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The Pension Planner

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Planning to retire at year end? *Questions to ask yourself*

Some RNs may be considering leaving full-time employment soon. They've spent many years working different shifts while ministering to the needs of the sick and injured. And now they want some time to nurture themselves.

The lure of a monthly pension benefit is all well and good. But this decision is one of the most important you'll ever make, as it determines your financial well-being for at least the next 20 years.

It's good to think hard and long about it and ask yourself some questions.

What health insurance will you have?

If you're age 65 or older, you'll be eligible for Medicare, so your only worry may be what Medicare option to take. But if you're younger than 65 and won't be Medicare-eligible, how can you insure yourself in the meantime? Does your facility offer a VEBA (voluntary employee beneficiary association), stipend to pay premiums for private insurance, free use of hospital clinics, or such? Does your spouse plan to continue working so you can be covered on his or her policy? If not, can you pay for 18 months of COBRA continuation coverage and then an individual policy? (See "What to look for when buying individual health insurance" on Page 3.)

Will your income stream be enough?

Yes, you'll have your pension benefit, but what other forms of income will be available to you? Do you have to wait another year for full, unreduced Social Security or even until you're eligible for early, reduced Social Security at age 62, if you choose to take it that soon?

Do you have enough other savings to tap? Retirement experts generally say that you should plan on withdrawing no more than 4 percent of your savings each year to supplement pension and Social Security benefits and help make up lost wages. That means only $20,000 for every $500,000 you have in the bank.

How much debt do you have?

Debt is the biggest obstacle to an early retirement. Credit cards, mortgage, car payments all can get in your way. Credit card debt can ruin a perfectly sound retirement all on its own. In fact, one financial planner put it this way: "If you can't pay your credit card bills while you're working, how could you possibly pay them off when you're no longer receiving a paycheck?"

A big mortgage can do the same. One solution is to move to a smaller home or to a community with lower housing costs.

What will you do with your time?

Most people will chuckle as they read this question. Of course, they plan to sleep in, travel, play golf, visit the grandchildren. But sooner or later, too much free time can become a burden. True! Retirement can be total, or simply the act of leaving one career for a chance to do something else.

A study conducted several years ago by Merrill Lunch showed that seven in 10 people planning to retire expected to continue working at least part time. Some needed the money to continue supporting themselves, while others wanted the additional rewards working can yield, such as a sense of accomplishment and community and the ability to stay physically and mentally active.

Other questions to ask yourself when planning for retirement include:

Who else besides you will be affected by your decision? Do you have a spouse, partner, dependent child, or parent who needs your support?

What expenses do you or your family have or expect to have? Will you easily be able to afford everyday living expenses? How will you handle big expenses such as a new car or roof or furnace?

What plans do you have if you become incapacitated?

All very important questions to ask and answer honestly. Retiring when you're young and able enough to fully enjoy life is something everyone strives for. But for many, once the decision is made, there can be no going back.

If you're toying with the idea of retiring this winter, call the Pension Plan for a pension calculation so you'll know where you stand. If you're sure this year will be your last as a working RN, remember to call the Plan 90 days prior to your retirement date. A Pension analyst will be glad to help guide you to the next phase of your life. •

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What will retirement really cost?

Last year, 50 percent of retirees surveyed by the Employer Benefit Research Institute reported their spending was the same *or actually higher* than when they were working. Twenty-six percent said spending was a little lower; 23 percent said it was a lot lower.

Where will your retirement spending fall?

Greg Daugherty, executive editor at Consumer Reports *Money Advisor*, has some advice as how to find that out. First, you need to honestly record all your expenses for at least one month. A notebook helps, along with copies of credit card statements and checkbooks. These costs will reflect what Daugherty calls a subsistence budget. Then you'll want to add the extras.

What have you always dreamed of doing in retirement? For this exercise to work, you need to have specific ideas so you can accurately assign a price tag. You may want to travel, but to where? How much for airfare, hotels, meals? Do you want to finally get around to home improvements? If so, which ones? What's the going rate for a total kitchen remodel? And if you have a spouse, does your mate want to do the same things, or will you need to incorporate the expense of satisfying different dreams?

