuing care retirement communities are attractive to people because they offer the security of staying in the same place even if they need nursing home care in the future. Some couples choose this option as a way to stay together, even if they each need a different level of care.

Residents of continuing care facilities may pay an entrance fee, as well as monthly fees. Depending on the type of contract you sign, additional services may be provided without a significant increase in monthly fees. The contract will also outline whether you will be able to stay at the facility once your resources are used up or you become eligible for Medicaid.

- **Assisted living facilities** are often apartment buildings that are set up to offer residents support with daily living activities. They typically provide meals, housekeeping and social activities, but not nursing care. The monthly fees for assisted living facilities can vary greatly depending on the type of housing and the level of services offered.

Home is Where You Make It (continued)

- **Subsidized housing** is available in many areas for low-income seniors. Apartment buildings or other complexes offer reduced rents for those people who qualify, usually based on age, income levels and asset limitations.

For example, under a program called “Section 202 Supportive Housing for the Elderly”, the federal government sponsors affordable housing projects for seniors. To be eligible, you must have a low income and be at least 62 years old. Your rent may be fixed or may be determined based on a percentage of your income, but in either case it will be well below the rates charged for similar units that are not covered by the program.

Typically, housing units under this program are studio or one-bedroom apartments, and are equipped with special safety features. Many Section 202 facilities also offer support services such as meals and transportation, but not medical care.

In addition to Section 202 housing, there may be other forms of subsidized housing available in your area. You can check with the local government offices in your own community to find out more.

To apply for subsidized housing, you usually must visit the facility you want to live in and complete an application. You will have to bring information with you showing your income and citizenship status. Because the demand for this type of housing is high, you might be put on a waiting list. If this happens, be sure to stay in touch with the property manager, especially if you change your address or phone number, so that you don’t lose your place in line.

- Other options for living arrangements can include sharing an apartment with a roommate whose situation is similar to your own, or living with an adult child, grandchild or other relative. These arrangements can work well for some families. You get the benefit of an affordable place to live and the support of family members, and you may be able to help with some of the family’s expenses.



Living on a Fixed Income



One of the challenges faced by many seniors is how to stretch their monthly income to cover their expenses. Semi-retirement or retirement can cause a sharp drop in income, even for those who receive pension and social security benefits. And on an ongoing basis, seniors often face rising costs for medical care, housing, food and utilities, while their income remains about the same.

For some of us, this means watching every penny to be sure that we can cover our basic needs. For others, it is a question of finding ways to live a lifestyle we enjoy without having to worry about our financial future.

We have already talked about one strategy for dealing with this issue – making sure that you are tapping into all of your available sources of income and benefits. The next step is to look at how you spend your money each month.

For many people, a written budget can be helpful. A basic budget is simple to set up. Start by listing your sources of income each month. Then write down each of your basic living expenses, such as rent or mortgage payments, utilities, and debt payments. You will probably have to estimate some expenses, such as the amount you spend each month on food or other routine expenses you pay with cash. Don't forget things like entertainment, haircuts, transportation, donations and gifts. Also write down any expenses that are paid less frequently, like taxes or insurance.

Once you have some information in front of you, you have taken the first step to getting and keeping your finances under control. By looking at your budget, you can determine what you can afford to spend for more discretionary items (things you would like, but don't necessarily need.) You can also look for areas where you may be spending more than you want to, and take steps to cut back so that you have more cash available for other things.

If you would like to learn more about using a monthly budget to help plan, record and control your expenses, you might be interested in a workshop offered by PNC called "Budgeting".

Living on a Fixed Income (continued)



Let’s talk about some ways to cut costs. While the same things do not necessarily work for everyone, many of us have come across some great ways to save money. Here are a few ideas:

Groceries:

- Make a list and stick to it.
- Buy what is on special.
- Use coupons, but only on products you would buy anyway.
- Consider buying in bulk, but limit your purchases to non-perishables and products that you use regularly.

Utilities:

- Keep unnecessary lights turned off.
- Keep the thermostat turned down a little in the winter, and limit air conditioning in the summer.
- Turn off heat to unused areas of your home.
- Keep your home in good repair.

Transportation:

- If you have a car, keep it well-maintained for the best gas mileage and fewest repair bills.
- Shop around for the cheapest insurance. If you have a car that you are no longer driving, get rid of it and save the insurance costs.
- Take advantage of free or discounted transportation available to seniors.

Miscellaneous:

- Always ask if a senior discount is offered on products and services. Use organizations such as AARP to learn about free and discounted offers.

What are some of your best cost-cutting tips or suggestions?

1. _____
2. _____
3. _____
4. _____
5. _____

Financial Safety and Security

Whether we have had the chance to accumulate savings or we are just getting by, keeping our money safe should be a top priority. Many seniors like to keep extra cash at home “just in case”, but this is not a good idea if the amount is too large. Taking advantage of bank accounts and services can allow you to keep your money safe, while still giving you all the access you need in the event of an emergency.

Bank Accounts

Bank accounts are among the safest places to keep your money, because the FDIC (Federal Deposit Insurance Corporation), part of the U.S. federal government, insures your account up to the maximum permitted by law. This means that if the bank were to go out of business, each depositor would be protected up to \$100,000.

- **Checking accounts** – Many people find checking accounts to be a convenient way to pay their bills. By mailing checks to pay your bills, you eliminate the need to carry cash and pay bills in person, and eliminate the expenses that can go along with money orders. You should try to keep enough money in your checking account to cover your routine expenses.
- **Bank savings accounts** – When you have a bank savings account, you can earn interest on your money while it is in the account. And when your money is “out of sight, out of mind”, you may be less apt to spend it and will have greater success in reaching your savings goals.
- **Money market accounts** – Some bank savings accounts are called money market accounts. Banks will often require that you keep a higher minimum balance in the account each month, and as a result you gain additional benefits. These accounts usually pay a higher rate of interest than standard savings accounts, and may include features that allow you to write a limited number of checks on the account.

**Bank Accounts
(continued)**

- **Certificates of Deposit** – These are often called “CDs” and are special savings accounts offered by banks. When you deposit in a CD, you commit to keep your money in the bank for a set amount of time, called the “term”. The term of CDs vary, usually somewhere between three months and 10 years.

The interest rates offered by banks for CDs can change from one day to the next, but once you deposit your money in a Certificate of Deposit the interest rate is fixed until the CD reaches its maturity date. This means that your interest rate will not change during the term. The rates are usually higher than regular savings accounts, but lower than other types of investments.

Interest rates are usually higher for longer maturity CDs than for shorter ones. At the CD’s maturity date, you can either withdraw your money or “roll over” the amount into a new CD. However, if you want to withdraw your money before the maturity date, you usually have to pay a penalty.

If you would like to learn more about various types of bank accounts and how they work, PNC offers a workshop called “Banking Basics” that covers these topics in more detail.

