Jane Walstedt: And now I’d like to turn the floor over to our operator, Natalie, to remind us how to ask a question. Natalie.

Coordinator: Thank you. We will now begin the question and answer session. If you would like to ask a question, please press * 1. Please unmute your phone and record your name clearly when prompted. To withdraw your request, you may press * 2. Once again, if you would like to ask a question, please press * 1. One moment please for the first question.

Jane Walstedt: Thank you. Natalie, do we have a question?

Coordinator: Our first question comes from Kathleen Ruck.

Jane Walstedt: Go ahead, Kathleen.

Kathleen Ruck: (Unintelligible).

Jane Walstedt: Sounds like we have a lot of static on the line. Kathleen, are you with us?

Kathleen Ruck: I am. Can you hear me?

Jane Walstedt: Yes. Go ahead.

Kathleen Ruck: Okay, good. My question has to do with is it better to have a mortgage in retirement or to take the tax benefit that you would have from making a mortgage payment?
Jane Walstedt: I don’t know. Ted, are you the one that would be most...

Ted Sarenski: Yeah.

Jane Walstedt: …to answer that?

Ted Sarenski: Well, if…well, a lot of folks--because of what’s happened with taking out home equity and where their houses are--they do have mortgages going into retirement. If you are taking out of taxable income, in other words, you’re withdrawing from 401(k) plans and pension plans, to make that mortgage payment, the tax benefit becomes almost a…not really something to be considered, because you have to take more out of your taxable income to make that mortgage payment.

So in effect, if you have a mortgage at 6%, you’re paying a true 6%, because you need to take out, let’s say, even if the mortgage is a couple hundred dollars, you’re taking out a couple hundred dollars out of a source that’s going to be taxable [in order] to make a tax deductible payment. So it’s a wash, if you will, from a tax standpoint.

So if you can avoid it - unless you have a lot of money that you can draw from in retirement that has already been taxed and will not be taxed--our suggestion would be to try to get that mortgage paid off before retirement.

Jane Walstedt: And I might want to point out, Kathleen, that we are also going to send these questions to our Wi$eUp experts. That’s our “Ask the Experts” feature on our Wi$eUp Web site. So you’ll get more than…probably more than one answer to this question if you just, you know, after we’ve…after the call and after we’ve sent the questions forward to our experts. At some point they will come back, and we will post their answers on the Wi$eUp Web site. You still with us, Kathleen?
Kathleen Ruck: I’m still here. Thank you.

Jane Walstedt: Okay. Cindy and Pat, I don’t know, did you have anything you wanted to add or should we proceed to the next question?

Pat Humphlett: This is Pat. I will just say I, like you, Jane, go to a lot of conferences and seminars, and I’ve been hearing more and more to not have a mortgage in retirement, to not have any major debt going into retirement. And I think it’s a reflection of everybody feeling a little more conservative about their money and what’s lying ahead of us. So the more conservative approach is to not to have any big debts.

Jane Walstedt: I would think that would be particularly true because if you have some unanticipated health problems, that could run up to a lot of dollars, and you might need to use that money that you might have otherwise been using on your mortgage for health care expenses.

Cindy Hounsell: Right. This is Cindy. I think the harder issue is we don’t know all of the other, you know, assets and things that, you know, Kathleen has. So I think it’s hard to just do the off the top of your head answer to that as well.

Jane Walstedt: Yeah.

Cindy Hounsell: I mean, I think a number of experts would give different answers. And you know, that may be evidenced on your Web site.

Jane Walstedt: Right. Well, we’ll see what we get from our experts. Okay, Natalie, do we have another question?

Coordinator: Our next question comes from Mary Neibling.
Jane Walstedt: Go ahead, Mary.

Mary Neibling: Hello. Jane, I was interested in the statistics you gave at the beginning of the presentation, and I was wondering if you could put those down somewhere where we could look at them and possibly use them in our...making our case for retirement in our work?

Jane Walstedt: Sure, when we post the, you know, we post the call--on the WiSeUp Web site after we edit it--in three formats, including Word and MP3 and PDF. And so I will try...I tried last time to include the footnotes...

Mary Neibling: Okay.

Jane Walstedt: …to my remarks in the transcript.

Mary Neibling: Okay. That would be wonderful. Thank you.

Jane Walstedt: You’re welcome. Thank you.

Coordinator: Dianne Long has the next question.

Jane Walstedt: Okay.