Focusing on how much money you'll actually need will help you plan well and adjust your savings accordingly. To the right is a worksheet featured in *Money Advisor* that can get you started planning for the lifestyle you've been dreaming about. •

Monthly expenses	Before retirement	After retirement
Federal income taxes		
State and local taxes		
Social Security and Medicare withholding		
Retirement plan contributions [403(b), IRA]		
Housing (mortgage, rent, taxes, insurance)		
Utilities (electric, gas, phone, Internet)		
Groceries and toiletries		
Health insurance, life insurance, disability insurance, long-term care		
Out-of-pocket medical and prescription costs		
Vehicle (car payments, insurance, gas, maintenance and repair)		
Public transportation		
Clothing		
Entertainment and restaurant meals		
Vacations		
Interest on credit cards and other non-mortgage loans		
Miscellaneous		
Total monthly expenses		

INVESTING PRIMER:

Large cap dividend-paying stocks

When your investment choices all seem to be lacking – your stocks' value keeps going down and jumbo certificates of deposit return a paltry 1.2 percent (if you're lucky) – you may think about reverting to the mattress-stuffing mode of saving. But there's another way to realize growth: investing in large cap stocks that pay a dividend.

Once considered boring, unattractive widow-and-orphan stocks, these low-paying but predictable equities give you the combination of a consistent dividend and the growth potential of an increasing share price. The companies may be slow growers, according to Jack Hough, a columnist at SmartMoney.com, but that produces two benefits: They don't have to spend much money on expansion, which can then be used to increase dividends as profits rise, and their staid reputations and slow growth keep them undesirable to investors looking for the fast growth that can lead to bubbles.

Certificates of Deposit

According to the economic blog, Bondad, the best return you could get on a $10,000 CD recently would be:

- 3 month = 0.81 percent
- 1 year = 1.27 percent
- 5 year = 2.40 percent.

Treasury Bonds

You could invest that $10,000 in U. S. Treasuries at the following interest rates*:

- 1 month = 0.02 percent
- 1 year = 0.09 percent
- 5 year = 0.93 percent
- 10 year = 2.17 percent.

*(*As of August 11)*

Considering that inflation currently is running at more than 3 percent, both CDs and Treasuries lose money. Now look at the dividend yields on 16 of the 30 Dow Jones Industrial stocks as of September 6:

- AT&T Inc. = 6.29 percent
- Verizon Communications Inc. = 5.68 percent
- Merck = 4.71 percent
- Pfizer Inc. = 4.61 percent
- Intel Corporation = 4.45 percent
- General Electric Company = 4.20 percent
- Johnson & Johnson = 3.68 percent
- The Travelers Company, Inc. = 3.59 percent
- E.I. du Pont de Nemours & Company = 3.55 percent
- JPMorgan Chase & Co. = 3.53 percent
- The Procter & Gamble Company = 3.51 percent
- Kraft Foods Inc. = 3.40 percent
- Chevron Corporation = 3.39 percent
- The Home Depot, Inc. = 3.31 percent
- Wal-Mart Stores, Inc. = 3.14 percent
- McDonald's Corporation = 3.06 percent.

(Source: indexARB)

Even if you think that stock prices will continue to fall in the near future, you're still getting paid a dividend over and above the rate of inflation while you wait for your investment to break even or increase. And, you bought your stock on sale.

You can find dividend-paying companies on the S&P's Dividends Aristocrats list, which has S&P 500 members whose dividend payments have increased for at least 25 consecutive years. •

Vaccinations all seniors should have

Just because your school days are far in the past doesn't mean you no longer have to roll up your sleeve for the nurse's needle. In fact, the Centers for Disease Control recommends that older adults be vaccinated for the following diseases:

Influenza. One dose every year.

Measles, mumps, and rubella. One dose for those born after 1956 who were never immunized or infected. Adults born before 1956 generally have immunity, which can be checked with a blood test.

Pneumonia. Once, but a booster is recommended after five years if your first shot was before age 65 or you're at high risk. Otherwise, for all adults age 65 and older.

Shingles. One dose is recommended for people age 60 and older who don't have a weakened immune system whether they've had an attack of shingles or not (if you've had shingles, you can still receive the vaccine to help prevent future attacks).