Savings and Investments

We have already seen some of the types of investments that relate to retirement savings, such as IRAs and annuities, which can be very attractive to seniors. If you want to learn more about other saving and investing alternatives, PNC Bank offers a workshop called “Saving and Investing” that can help.

If you have grandchildren or other children in your life, one of the most rewarding ways to save or invest is to build up funds for them. If a grandparent sets up an account to save for a grandchild’s college education, for example, he or she is giving that a child a valuable gift. Not only will the money help to pay education expenses someday, but the act itself can give a message of support and encouragement.



If you can afford to set aside some money each month or year for a child from the time that he or she is young, it can really add up as they grow. Or you might want to make a tradition of making a deposit for certain holidays, instead of buying another toy. For example, if you were to invest just \$10 a month in an account from the day a child is born until he or she turned 18, and earned an Annual Percentage Yield of 4%, the balance in the account would be over \$3,000!

There are several different types of accounts or investments that are designed to help adults save money for children:

- **Uniform Gifts to Minors Act (UGMA) accounts** or **Uniform Transfers to Minors Act (UTMA) accounts** are opened in the child’s name. You, or someone selected by you, are the custodian of the account until the child reaches the age of 18 or 21 (the age varies according to state laws). At that point, the child gets control of the account. The benefits of this type of account are that there are minimal taxes on the interest earned in the account, and there is flexibility as to how the money can be used. On the other hand, some adults worry whether children will be responsible enough to have control of the money as early as 18 years old.
- **Coverdell Education Savings Accounts** (formerly referred to as Education IRAs) are special accounts used to save for education expenses. Anyone can set up a CESA on behalf of a specific child. The person making the contributions must meet certain income guidelines, and there are limits as to the amount that you can contribute in any one year. Any income the money earns while it is invested is tax free, as long as money taken out is used for approved education expenses. If the money is used for any other purpose, it is subject to a 10% penalty.

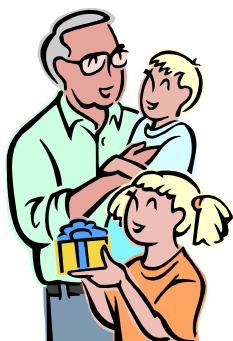
Savings and Investment (continued)

- **Section 529 Savings Plans** are another attractive way to save for a child's education. Anyone can contribute to a child's 529 plan. The investments grow tax-free, and withdrawals are not taxed as long as they are used for approved education expenses*.

One way that this investment is different from the others is that the control of the account remains with the person who opened it, not the child, even when he or she reaches adulthood. If the child does not go to college, for example, the money can be earmarked for another immediate family member.

Because there are no income restrictions for 529s and the limits for annual contributions are higher (in 2004 a married couple could contribute as much as \$22,000 per child), these accounts have become a popular way for older adults with savings to begin transferring some of their wealth to younger generations.

529 College savings plans offered by each state differ significantly in features and benefits. In comparing plans, each investor should consider each plan's investments options, fees and state tax implications. Out-of-state 529 plans may not have the same tax benefits as those offered to in-state residents. If you are not a resident of the state sponsoring the plan you are considering you may want to investigate whether the state where you live offers residents a plan with alternative tax benefits.



If you are interested in opening an account on behalf of a grandchild or other minor child, your PNC representative can help you choose the best option for you. Additional information can also be found on PNC Bank's website, www.pncbank.com.

If you have grandchildren or other children in your life, you might be interested to know that PNC offers a workshop called "Raising Money Smart Kids", which helps parents and grandparents find informative ways to teach kids about spending and saving their money responsibly.

*The tax law exempting earnings on your investment and qualified withdrawals from federal income tax expires on 12/31/10. Congress and the President must take some further action prior to that time to secure these provisions, otherwise the federal tax treatment will revert to its status prior to January 1, 2002.

Helpful Bank Products and Services

Many banks, including PNC Bank, offer products and accounts that are designed for their senior customers. These packages offer low fees, special interest rates and other features. Other bank services can make handling your finances easier and more convenient, as well as providing added safety.

Check Cards

For example, **check cards**, also called **debit cards**, allow you to pay for purchases at stores and other locations by having the money taken directly out of your checking account. The card looks like a credit card, and can be “swiped” or processed in the same way a credit card would be. However, rather than building up your credit card bill, you are paying for your purchase immediately out of your checking account.

The PNC Bank Check Card can be used to make purchases anywhere VISA® is accepted. It is also an **ATM card** that can be used to withdraw cash at most banking machines 24 hours a day, using your **Personal Identification Number**, or “PIN” number. (For your security, you should never give or tell anyone your PIN number.)



Direct Deposit

Direct Deposit is the electronic transfer of your paycheck or benefit check directly into your checking or savings account. Direct Deposit is safer because your funds are automatically deposited into your bank account. You avoid the risk of having your paper check lost or stolen. It is one of the most accurate and reliable ways to receive your deposits.

Direct Deposit is also convenient. No matter where you are on payday - at work, shopping, traveling, in the hospital - your paycheck, pension check or benefit check will be in your account, and available the same day for your needs. You don't have to make a trip to the bank to cash or deposit your check.

Any ongoing, regularly scheduled payment is a candidate for Direct Deposit. Salary, retirement benefits, interest payments, pension payments and government payments all qualify.

Other Services

PNC Bank offers its checking account holders other services to make banking more convenient. For example, all PNC Bank accounts include a toll-free phone number that you can use to get information about your accounts. Or if you are connected to the internet, you can access your account by using your computer. The benefits of banking by phone or electronically include:



- **Privacy** – You access account information using your User ID and a secret password that only you know.
- **24 Hour Access** – You can access information on your accounts 24 hours a day. You can call in from anywhere, even from the comfort and privacy of your home.
- **Comprehensive information** – For example, with a checking account you can access information about your balance, checks that have been cashed, deposits, ATM withdrawals and check card purchases.

In addition to getting information about your account, you can use **telephone banking** or **web banking** to pay your bills. You enroll in the service and provide information about the accounts you want to pay, then make the payments over the phone or using your computer.

Some of your bills can even be paid automatically. With **automated bill payment**, loan payments, utility bills and other payments you would normally pay by check can be automatically withdrawn from your checking account on a certain date each month.



If you have more than one account with the bank, such as a checking account and a savings account, your accounts can be **linked** together to give you more flexibility. When two or more accounts are linked, you can transfer money from one account to the other using the ATM, the phone or your computer.

Protecting Yourself and Your Family

Throughout our lives, we all worry about our future and our families. In particular, we want to protect ourselves from unexpected hardships like illness or disability. We also want to be sure that our loved ones are provided for in the event that we are no longer here to take care of them.