Dianne Long: Hi. Thanks for all the information. I have two questions really. One - and I’ll divulge that I’m about 45 years old and divorced--and my question is related to the distribution of your assets and investments at this time. And I know you can’t really comment in great detail, but shifting away maybe from, you know, a particular percentage of stocks versus bonds, you know, that ratio first of all, when you think at 45 I might be working on for at least another 20 years.
And my second question was, at what age would you advise investing in long-term health [long-term care] insurance if your company doesn’t provide it for you?

Jane Walstedt: Who would like to answer that question? Anybody?

Cindy Hounsell: Well, I’ll take a stab. It’s Cindy. I think, you know, there’s a lot of answers around, you know, [for] all of this. And you know, I agree with what Ted said for, you know, somebody in their 60s. The rule of thumb has been to subtract your age from 100, and that’s what you should have in stocks. I mean, that’s just a very general basic rule. So that would be 55% in stocks for you, Dianne, and then, you know, the rest in bonds.

But you know, we try to tell people that they need to know more than just the basic rule and be thinking about what keeps them from sleeping at night. And then the other thing about long-term care is that, you know, the younger you are, the cheaper it is. And I think a lot of us expect that the policies are probably going to get better in the next few years because there’s a lot of changes coming along, including the health care controversy.

So I would just say to you, I wouldn’t be buying it until after health care has been resolved in some way, because there may be pieces of the new bill that will include some long-term care pieces.

Dianne Long: Thank you for that.

Jane Walstedt: Okay, Ted and Pat, you want to add anything or should we move on? Okay...

Ted Sarenski: Move on.
Jane Walstedt: All right. Natalie, do we have another question?

Coordinator: The next question comes from Patti Wooten Swanson.

Jane Walstedt: Go ahead, Patti.

Patti Wooten Swanson: Yes, I’m wondering, you talked about putting enough in your 401(k) to get your employer match and then putting the rest of it in a Roth. And I’m wondering if you could elaborate on that. If I max out my 401(k), there’s usually nothing left for the Roth. And so I was going to see what you would suggest.

Jane Walstedt: Was it you, Ted, who had mentioned that?

Ted Sarenski: I did, yes. And my suggestion was oftentimes employers don’t match everything you put in. For instance, if you’re maxing out to the maximum $15,500, they might only match, let’s say the first 6% of your pay, which might only be the first $9,000. So my suggestion was to take the money after the $9,000 and put the additional $5,000 that you can put into the Roth into the Roth IRA.

Now you’re not going to get a current tax deduction for that so it is…it does cost you a little more in taxes today. But the idea is that by doing that, you’ll save some taxes in the future, because the Roth IRA is never taxable.

So, but first we wanted to make sure you maximized your 401(k) contribution from the standpoint of the employer match. And oftentimes, like I said, it’s in the 6%, 7% range. Some employers are still very generous, but what we’ve seen in the past couple of years with the declines in the stock market and profitability of companies is that companies have cut back their matching, and that is affecting a lot of folks too.
So that’s why I say that there…some companies were very generous, but I think that generosity has been decreased over the past few years.

Patti Wooten Swanson: Well, some of us work in the public sector, where there is no match. So in that case, would you suggest putting everything in a Roth? And if so, why?

Ted Sarenski: Well, I would still do both - half and half. And my reason for saying half and half is kind of to hedge your bets. We don’t know what the future is going to bring in terms of tax rates. But we often suggest this to our clients--to say we’d like to have two piles of money in retirement, one being taxable and one being non-, already taxed, the Roth. And one being, let’s say, your 401(k) plan. Having both of those buckets so that you can take advantage of whatever tax rates are there with the taxable piece and supplement with the already taxed piece.

So I…we very rarely recommend all of one of the other. We say, “Let’s balance that out.”

Patti Wooten Swanson: Okay. Thank you.

Pat Humphlett: This is Pat. Let me just throw my two cents in, which are not really along the same lines, except that you kind of need a crystal ball to know absolutely which is the best way to put your money. The main thing is to save it. Don’t, you know, be so worried about which place to put it in that you don’t end up saving it.

Jane Walstedt: Good point, thanks, Pat. Okay, Natalie, do we have another question?

Coordinator: Our next question comes from Bernice Wilson.
Jane Walstedt: Go ahead, Bernice.

Bernice Wilson: Yes, thank you so much. This question is for Ted. Ted, will you please repeat that URL that you gave in your presentation?

Ted Sarenski: Certainly.

Bernice Wilson: Please speak slowly.

Ted Sarenski: Okay, www.360...

Bernice Wilson: 360...

Ted Sarenski: financial...

Bernice Wilson: financial...

Ted Sarenski: literacy...

Bernice Wilson: literacy...

Ted Sarenski: Dot org.