Tetanus and diphtheria. Booster for tetanus and diphtheria every 10 years for adults age 65 and older. •

What to look for when buying individual health insurance

Someday, circumstances may require you to purchase your own health insurance. One of those circumstances may be choosing to leave full-time employment before you're Medicare-eligible at age 65. If so, following are some things to look for:

Get the most comprehensive policy you can afford

This may seem like a no-brainer, but you'd be surprised how many seemingly mundane benefits may not be offered in order to keep a policy's costs low. Be sure to look over the policy's covered benefits, because if a procedure isn't listed, chances are it's not covered. Benefits should include doctors' visits, hospital stays and expenses, outpatient treatments, lab and radiology, rehabilitation, mental health treatment, and prescription drugs.

Also look for which providers and hospitals, including specialty hospitals, are covered. And note that some insurers' ideas of medical necessity may vary, meaning that particular services might be capped or even excluded.

Pay attention to deductibles

Do one or two deductibles apply to your policy? There may be one for medical and another for prescription drugs. Also, do you and each family member have to meet separate deductibles, or does each person's deductible count toward the total?

What's your out-of-pocket maximum?

Some policies exclude the deductible and copayments or coinsurance from the out-of-pocket maximum. Others exclude the cost of certain services, such as office visits, prescription drugs, and outpatient mental health.

Make your decision based on the contract, not the brochure

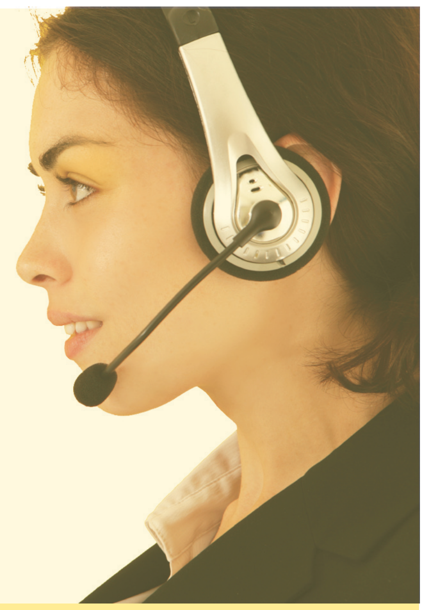
Although a medical insurer might tell you that you can't have an evidence of coverage until you purchase its insurance, demand one anyway. It's a legally binding contract that spells out all the coverage, not just the highlights you'll find in a brochure.

Look for loopholes

As an RN, you know that the first day in the hospital can be the most expensive due to diagnostic tests and emergency procedures. So be on the lookout for any policy that begins hospital coverage on the second day.

To help you, an Evaluating Health Insurance Choices Worksheet is available through the Georgetown University Health Institute at **http://healthinsuranceinfo.net/managing-medical-bills/worksheet.pdf**. •

Ask the Pension Plan



I'm 59 years old and thinking about retiring soon. I've been a Pension Plan participant for 15 years. Since this will be before the Plan's normal retirement date at age 65, will my pension be reduced and, if so, by how much?

Because you haven't been a NYSNA Pension Plan participant for 20 years, are less than 60 years old and won't be retiring from active covered employment with at least 20 years of credited service, you're not eligible for unreduced early retirement, but you can receive a reduced pension.

It works like this: Your benefit is reduced one half of one percent for each month your retirement precedes your normal retirement date at age 65. The following chart illustrates the reductions:

If pension benefit payments start on the first day of the month when you turn age	Your benefit is reduced by
64	6%
63	12%
62	18%
61	24%
60	30%
59	36%
58	42%
57	48%
56	54%
55 1/12	59.5%

You should note that the reduction is permanent – your pension benefit won't increase when you reach age 65. But if you defer your pension until age 65, your benefit won't be reduced, even if you stop working before then. •

Have you been looking for your Social Security statement?

Perhaps you've noticed that your Social Security statement never arrived in the mail this year.

Last March, Social Security Administration Commissioner Michael Astrue testified to a Senate appropriations committee that sending out statements cost the agency about $70 million a year. By suspending mailings earlier this year, the SSA planned to save $30 million by the end of its fiscal year, which ended in September.