Insurance

Insurance is a safety net. It can protect you financially when something unexpected occurs – such as an illness, an accident or damage to your property. Different types of insurance are available to protect you from risk, including:

- Medical insurance
- Long-term care insurance
- Life insurance
- Homeowner/renter
- Credit insurance

When you purchase an insurance policy, you agree to make regular premium payments to the insurance company. In exchange, the insurance company agrees to pay you certain amounts of money if specific situations occur, or to cover certain costs on your behalf.

While having the appropriate insurance policies in place is important at any age, there are some considerations in each category especially for seniors.

Medical Coverage

One of the most common insurance concerns among seniors has to do with coverage for medical expenses. Many medical treatments and hospital procedures have become very expensive, and as we age we tend to require more medical treatment. Health care insurance is critical in helping us pay for the services we need.

Most people participate in some type of group health insurance, either through their employer or their spouse's employer. The premiums for this coverage are often shared by the individual and the company. People who are not covered by a group plan can buy individual coverage directly from the insurance company. At retirement age, you may choose to continue to buy coverage, however, you are also eligible for health care coverage programs sponsored by the federal and state government.

Medicare

Medicare is the federal government's health insurance plan for people who are 65 or older, or who are disabled. Medicare has two parts. Part A is hospital insurance that covers costs when you are hospitalized. Some of the Social Security taxes you pay when you are working go to fund Medicare. Part B is medical insurance that covers fees charged by doctors and other medical costs. It is optional, and if you sign up for Part B you have to pay monthly premiums.

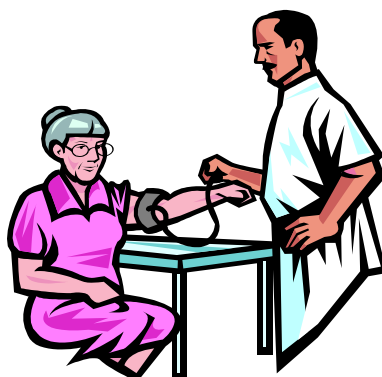
If you are already receiving Social Security benefits when you turn sixty-five, you will automatically be enrolled in Medicare Part A and Part B. If you don't want Part B you can opt out at that time, although most people choose to accept the coverage.

Medigap Insurance

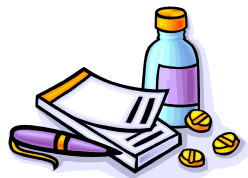
While Medicare provides coverage for many medical costs, individuals still have to pay certain deductibles, coinsurance or copayments. **Medigap** insurance policies are designed to supplement Medicare coverage, especially for those people who are not covered by any other group plan. They are offered by private insurance companies, who may offer as many as 10 variations of coverage at different premium levels.

Employer-Sponsored Plans

Even after you are retired, you may be eligible for health insurance through your former employer (or your spouse's employer.) These plans can provide coverage above and beyond the costs covered by Medicare. Premiums may be subsidized by the company as a benefit to its retirees, and are often deducted from your pension checks.



Prescription Drug Coverage



Historically Medicare has not provided coverage of prescription drugs, which can be a tremendous expense for many seniors. Only people who were covered by a company-sponsored plan, or who purchased Medigap insurance that included prescription drugs, had coverage. As a result of a new law, Medicare will begin providing prescription drug coverage in 2006.

In the meantime, starting in June 2004, you can get a discount card that will save you about 10-15 % of your total prescription drug costs. Many private companies offer these cards, and they should have a Medicare seal on them to show that they are approved. The cost for a card should be no more than \$30 per year. This card is optional – you do not have to get a discount card if you don't want one.

Discounts vary by card and each plan is slightly different. For example, some cards can only be used at certain pharmacies. You may have to shop around to find the best card for you, by looking at how much you will save on the specific drugs you take.

If you have drug coverage through an employer-sponsored plan, you may not need the discount card. If you have a Medigap plan with drug coverage, however, you still may get lower prices using the card.

People with low income can get additional help. If you meet certain income requirements and do not have other prescription drug coverage, you can get up to \$600 to help pay for prescription drugs in 2004 and again in 2005 and you do not have to pay a fee for your discount card.

Medicaid

Medicaid is a joint federal and state program that helps people who have low incomes and who are 65 or older, or who are disabled, cover some of the medical costs not covered by Medicare. One of the most important features is that it pays for the costs of nursing home care for people who could not afford it any other way.

To be eligible for Medicaid benefits, you must have little or no assets. Any money or investments you have, including those jointly owned with your spouse, will be counted toward a limit (in 2004 that limit was \$2,000). Usually, your car and other personal possessions do not count toward the limit, although rules vary from state to state.

If you enter a nursing home, you will be expected to use your assets to pay the costs until you qualify for Medicaid. If you are married, your spouse is permitted to keep a certain amount of assets to support themselves.

If you own a home, most states do not count the value of the home as an asset if you can reasonably say that you will return to live there. After some period of time, however, the state can require that it be sold to pay for your care. In other cases the state can place a lien on the home. When you die, the state will be able to claim the proceeds from selling the house to repay the cost of your nursing home care.

To keep people from giving away all of their assets to family members to qualify for Medicaid, the state will look at any assets you have given away as gifts in the last three years before you applied. Depending on the amount and the timing of the gifts, your eligibility for Medicaid may be delayed.

**Medicaid
(continued)**

If you have significant assets, it may be worthwhile to consult a lawyer about the best way to protect your assets for your family if you require extended nursing home care. There may be ways to transfer or spend some of your assets without violating the Medicaid guidelines.

The laws are complicated, and are different in every state. Of course, you will have the most options if you think about the issues long before the need for nursing home care comes up.

If the need is more sudden, however, there are still some things you can do. For example:

- If your home is jointly owned by you and your spouse, you are allowed to transfer it to the spouse's name only without any penalty. You can also transfer it to an adult child who has lived in the home and cared for you for at least two years before you enter a nursing home.
- Consider giving some of your assets away even though it will delay your approval, but keeping enough to pay for your own care until you qualify for Medicaid.
- If you have cash in the bank, think about using some of it to pay down debts or prepay your mortgage. The cash in the bank will count against you in Medicaid's calculation, but your debts are not considered.
- Within reason, you can use your cash to purchase personal property or to make home repairs, since neither will count toward your asset calculation. You are also allowed to use the cash to prepay funeral expenses for yourself and your spouse without penalty.
- In some states, certain types of investments do not count as Medicaid assets. If you have a significant amount of assets, you might want to look into options that will protect you. Some people arrange to sell their home to a family member, then invest the cash in an investment that will not count against them.

Long-Term Care Insurance

As we have just seen, one of the most financially devastating things that can happen to a family is the need for long-term health care, such as in a nursing home. While the care the patient receives may be necessary, the costs can be sky high - often over \$3,000 a month. Unfortunately, traditional health care insurance and Medicare do not cover most of these costs, and people have to use their savings to cover the payments. At some point they may be eligible to have Medicaid pay the expenses, but not until their own resources are used up.