Bernice Wilson: Okay. Thank you.

Ted Sarenski: And there’s no spaces in any of that.

Bernice Wilson: Okay. Thank you.

Ted Sarenski: You’re welcome.
Jane Walstedt: Okay, Natalie, do we have another question?

Coordinator: Our next question comes from Nancy Granovsky.

Jane Walstedt: Hi, Nancy.

Nancy Granovsky: Good afternoon. We’ve seen a large number of people beginning to go for reverse mortgages at younger ages. Could you discuss--given the greater longevity of women--some of the risks associated with this. I noticed just recently that Office of the Comptroller of the Currency [OCC] has issued a new advisory and caution about reverse mortgages [http://www.occ.gov/ftp/advisory/2009-2.pdf].

Jane Walstedt: Does anybody have a comment about that?

Pat Humphlett: I’ll start because I have read what the OCC wrote. And I can’t really answer about the younger people using [it]. Part of what the OCC said is that it should be your last choice to use a reverse mortgage. You should use all your other options first. And part of that is because they are so expensive. It’s really a big chunk of money that you’re paying in fees. The other side of that coin though is they recommend you use it only if you’re going to stay in your house for a long time, because then the expense gets spread over all those years that you stay there.

I think I…they’d also said that people on average stay seven years after getting their reverse mortgage. So it, you know, it kind of cuts both ways, but it can be a very useful thing for people who want to age in place, but it can also be an expensive way to get money to pay everyday expenses.

Jane Walstedt: Anybody else want to chime in?
Cindy Hounsell:  Yeah, this...

Ted Sarenski:  Well.

Cindy Hounsell:  Go ahead.

Ted Sarenski:  No, after you.

Cindy Hounsell:  Well, it’s Cindy, and I was going to say that I know the HUD requirements are 62 years of age or older. So I’m not quite sure about anybody younger than that. But also, just to, you know, piggyback on what Pat was saying, it really was meant as a last resort to give you income if you had no other way to get income. And a lot of times people just start…are doing it because they think that, you know, that there could be no repercussions.

And a lot of the problems with reverse mortgages are their hidden requirements, such as keeping all the repairs on your home up to date, hidden pieces that people are just not aware of which really ends up not giving them the income that they think they’re going to have.

Ted Sarenski:  The only piece I was going to add was that while if you start at a younger age and there is a limit, you can’t be too young. But it’s…the bank does a computation based on your life expectancy at that age, and A, the earlier you start the less you’re going to receive each month in the reverse mortgage.

But B is the fact that you very possibly will outlive what that reverse mortgage gives you. And it will run out. It’s only going to go up to a certain percentage of the home’s value.
And then you will not be receiving a check after that. And that could…you may be evicted from your home at some point because you don’t have any money coming in to make the payments because you were using the reverse mortgage money to make the payments for utilities and telephone and things of that nature.

[Editor’s Note: The U.S. Department of Housing and Urban Development (HUD) has information on its Web site at www.hud.gov/offices/hsg/sfh/hecm/rmtopten.cfm entitled “Top Ten Things to Know if You’re Interested in a Reverse Mortgage,” which consists of 10 questions and answers. Two of those questions deal with how much money you can get from your home and whether the lender can take your home away from you.]

So it is a dangerous concept that I agree with the other panelists, it should be a last resort.

Jane Walstedt: Okay, Natalie, I’d like to ask you how many people are in the queue to ask a question.

Coordinator: Currently we have three in queue.

Jane Walstedt: Okay, let’s cut if off there because I know we’re running over the hour, but I want to give them a chance to ask their questions. So I’m going to let the call run over a bit. So let’s get our next question.

Coordinator: Just to let you know, the call is scheduled to end in 30 minutes so we do have some time still.

Jane Walstedt: Well, we usually run them for an hour, but we allow another 30 minutes, just in case we run over a little bit.
Coordinator: Okay.

Jane Walstedt: So after the three questions, we’ll cut off and do closing remarks.

Coordinator: Okay, thank you. The next question comes from Glen Gross.

Jane Walstedt: Go ahead, Glen.

Glen Gross: Yes. My question was this, when you’re considering your retirement age--normally people 62 to 65, but if you wanted to retire earlier than that, would it still be that same rule of thumb? Would you still be looking for that 30 to - excuse me - 100 to 135% of your income as a part of your retirement base or should it be more?

Jane Walstedt: Wow, who wants to answer that?