If you're going to be at least 60 years old next year, however, you can expect to receive a statement, perhaps as soon as this fall for those who turn 60 in January. Otherwise, the SSA hopes to direct future beneficiaries to its Web site (**ssa.gov/estimator**) for an estimate of their projected benefits based on their work history.

The paper statements contain more information than the online estimator, however, such as your annual earnings history as well as estimates of disability and survivor benefits. And the agency had been working on ways to improve the paper statements that included new inserts customized for young workers and woman, who rely much more on Social Security to avoid a poverty-stricken old age. For this reason, Cindy Hounsell, president of the Women's Institute for a Secure Retirement, thinks the SSA is "moving in the wrong direction. If anything, we need to be doing more to inform people," she says. •

The PensionPlanner

The Pension Planner is published four times a year as a service to participants of the New York State Nurses Association Pension Plan. The information in this newsletter is not intended to be complete Plan information, and is not a substitute for the *Summary Plan Description*. Please address questions about this newsletter to the Communications Department.

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Making money online: where to sell what

Perhaps you're looking for a way to supplement your paycheck or make up for investment loses. Maybe there's little room left in your home for any more "stuff." You've seen that others are successful selling online and think you could be, too, but are unsure where to start. Michael Miller, a successful seller himself, shares his expertise.

Where you should set up your cyber shop depends on what you have to sell.

eBay is best suited for big-ticket, rare, and/or valuable items such as antiques, art, high-end bicycles, designer or vintage clothing, certain collectibles, vintage electronics, modern and antique golf clubs, jewelry, and modern high-end or antique skis. If in doubt, consider whether a bidder is willing to pay shipping charges in order to have what you offer.

Use **Craigslist** for lower-end, mainstream items that buyers don't want to pay shipping for. These include large appliances; modest bicycles, older bicycles, or children's bikes; non-designer and non-vintage clothing; low-demand electronics; exercise equipment; furniture; out-of-date, non-antique golf clubs; musical instruments; worn or low-end skis; toys; and vehicles that aren't antiques or collectibles.

Amazon.com is better suited for books, of course; modern collectibles; DVDs, CDs, and video games; and recent-model electronics such as DVD players and digital cameras.

Etsy is another venue for all manner of vintage items, as well as handmade items and the supplies to make them.

What will your cost be?

Queen of online selling sites, eBay, currently allows sellers to list up to 50 items a month for no insertion fees. List more than that, however, and eBay charges an insertion fee for each listing that depends on the amount of the starting bid (for auction items) or a set fee for a fixed price or "buy it now" item. You're also charged a final value fee that's based on the total amount of the sale, including the cost of the item, shipping, and any other fees you might charge, excluding any sales tax. The final value fee runs anywhere from 7 percent to 20 percent.

To sell on eBay, you need to set up a Premier or Business PayPal account.

Craiglist has no listing fees or commissions. Buyers pick up the merchandise from you and pay in cash or by check.

Amazon Marketplace lets private sellers list new or used merchandise for a commission of 6 percent to 15 percent on most products in addition to a 99-cent transaction fee and low closing fee.

Etsy charges a listing fee of $0.20 and a commission of 3.5 percent on sold items that does not include shipping or sales tax. You can accept check, money orders, PayPal and credit cards.

PayPal charges a standard rate of 2.9 percent for receiving payments for goods and services. •

Even new hires can gain credited service by the end of the year

Congratulations! You graduated from nursing school last spring and landed a job soon afterward. You're now working in a profession you love, enjoying a paycheck, and may have accrued some credited service toward your NYSNA pension.

So soon, you ask? Yes, because you can earn credit toward your pension by working part of a year.

If, in one year, you work in covered employment:

- 851 hours or more, you'll earn one full year of credited service.
- 651 to 850 hours, you'll earn two-thirds of a year of credited service.
- 500 to 650 hours, you'll earn one-third of a year of credited service.

Generally speaking, this means that even if you didn't start working until early September, you most likely will earn one-third year of credited service by December 31.

Congratulations! •

The Plan office will be closed for the Thanksgiving holiday on Thursday, November 24 and Friday, November 25, and for the Christmas holiday on Friday, December 23 and Monday, December 26. If you leave a message at (877) RN BENEFITS or pensions@rnbenefits.org, we'll get back to you the next business day.