Long-term care insurance is a way of protecting your assets in the event that you or your spouse needs to stay in a nursing home or other facility. Like other insurance, you pay premiums to the insurance company, based on your age at the time you purchase the policy. In the event that you need long-term care, the insurance company will cover the costs.

If you decide to consider buying long-term care insurance, be sure to find a reputable company with a good track record. Shop around and compare benefits and coverage limitations, as well as premiums.



Durable Power of Attorney for Health Care

While considering your health care insurance options, you may also want to look into taking another important step – establishing a **durable power of attorney for health care**.

Although the name sounds formal, a durable power of attorney for health care is a simple document that allows others to make health care decisions for you when you can't. It expresses your desires regarding your medical treatment and life support treatment if you should ever require it. It also names the person who can make medical decisions for you in your place.

The person you choose does not have to be an attorney, in fact, it can be anyone whose judgment you trust, who cares about you and who will be strong enough to follow your wishes if the time comes. The rights given to the person you name are limited to health care issues only, and only if you are unable to make your own decisions.

It is possible to name more than one person as co-agents (if you have more than one adult child for example), but they will all have to agree on any decision before the doctor or hospital can take any action. Often, parents name one adult child in the document, but expect that they will consult with their siblings.

Many states have standard durable power of attorney for health care forms that you can get at your local hospital or public health agency, or you can have an attorney create one for you for a fee. If you choose to sign such a form, it makes sense to give it to the person you name as your agent, so that they have it available if you are ever hospitalized. You should also keep a copy with your important papers, and give one to your doctor to be put in your medical file.

Life Insurance **Life insurance** is a way of providing protection for your family in the event of your death. You make a **premium** payment to the insurance company every month or every quarter, and the insurance company agrees to pay your **beneficiary** (the person you name on your policy) a fixed amount of money when you die.

There are several different kinds of life insurance policies. One of the most popular is called **term life**. This type of policy provides coverage for a fixed period of time. If you die during the term of the policy, your beneficiaries will be paid. At the end of the term, the policy expires and has no value. This type of insurance is generally less expensive than other types.

A second category of life insurance is called **permanent life insurance**. Popular forms of permanent insurance include **whole life insurance** and **universal life insurance**. These policies offer both a death benefit and a form of savings account that has the possibility of increasing over time. If you decide to cancel the policy, you can take the cash value that has built up.

Some employers provide life insurance for their employees as part of their benefits package. When you retire or leave the workforce, you may also lose your life insurance. In some cases, you are able to keep the coverage if you pay the premiums yourself.

If you decide to purchase or renew a life insurance policy, shop around for the best rates. You should also check out the financial strength of the companies who will have to stand behind the policies you're considering. A number of insurance rating services assess the financial strength of insurance companies. These ratings can be found in your public library or can be obtained directly from the rating service.

If you have a complaint about your insurance agent or company, contact the company's customer service department. If you are still dissatisfied, contact your state insurance department or your local office of the Better Business Bureau.

Contact information for the insurance ratings agencies, state insurance departments and the Better Business Bureau are provided in the Resources section of this workbook.

Do You Need Life Insurance?

The primary purpose of life insurance for most people is to protect their family in the event of the death of one of the wage earners. For example, a working parent with young children would probably want to have life insurance in place. If something were to happen to them, their spouse and their children could rely on the proceeds from the insurance to help cover their financial needs.

As we get older, life insurance premiums typically become more expensive, and if you do not have adequate insurance it may be more difficult to get an application approved. If you have dependents who rely on your income, it is important to put any insurance you want in place as early as you can. In addition, you need to be very careful about making your premium payments on time so that you do not risk cancellation of the policy.

Some seniors elect at some point to reduce or eliminate the amount of life insurance that they carry, especially if they have no dependents. This can ease their current financial situation by eliminating high premiums that may be difficult to afford, and free up money to be saved or invested in other ways. Other people feel more comfortable knowing that their life insurance will provide a lump-sum for their loved ones.

The question of whether you need to keep life insurance is a very personal one. If you have insurance in place, you should not make any changes without getting advice and making sure you are in good health at the time.

Homeowner or Renter's Insurance



Many people save throughout their lives with the goal of owning their own home. For most of us, our home is our biggest investment. The good news is that over time, many homes increase in value. In addition, as we pay down any mortgage loans we may have, our equity in our home increases. (Your “equity” in your home is equal to its market value less any debt you still owe.)

Homeowner’s insurance protects our investment, by providing payments to us in the event that our home is damaged or destroyed by fire, storms or theft. Every homeowner’s insurance policy is different, but most provide coverage that would help you repair or rebuild the house if necessary, replace your personal belongings and pay for somewhere to live temporarily until you could return to your home.

If you own a home, it is important to make sure that your coverage is in place and that you make your premium payments on time. Sometimes, the premium payment for insurance is included as part of your mortgage payment, and forwarded to the insurance company by your bank. When the mortgage is paid off, you need to start paying the insurance premiums directly to the insurance company.

Each year insurance companies mail a statement to policyholders, showing the amount of their coverage, any deductibles and the cost of their premiums for the upcoming year. It is important to review these numbers to make sure they still fit your needs. As the value of your home, and the costs to repair or replace it, increase, your coverage needs to increase too.

If you rent rather than own a home, you may want to consider renter’s insurance. This type of policy covers your personal belongings in the event they are damaged by fire or storms, or they are stolen or vandalized.

Most insurance companies have limits on the amount of reimbursement they will provide for certain valuable property, such as jewelry, antiques, collectibles or computers. If you have any of these things, you can add special insurance coverage to your policy to provide better protection.

Both homeowner’s and renter’s policies can also include **liability protection**. This is a special type of insurance that protects you if someone else files a lawsuit against you for injuries that happened on your property. As lawsuits become more common everywhere, this can be an important way to protect your home and the savings you have worked hard to accumulate.

Credit Insurance



When you apply for a loan such as a home mortgage, you may be offered **credit insurance**. Some lenders will call you or send you a letter in the mail offering you credit insurance for your existing loans or credit card balances as well.

Most credit insurance policies are really a form of **life insurance**. You pay fees, or **premiums**, based on the amount of the loan. If you die before the loan is repaid, the amount you owe or a portion of what you owe is paid by the insurance carrier, subject to maximum limitations. This means that your spouse or family will not have to pay the portion of your loan paid by the Credit Insurance Policy. If you are the sole provider for your family, credit life insurance can help pay off or reduce their debt if you die.

Some credit insurance policies also provide **disability insurance**. This means that if you are sick or disabled and unable to work, the insurance policy will pay some or all of your monthly payment. Having these types of policies on a home equity loan or mortgage can help you avoid losing your home if something unexpected happens.

To qualify for credit insurance, you may have to meet certain health and age requirements. Once you have the insurance however, you can usually keep it until the loan is fully repaid regardless of your health or age.