Cindy Hounsell: Yeah, I mean, I think it would obviously be more, because that’s based on people, you know, retiring at the full retirement age. And that’s from studies. The study that I was quoting from was basically the Hewitt Company that, you know, examined a lot of people in 401(k) plans and came up with that number. So if you’re leaving earlier, you’re going to need more money for every one of those years.

Glen Gross: Okay.

Ted Sarenski: Well, I would suggest also that just one cost alone--and that would be coverage for health insurance, since your employer would no longer be providing that--would be a substantial increase over what you might currently be paying, if it is an employer-provided benefit today, because Medicare does not start until age 65. So even if someone retires at age 62 and starts
collecting Social Security benefits, they still have a health insurance gap between age 62 and age 65 when Medicare starts.

Jane Walstedt: The other thing to think about is that you can…by taking Social Security benefits early, you’re giving up quite a bit of money. I think they have some information on the Social Security Web site that helps you calculate what you’d be losing by taking those benefits early. Anybody else want to add to the comments on this question? Okay, if not, let’s move on to the next question. Natalie.

Coordinator: The next question comes from Connie Morris.

Connie Morris: Hello?

Jane Walstedt: Hello.

Connie Morris: Hi, this is Connie Morris.

Jane Walstedt: Hi, Connie, go ahead.

Connie Morris: Hi, my question really quickly is for Patricia. I need to know the Web site that I can get Taking the Mystery Out of Retirement and a Guide to Financial Fitness online publication.

Pat Humphlett: Okay, you go to the Department of Labor Web site. So it starts out www.dol...

Connie Morris: DOL.

Pat Humphlett: Dot gov...
Connie Morris: Okay.

Pat Humphlett: Slash EBSA...

Connie Morris: I’m sorry. E?

Pat Humphlett: E, B as in boy...

Connie Morris: Okay.

Pat Humphlett: Benefits, really. S as in Security...

Connie Morris: Yes.

Pat Humphlett: A for administration.

Connie Morris: Okay.

Pat Humphlett: And then on the left side of that page, you’ll see Consumer Publications for Retirement Savings. Click on that, and it’ll be the first thing you see.

Connie Morris: Okay. And for Theodore, I’m on…your Web site. Well, I’m trying to get on, but it doesn’t go. Is it moving slow?

Ted Sarenski: Yeah, the www.360financialliteracy...

Connie Morris: Yeah.

Ted Sarenski: Well, it is possible, Connie.

Connie Morris: Okay.
Ted Sarenski: Because they do maintenance to it and it could be affected right now.

Connie Morris: All right. Thank you.

Jane Walstedt: Okay, Natalie, I guess it’s the last question now.

Coordinator: The last question comes from Linda Stroman.

Jane Walstedt: Go ahead, Linda.

Linda Stroman: Hi. I had a question about annuities. I’ve been talking…doing classes on different retirement plans. And one of the things I just want to know your thought on is fixed or variable annuities. How helpful are they for retirement plans?

Jane Walstedt: Wow, Ted, do you have any feelings about that?

Ted Sarenski: Well, fixed or variable relates to the type of investment that the annuity is investing in. Normally a variable annuity is investing in equity markets, the stock market. A fixed annuity is normally a stated rate of return within the annuity, like a CD at the bank would be.

So from a safety standpoint, a fixed annuity is going to be a little more secure potentially in the future than a variable annuity. If there is a concern for outliving your assets and in this, again, society with medical advances and women outliving men by a great majority, I’d say that for women - single women and not worrying about, you know, say, we don’t worry about our dependents--having an annuity is a good way to make sure that you don’t run out of money. Because that annuity will pay you as long as you live, whatever stated rate you agree to in the contract.
Now, they are a little more expensive than if you invest in a different type of vehicle, you know, [if] you invest in an asset that’s not an annuity. But you have to have the, let’s say, financial expertise and the willingness or hire somebody to do that for you.

So there’s your choice. You know, you have to take the investment risk yourself or you turn it over to the insurance company in an annuity and there’s a cost for that, but there’s a sleep factor too, as mentioned before. Let the insurance company worry about whether they make money or not in the stock market, let me just collect my monthly benefits. So there is a place for annuities in retirement.

Jane Walstedt: Cindy, do you have a feeling about annuities?

Cindy Hounsell: Right, I just wanted to mention that I think there’s a lot you need to know before you ever go out and purchase an annuity, and we have a great publication on our Web site which is www.wiserwomen.org. And it’s called Making Your Money Last for a Lifetime. And it’s under the Publications section. So it’s a way to learn and really understand it.

But I’m with Ted, that it’s a great way to guarantee your money for the rest of your life. You just need to be really careful about what you’re buying.

Linda Stroman: Great. Thank you.