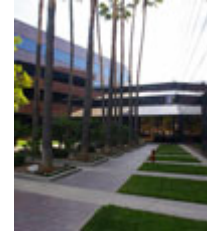




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BUSINESS NEWS/INTEREST RATE UPDATE # 504
Erman Retirement Advisory
Howard Erman, CFP
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Plan Finances for Surviving Spouse

New surveys show that women continue to trail men when planning for retirement.

That makes it all the more important for most married couples to make retirement-planning decisions with the goal of leaving the spouse with greater longevity -- typically, the wife -- in good shape financially after the other dies.

After the death of a spouse, the survivor often experiences a permanent reduction in his or her standard of living. Because women, on average, outlive men by three to four years and face longer periods of disability later in life, the financial situation of a widow can be especially precarious.

Financial hardship can arise simply because the survivor must live on one Social Security check rather than two. In some situations, a former employer may also reduce or eliminate a deceased spouse's pension or retiree medical benefits.

The good news: Couples can take steps to better protect one another -- even if they're already retired. The key is to make a plan and be sure both spouses are "comfortable managing the finances," says Joan Bloom, a senior vice president at a major investment firm.

The bad news: In a survey released in May, ING Direct found nearly 40% of married women rely on a spouse or partner to plan their retirement finances.

One way to boost a survivor's lifelong income is for the higher earner to delay claiming Social Security. While you can start these benefits any time between ages 62 and 70, the longer you wait, the higher your monthly payment will be. That could make a big difference for a surviving spouse, who could be eligible to collect your full benefit when you die.

Consider a husband who is entitled to \$1,500 a month from Social Security at age 62. If the man were to claim Social Security benefits at age 62, cost-of-living raises would bump up his \$1,500 monthly benefit to \$2,910 by age 86, estimates Elaine Floyd, director of retirement and life planning at Horseshoath LLC of New York City, which trains financial advisers. But if he were to delay claiming benefits until age 70, Social Security would pay him \$3,293 a month to start -- and \$5,122 a month at age 86.

The upshot: If the husband was the higher wage earner and dies first, his widow would be eligible to collect his monthly benefit instead of her own. If the husband dies at age 86, for example, she would get \$2,910 a month if the husband started claiming benefits at age 62 or \$5,122 if he waited until age 70.

"It makes sense to delay as long possible, preferably up to age 70," Ms. Floyd says.

Those who purchase an annuity or who are entitled to a pension also can take steps to ensure a spouse receives a survivor benefit. Generally, annuity owners and pension recipients who opt for a lower monthly payment can receive what's called a "joint life" benefit, which ensures payments will continue for as long as one of the members of the couple live.

Life insurance can play a role as well. Assuming you qualify for coverage, the death benefit may help your spouse pay down debt, cover future medical expenses or make up for the loss of your Social Security benefit, says Elizabeth Jetton, who trains financial advisers to work more effectively with women.

Financial advisers say one of the best ways to protect a surviving spouse is to purchase long-term-care insurance. "When someone is alone, they may not have children who live near them or are able or skilled enough to be involved in their care," says Ms. Jetton.

This can be found at:

http://online.wsj.com/article/SB10001424052702303657404576365981684863382.html?mod=yahoo_free

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We are offering a consultation on your 401k allocations. Are you positioned properly? Are you taking on too much risk without knowing it? How can you do a better job to protect yourself against adverse markets? Call us to discuss solutions.

As a general update, the 30 year treasury index on Wednesday, June 22st, stood at 4.22% (finance.yahoo.com). The November, 2010, average completed at 4.19% (21 data points). This number will comprise 20% of the 2011 rate for lump sum calculations. The barrel price of crude oil futures, July, 2011 delivery, on the New York Mercantile Exchange rose \$.45 and is now quoted at \$94.62 (Wednesday, June 22st).

If you know of another co-worker or associate who is interested in receiving these daily interest rate updates, especially #1 which describes how interest rates affect the lump sum (still applicable with PPA '06), please send me an email with their email address so I may add them to the list.

Howard is also a holder of the CRC (Certified Retirement Counselor) designation as well as the ATP (Accredited Tax Preparer) designation. He undertook the requirements for this education to better meet the needs of retirees.

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