If you are considering credit insurance, keep the following things in mind:

- **Remember that credit insurance is optional.** Don't let a lender pressure or fast-talk you into buying insurance you don't want. If you sign up for the insurance and change your mind later, tell the lender you want to cancel the insurance or inform them in writing.
- **Make sure you understand exactly what is covered, and how much you will have to pay.** Some policies require a large upfront premium payment, which is added to the amount you are borrowing. You pay interest on this amount for the life of the loan. Others charge premiums monthly based on your outstanding balance, and a portion of each of your monthly payments is used to pay for the insurance. Of the two options, this is a better choice.
- **Consider whether you really need the insurance.** Think about the financial difficulties your family might face if you were unable to work or died. Take into account any other life or disability insurance you may have, as well as access to savings. If you don't have life or disability insurance, you might save money and get better coverage by buying a separate insurance policy that pays the benefits directly to you or your family.

Wills and Estate Planning

Although we may not like to think about what will happen to our family when we are no longer here, having plans in place will make things easier for everyone when the time comes. Talking things over with your family members and getting some documents in order will give you peace of mind, even if they are not needed for many years to come.

Writing a Will



A **will** is a written legal document that states who you leave your estate, or the things you own, when you die. A will can also include naming a **guardian** if you have minor children, and a trustee to manage their money. Your will should also name an **executor**, the person or institution who will take care of your estate, collect your assets, pay your debts and taxes, and deliver your assets to the people named in your will.

If you die without a will, the state determines who gets your property. Each state has its own laws controlling which expenses get paid from your estate, and how whatever is left is divided among your spouse, children or other relatives.

A will does not dispose of your life insurance policies or retirement plans. Those things go to whoever you've named as beneficiaries on your policies and plans, no matter what your will says. Any property that you own jointly with someone else, such as your home, car or bank account, will automatically go to the other person.

Once you have a will in place, it remains valid until you decide to change it. Therefore, it is important to keep your will up to date and revise it when you marry or divorce, when there is a birth or death in the family, or the person you named as guardian or executor moves away or dies.

You can have a simple will drawn up by an attorney at a fairly low cost. While technically you can write your own will, it may end up causing problems for your loved ones later if it doesn't meet all of the legal requirements.

**What is
“Probate”?**

While a will specifies who should receive certain property, certain administrative steps have to be taken to actually transfer the property from the deceased person’s name to theirs. This procedure is called **probate**. The probate process starts when the executor presents the will to the appropriate authority. To probate a will, your **beneficiaries**, or the people you have named to receive your assets, will have to pay attorney fees and court fees. Some fees are fixed by the state, and will vary from one state to another. The beneficiaries can pay these expenses themselves, or may have to use some of the estate’s assets to cover the costs.

Because assets that are held jointly with someone else are not part of the will, those assets do not have to be probated. If a married person dies and leaves primarily a home jointly owned with their spouse, and perhaps an insurance policy, probating the will is not a big issue. But when a surviving parent then leaves their assets to their children, the probate process is more complex.

Trusts

Another estate planning tool that can be helpful for some individuals is a trust. A **trust** is a way of transferring your property to a **trustee**, or outside party, to hold for the benefit of someone else. While you are still living, your property is owned by the trust, but used for your needs. You may even serve as the trustee. This is called a **living trust**.

The advantage of setting up a trust is that your beneficiaries can be named in the document, and your assets can be distributed directly to them when you die, without going through the probate process

While a trust can be a good estate planning tool, it is not for everyone. There are fees associated with setting them up, and depending on the size of your estate it might not be worthwhile. If your estate is subject to tax, it will be payable from your living trust on death.

Because living trusts have some attractive characteristics, there have been scams in which salespeople target the elderly, selling expensive “living trust kits” that are supposed to save you thousands of dollars. In the end, the kit turns out to be a packet of forms that may or may not meet your state’s legal requirements. If you think a trust might work for you, talk it over with your attorney and your financial advisors.

Avoiding Frauds and Scams

One of the sad realities of life today is that we have to be more careful to be sure that we are not taken advantage of. Although no one likes to be overly skeptical, we do need to be careful to protect ourselves from people who are dishonest. While frauds and scams can be used against anyone, there are some that seniors especially need to be on the lookout for.

Home Repair Scams



Over the years, many frauds and scams have been conducted by people posing as door-to-door salespeople. Seniors are often targeted by these con artists because they are home during the day, and because some seniors are more receptive because they are happy to have someone friendly to talk to.

If you own a home, you may be approached by salespeople selling home improvements such as storm windows, siding or paving services. They may tell you that because they are working on other homes nearby, they can offer you a great deal while they are in the area, but only if you sign the contract that day.

Other fraudulent companies will offer a free inspection of your roof, windows or other aspect of your home, then report that they have found substantial damages. They will try to pressure you into letting them do the work immediately, and may rush you to give them a check or cash. In the end, they may do a shoddy job, or disappear without doing the work at all.

If you are approached by a salesperson at your door, be skeptical:

- For your own safety, don't allow anyone you don't know into your home. Never sign a contract right away, or give them a check or cash. Ask for a written estimate that includes the company's name, address and phone number.
- If they say they working in your area, ask for references of people you know. Check with the Better Business Bureau too.
- If you think that your home does need repair, get at least one other estimate from another contractor before agreeing to anything.
- If you do sign a contract with a door-to-door salesperson and then change your mind, you have three days to cancel the contract and get a full refund. Along with your receipt, the business is required to give you a cancellation form. Sign it and mail it within three days, keeping a copy as proof. If the company failed to give you a form, write a letter stating that you are canceling the contract.

“Predatory Lending”

Although most lenders are honest and want to put together loans that will work for their customers, some lenders try to take advantage of consumers by charging unreasonably high interest rates and fees. They may also fail to tell the borrower about some aspects of the deal, or make the language so confusing that the borrower doesn't understand what he or she is agreeing to. These practices have become known as “**predatory lending**”.

Many of these lenders target people who have had credit problems in the past. Some predatory lenders target the elderly, getting them to pledge the equity in their home as collateral in the process. They may not realize at the time, however, that if they are unable to make the payments on the loan they could lose their home.

Some predatory lenders approach people in connection with a home repair scam. First, the contractor convinces the homeowner that expensive repairs are needed, then he or she promises to help them get approved for a loan to pay for the repairs. Other times lenders approach consumers directly, offering them loans to help pay off their credit cards or other debt.

Some warning signs of predatory lending practices may include:

- Lenders who promise that “bad credit is no problem”.
- Quick approval loans for car purchases, home mortgages or home repairs, with little information required from you.
- Loans with high rates, fees or closing costs.
- Lenders who pressure you to make a quick decision or to borrow money you may not need.
- Lenders who are evasive or tell you “not to worry” about the details.

The best way to protect yourself is to be informed and in control:

- Ask questions. Keep asking until you get satisfactory answers.
- Be cautious of loan salespeople who come to your door or call you. If you are in the market for a loan, shop around.
- Read everything, especially the fine print.
- Don't sign an agreement with any blank areas or with anything that you don't understand.
- If you are uncomfortable, ask a trusted friend or a credit counselor for advice.

**Health
Insurance
Scams**

In a health insurance scam, “insurance agents” get people to sign up and pay premiums for phony health insurance protection. Sometimes a few medical claims are actually paid, but then the office suddenly closes and the company disappears.

This scam tends to target low income individuals without health insurance, and new retirees who are losing their group health insurance plans. Unfortunately, once the scam is discovered, the individuals may have costly health problems that prevent them from getting legitimate insurance.

Tips to protect yourself include:

- Before paying a premium to any insurance company, check it out. One way is to contact your state insurance department, to see if the company is licensed and whether any complaints have been reported. (See the Resource section of this workbook.)
- Beware of very low rates, promises that anyone will be accepted regardless of health, or requests that you pay in cash or pay a year’s premiums in advance.
- Don’t be misled by official sounding names. Phony companies often choose names and stationary designed to mislead you into thinking they are associated with a well-known insurance company, Medicare or the government.

Identity Theft

One of the fastest growing frauds today is **identity theft**. When someone “steals” your identity, it means that they use your personal information to access your bank accounts or credit cards, or open credit card accounts in your name.

Identity thieves can get information about their victims by stealing their purse or wallet, intercepting their mail or going through their trash. They can also try to get you to give them information they need over the phone or through e-mail.

To avoid being a victim of identity theft, keep the following tips in mind:

- Don't give out your social security number unless it is absolutely required. While the government continues to use social security numbers as is primary way of identifying people, many insurance companies and others are replacing them with other numbers to reduce peoples' risk.
- Don't carry your social security number, birth certificate or passport with you unless you need them for a specific purpose.
- Do not give your credit card number or bank account numbers over the phone or the internet unless you have initiated a purchase.
- Keep your bank records, bills and other personal information in a secure place at home or in a safety deposit box.
- Tear or shred any bills or other financial or personal information before you throw it in the trash.
- Watch your credit card bills for any charges you don't recognize.
- Check your **credit report** once year. These reports show your financial history, including credit cards you have applied for and their outstanding balance. You can get a copy of your credit report for a fee by calling the credit reporting agencies. (See the Resources section of this workbook.)

If you have been denied credit in the last 60 days as a result of something in your credit report, you are entitled to a free copy. In addition a new law will require the credit reporting agencies to provide a free copy of your report at your request once a year, beginning in 2005.

Work-at-Home Scams

Work-at-home scams target people who want to supplement their income but who may not be able to work at a traditional job. Targeted victims often include retirees, people who are disabled and mothers with young children, who see attractive advertisements as a solution to tight finances.

These scams often run ads promising high earnings by working part-time, doing work that requires no experience. They can include schemes for envelope stuffing, assembling products, making crafts or bill collecting. In reality, the companies simply take any money they can get you to pay upfront and disappear. Or, they may try to recruit you as part of a scheme to get other people to fall for the same ads.

If you are considering an opportunity to work at home to make extra money, be careful:

- Never send anyone any money until you understand exactly what you will have to do and how you will get paid. A legitimate business should be able to answer any question you have upfront.
- Check the company out with the Better Business Bureau.
- Use your common sense. Keep in mind that if the offer sounds too good to be true, it probably is!

Dishonest Telemarketing



The federal government's crackdown on telemarketing has resulted in fewer calls for those who register for the "Do-Not-Call" list, but telemarketing frauds are still a problem. While these telemarketers call people of all ages, they often make the majority of their calls to older consumers.

Telemarketing sales pitches cover a range of topics, including phony prizes and sweepstakes, fake investments and phony charities. Warning signs include pressure to "act now" or lose the opportunity, requests for a credit card or bank account number to "claim your prize", or a refusal to send you information by mail.

To help protect yourself from telemarketing fraud, consider the following:

- Sign up for the National Do Not Call Registry (www.donotcall.gov).
- Don't be afraid to say "I don't do business over the phone", or "Please put me on your do-not-call list." It is illegal for a telemarketer to call you again if you have asked them not to.
- If you are interested in the product or charity, listen carefully. Write everything down, and ask for follow-up information in writing or get an address and phone number that you can call if you decide to buy. Talk the details over with a family member or friend to get a second opinion.
- Never give a telemarketer your credit card or bank account information for any reason.
- If you think you have been the victim of a scam, call your state Attorney General's office. (See the Resource section of this workbook.)

Pre-retirement Checklist

If you are still working and planning for your retirement, there are some steps you can take that will make the process easier:



- Work to build up your retirement savings.
- If you can, consider paying down debt or paying off your mortgage to reduce the expenses you will have to cover each month after you retire.
- Research your pension status with your current and any former employers. Make sure you know what to do when you retire to begin receiving benefits.
- Find out whether you will have access to ongoing health insurance through your employer or union, or if you will need to get health care coverage on your own.
- Check to see if the health care benefits you will have after you retire will be less than what you have currently. If you will have reduced benefits, consider taking care of physicals, eye exams and dental work for you or your spouse before you retire.
- Ask your benefits area about any pension vesting dates or cutoff dates to receive paid vacation that might affect the retirement date you choose.
- If you have a 401(k) or other retirement plan, start to research your options for leaving it with your employer or rolling it over into an IRA. Make sure you understand the paperwork that will be required.
- Call the Social Security Administration or visit your local office to review your options and think about the best time for you to begin receiving benefits. At a minimum, contact Social Security three months before you want to receive your first check.

Financial Checkup



No matter what our financial situation or retirement status, there are things that we can take care of to make ourselves and or families more financially secure. For example:

- Have you investigated your sources of retirement income to be sure that you are not missing anything you are eligible for?
- Do you have a list of your bank accounts, investment accounts and insurance policies? Keep a copy in a safe place, and give a copy to a family member or someone else you trust. It will make things easier for them if something should happen to you.
- Do you have a safety deposit box? If you don't have one already, consider opening one at your local bank. This is a good place to keep your important papers, as well as small valuables.
- Do you have a power of attorney for healthcare? Have you discussed it with your family members?
- Have you thought about long-term care insurance?
- Are the beneficiaries on your life insurance policies, retirement plans and annuities up to date?
- Do you have a will? You should give the original to your attorney or the person who is named as your executor, and keep a copy in a safe place.

My Action Plan

Based on the things that I have heard in this workshop, the steps I need to take next to better manage my finances and protect myself and my family are:



1. _____

2. _____

3. _____

4. _____

Workshop Summary

In this workshop, we introduced a number of issues that are important to seniors. Depending on your situation, some topics may apply to you, while others may not.

The important thing is to be thinking about your finances at every age, and taking whatever steps you can to provide the best outcomes for yourself and your family. Although the decisions seniors face can be somewhat intimidating, by learning all you can you are getting off to a great start. And there are always people and resources who can help – you just need to be willing to ask and to be persistent until you get the help you need.

A banking relationship that offers a wide variety of products and services can help you manage your money and simplify your life. If you have questions about your PNC Bank accounts or ways the bank can help you, talk to your PNC representative.



Bank Deposit Accounts and Lines of Credit Provided by PNC Bank, National Association and PNC Bank, Delaware. Members FDIC.

Note: PNC Bank and its affiliates (“PNC Bank”) are pleased to present “Money Management for Seniors”. This information is intended to provide general information on a wide variety of topics. It does not and is not intended to be comprehensive or complete and should not be considered as legal, accounting, tax, investment or other professional advice. Before making any decisions or taking any legal actions based on any information provided, you should consult a qualified legal, tax or other professional advisor who understands your particular situation. The opinions and suggestions expressed in the information are not necessarily the advice, opinions or recommendations of PNC Bank. Nothing contained in the information shall constitute an offer or solicitation of a product or service by PNC Bank. The information and examples are for demonstration purposes only and do not represent actual products, services, rates and/or terms offered by PNC Bank. The information has been obtained or developed from sources believed to be reliable. However, PNC Bank makes no warranties or guarantees concerning the information and bears no liability for your use of the information.

Any Non-Deposit Investment Product mentioned: NOT FDIC INSURED. NO BANK GUARANTEE. MAY LOSE VALUE.



Glossary of Terms

401(k) Plan	A retirement savings plan that can include contributions by both the employer and the employee. Taxes on both contributions and earnings are deferred until you take the money out. Contributions and withdrawals are restricted by law.
Annuity	A financial contract that provides a fixed series of payments for a certain length of time. When you buy an annuity from an insurance company, you invest money up front in exchange for a series of payments to be received later, such as during your retirement. A fixed annuity provides a specified rate of interest, while the amount a variable annuity may earn depends on how it is invested and the performance of the market.
Assisted living facility	A housing arrangement that provides seniors with support for daily activities, like meals, housekeeping and social events. An assisted living facility is not designed to provide medical care.
Automated bill payment	A service offered by some banks by which you can arrange to have certain bills paid automatically each month, with the money deducted directly from your checking account.
Automated Teller Machine Card (ATM)	A card that allows account holders to make deposits or withdrawals from their bank accounts at any ATM location 24 hours a day using a Personal Identification Number (PIN).
Beneficiary	The person who will receive money or other assets from your insurance policy or your will.
Certificate of Deposit (CD)	A type of bank account that requires you to keep the money in the bank for a set period of time. CDs usually pay a fixed rate of interest.
Check card	A card that allows you to pay for things you buy without carrying cash. A check card looks like a credit card, but the amount of the purchase is deducted from your checking account rather than being added to your credit card bill. Also called a “debit card”.
Checking account	A bank account that allows you to write checks to others to make purchases or to pay bills. When the check is deposited or cashed, the money is subtracted from your account.

Continuing care retirement community	Housing arrangements that provide a wide range of services at one facility or complex, including meals and social activities, as well as medical and nursing home care.
Coverdell Education Savings Accounts	A savings option designed to allow adults to save for a child's education. Earnings on the CESA are tax-free, as long as the money is used for education expenses. There are income and contribution restrictions, and penalties if the funds are used for other purposes.
Credit insurance	An insurance policy related to a loan, that covers the repayment of the loan under certain circumstances. Credit insurance can include life insurance, which pays the loan off in full if you die, and/or disability insurance, which covers your loan payments for some period of time if you are sick or injured. You pay fees called premiums for this protection.
Credit report	A file that shows the financial history of a given individual, including outstanding credit balances and payment histories. Banks and other lenders will often rely on a credit report in evaluating a loan application.
Debit card	A card that allows you to pay for things you buy without carrying cash. A debit card looks like a credit card, but the amount of the purchase is deducted from your checking account rather than being added to your credit card bill. Also called a "check card".
Defined Benefit Pension Plan	A retirement plan provided by an employer, who promises you a certain benefit at the time of your retirement. There are restrictions as to how and when you can withdraw the money.
Direct deposit	A bank service by which paychecks or other regular payments can be automatically deposited into an individual's account, rather than sent through the mail.
Disability insurance	An insurance policy that pays benefits if you are unable to work because of illness or injury. You pay fees called premiums for this protection.
Durable Power of Attorney for Health Care	A document that specifies what kind of medical treatment and life support treatment you want to receive if you are unable to speak for yourself. It also specifies who you have authorized to make decisions on your behalf.
Executor	The person you have named to take care of your estate after your death by filing it with the right authority, collecting assets, paying your debts and any taxes, and distributing your assets to the people you have named in your will.

Guardian	The person designated to care for minor children or adult children with serious disabilities who require others to make decisions for them.
Identity theft	A growing fraud in which criminals use your social security number and other forms of identification to access bank accounts, credit cards or health care in your name.
Individual Retirement Plan (IRA)	A retirement savings account set up by an individual at a bank or brokerage firm. Earnings in an IRA are not taxed until you take the money out, and your contributions may be tax-deductible. IRAs are subject to income and contribution limits, as well as laws governing how and when you can take your money out.
Interest	You earn interest when you keep a balance in a bank savings account or other investment. The amount of interest you receive is based on the interest rate and the amount of money you keep in the account. You pay interest when you borrow money from the bank or carry a credit card balance. The amount of interest you are charged is based on the interest rate and the amount you owe.
IRA rollover	The transfer of money held in a company-sponsored retirement or pension account into an IRA. If you have not reached retirement age when you leave the company, you can avoid taxes and penalties by “rolling” the money directly into an IRA.
Life insurance	A contract that provides money to someone you name (your beneficiary) in the event of your death. You pay monthly or quarterly premiums for this protection, based on your age, health and the amount of coverage you want.
Living trust	A trust that is created to hold your property while you are still alive. A living trust transfers ownership of your assets to a trust for your benefit, naming a trustee to manage it. The trust also includes the names of your beneficiaries, who will receive the assets when you die.
Medicaid	A joint federal and state program that provides medical coverage for very low income individuals. Medicaid is the only program that covers long-term nursing home care.
Medicare	The federal government’s health care insurance system that provides medical and hospital insurance for people who are at least 65 or disabled.
Medigap	An insurance policy purchased by an individual to help cover expenses that Medicare does not, including copayments and deductibles.

Money market accounts	Specialized savings accounts that require a certain minimum balance, pay a higher rate of interest than standard savings accounts, and may include features that allow you to write checks on the account.
Pension Benefit Guaranty Corporation (PBGC)	A federal agency that oversees and insures pension plans. The PBGC guarantees that you will receive your pension benefits, up to certain limits, even if your plan is terminated or the company goes out of business.
Permanent life insurance	Life insurance that can provide protection for an unlimited time. Examples such as whole-life insurance and universal life insurance include a savings component as well as a death benefit.
Personal Identification Number (PIN)	A secret number that you can use along with your ATM card to make deposits or withdrawals. Your PIN number prevents anyone else from using your card if it is lost or stolen. PIN numbers are also used for security purposes with telephone banking or web banking services.
Predatory lending	A term used to describe a wide range of unfair lending practices used by dishonest lenders, often targeting certain groups of consumers including low-income families, women and the elderly.
Premium	Amounts you pay to an insurance agency in exchange for coverage under and insurance policy.
Probate	The process by which the courts oversee the settlement of an estate and the transfer of assets from the deceased person's name to the people named in the will, or if there is no will, the people determined by state law.
Retirement community	A housing arrangement in which planned developments offer housing and other recreational facilities to seniors. Retirement communities can consist of rental property, such as apartments, or real estate that is purchased.
Reverse mortgage	A loan from a bank that uses your home as collateral. You may receive a payment each month, or have a line of credit that you can use when you need money. When you sell the house or die, the loan has to be repaid.
Roth IRA	A type of IRA in which contributions are not tax deductible, but the proceeds of eligible distributions are not taxed when they are distributed.
Savings accounts	Bank accounts that pay you interest on the account balance.

Section 529 savings plans	An investment option designed to help adults save for a child's education. Amounts in the account can grow tax-free. No taxes are paid on money taken out, as long as it is used for education expenses. The money remains under the adult's control throughout, and if the funds are not needed for the child's education they can be used for another family member without penalty.
Social Security	The federal government's retirement program that pays out monthly benefits to people who are eligible beginning as early as age 62. Social security also provides income for survivors and people who are disabled.
Subsidized housing	Housing that is made available to people who have low incomes at a reduced rent.
Supplemental Security Income (SSI)	A program of the Social Security Administration that provides a monthly income to people who are 65 or older, and who have low income and very little assets.
Telephone banking	A service provided by some banks that allows you to use the telephone and a PIN number to inquire about your balances, get information about recent deposits, checks and withdrawals, transfer funds between linked accounts and pay bills.
Term life insurance	A life insurance policy that provides coverage for a fixed period of time. If you die while the policy is in effect, your beneficiaries will be paid a death benefit. At the end of the term the policy has no value.
Trustee	The person named to manage property that is placed into a trust. In a living trust, you can be your own trustee.
Uniform Gift to Minors Act (UGMA) accounts	Accounts that are set up to allow adults to give money to their children or grandchildren. The adult controls the account until the child reaches age 18 or 21 (it varies by state), then the child has control of the account. Also called the Uniform Transfers to Minors Act (UTMA) accounts.
Vesting	A requirement by an employer that you must work for the company for a certain number of years before you are entitled to retirement benefits.
Web banking	A service provided by some banks that allows you to use the internet and a PIN number to inquire about your balances, get information about recent deposits, checks and withdrawals, transfer funds between linked accounts and pay bills.
Will	A document that states who will receive your assets when you die, and who you choose to handle the affairs of your estate (the executor).

General Resources

AARP (formerly known as American Association of Retired Persons)
601 E. Street NW
Washington, DC 20049
1-888-OUR-AARP
1-888-687-2277
www.aarp.org

National Council on Aging
409 3rd Street, SW, Suite 200
Washington, DC 20024
202-479-1200
www.ncoa.org

Social Security Administration
1-800-772-1213
www.ssa.gov

Area Agencies on Aging
1-800-677-1116
www.eldercare.gov

Books

A Guide to Elder Planning: Everything You Need to Know to Protect Yourself Legally and Financially by Steve Weisman. Financial Times Prentice Hall, 2003.

You've Earned It, Don't Lose It: Mistakes You Can't Afford to Make When You Retire by Suze Orman and Linda Mead. Newmarket Press, 1997.

How to Retire Happy: Everything You Need to Know about the 12 Most Important Decisions You Must Make Before You Retire by Stan Hinden. McGraw Hill Trade, 2000.

How to Care For Your Parents' Money While Caring for Your Parents by Raymond E. Forgue, Ph.D. and Sharon Burns, Ph.D. McGraw Hill Trade, 2003.

Insurance

National Association of Insurance Commissioners
2301 McGee Street, Suite 800
Kansas City, MO 64108
816-842-3600

Coalition Against Insurance Fraud
1012 14th Street NW, Suite 200
Washington, DC 20005

State Insurance Departments:

Delaware
www.state.de.us/inscom
302-739-4251

Indiana
www.state.in.us/idoi
317-232-2385

Kentucky
www.doi.state.ky.us
800-595-6053

New Jersey
www.state.nj.us/dobi
800-446-SHOP

Ohio
www.ohioinsurance.gov
800-686-1526

Pennsylvania
www.insurance.state.pa.us
877-881-6388

To check the safety ratings of an insurance company, you can call the major ratings agencies:

A.M. Best	908-439-220
Duff & Phelps	312-263-2610
Moody's	212-553-0377
Standard & Poor's	212-208-8000

Low-Income Assistance

National Council on the Aging - BenefitsCheckUp
www.benefitscheckup.org

Food Stamps
1-800-221-5689
Or visit your local Department of Social Services

Pensions

Pension Benefit Guaranty Corporation
1200 K Street NW
Washington, DC 20005-4026
1-800-400-7242
www.pbgc.gov

Health Care

Health Insurance Association of America
1001 Pennsylvania Avenue, NW
Washington, DC 20004-2599
Hot line: 900-942-4242

Medicare
1-800-MEDICARE
www.medicare.gov

Legal Help

National Academy of Elder Law Attorneys
1604 North Country Club Road
Tucson, AZ 85716
520-881-4005
www.naela.org

Better Business Bureau

Contact your local office. If you do not know the number of your local office, you can find it by contacting:

Council of Better Business Bureaus
4200 Wilson Blvd. Suite 800
Arlington, VA 22203-1838
www.bbb.org
1-703-276-0100

Frauds and Scams

State Attorney General's Office:

Delaware

www.state.de.us/attgen

302-577-8400

Indiana

www.in.gov/attorneygeneral

317-232-6201

Kentucky

www.ag.ky.gov

502-696-5300

New Jersey

www.state.nj.us/lps

609-292-8740

Ohio

www.ag.state.oh.us

614-466-4320

Pennsylvania

www.attorneygeneral.gov

717-787-3391

Credit Reports

To get a copy of your credit report, contact one of the major credit agencies. Before you order a credit report, check to see what fee you will be charged.

Equifax	1-800-685-1111	www.equifax.com
Experian	1-888-397-3742	www.experian.com
TransUnion	1-800-888-4213	www.transunion.com

Credit Counseling

If you need help getting your debt under control, call the National Federation of Credit Counseling to be directed to a credible non-profit agency in your area:

1-800-388-2227