A service of MarketWatch

# Retirement Weekly

## ■ In this issue



**Got questions? Get answers!**

E-mail
rpowell@marketwatch.com

*May 21, 2010 (Vol. 8, No. 21)*

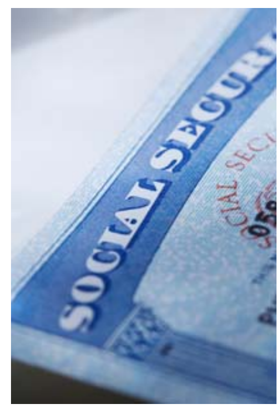
# Social Security and divorce

## *Are you eligible for a benefit based on your ex-spouse's record of work and earnings?*

*By Neil Downing, CFP®*

If you're planning to collect Social Security, or you're already drawing a monthly benefit, you may be eligible for a higher amount through a source you may have thought unlikely – your ex-spouse.

Normally, the amount of your Social Security benefit is based on your own record of work and earnings under the Social Security system – or on that of your spouse.



But if you've been divorced, you may be eligible for a benefit based on your ex-spouse's record of work and earnings. If so, the Social Security Administration can calculate your monthly benefit two ways: the first based on your own record, the second based on your ex-spouse's record. You may be eligible for whichever pays you more.

For instance, if you're eligible for $500 a month in benefits based on your own record, but $750 a month based on your ex-spouse's record, you could receive $750 a month.

If your ex-spouse has died, you may still be eligible for a benefit based on that person's record.

All this won't happen automatically; you must ask the Social Security Administration whether you're eligible and how much you might receive as a result. To do this, call the agency toll-free at 1-800-772-1213, or visit your local Social Security office.

That extra effort could pay off, said Cindy Hounsell, president of the Women's Institute for a Secure Retirement (WISER), a nonprofit group that helps women and others understand issues involving retirement income.

"The thing you need to do is maximize your income for the future," and one way to do that is by checking to see if you may be eligible for a higher Social Security benefit based on your ex-spouse's record, she said. "I can't tell you how many people . . . are out there and don't have any idea" about how the rules work and how those rules apply to them, she said.

**How the law evolved**

When Social Security was established in 1935, it provided benefits

*(Continued on page 2)*

*(Continued from page 1)*
only to retired workers. Divorced spouses were not eligible for benefits (unless they had their own record of work and earnings).

But the program gradually expanded, as the following highlights from the Congressional Research Service and the Social Security Administration show:

- In 1950, Congress extended benefits to divorced widows with children.
- In 1965, Congress extended benefits to divorced wives and divorced widows. (The marriage had to have lasted for at least 20 years.)
- In 1977, the length-of-marriage requirement was reduced to 10 years. In addition, women who remarried were allowed to receive a regular survivor benefit from the deceased spouse's record if the remarriage occurred after age 60 (or after age 50 if the person was disabled).
- In 1983, a new law allowed a divorced spouse age 62 or older, and who had been divorced for at least two years, to receive benefits based on the earnings of a former spouse who was eligible for retirement benefits – regardless of whether the former spouse had applied for benefits.

*(Continued on page 3)*

## Normal Retirement Age

In general, normal retirement age is the point at which you're eligible for full Social Security retirement benefits. If you begin collecting benefits before you reach your normal retirement age, you'll suffer a reduction in benefits —whether your benefit is based on your own record or on the record of your ex-spouse. Your normal retirement age (sometimes called your "full retirement age") depends on your year of birth:

| Year of birth: | Normal retirement age: |
|---|---|
| 1937 and prior | 65 |
| 1938 | 65 and 2 months |
| 1939 | 65 and 4 months |
| 1940 | 65 and 6 months |
| 1941 | 65 and 8 months |
| 1942 | 65 and 10 months |
| 1943-54 | 66 |
| 1955 | 66 and 2 months |
| 1956 | 66 and 4 months |
| 1957 | 66 and 6 months |
| 1958 | 66 and 8 months |
| 1959 | 66 and 10 months |
| 1960 and later | 67 |

If you were born on January 1 of any year, look to the previous year in the table to find your normal retirement age.

Source: Social Security Administration

# Social Security & Divorce:

## *By the numbers*

**133,409** – Number of divorced spouses collecting benefits based on the records of retired workers. Average monthly benefit: $572.50.

**8,176** – Number of divorced spouses drawing benefits based on the records of disabled workers. Average monthly benefit: $325.80.

**349,847** – Number of surviving divorced spouses (over age 60, not disabled) collecting benefits based on the records of deceased spouses. Average monthly benefit: $1,151.

**31,549** – Number of surviving divorced spouses (disabled, between age 50 and 60) drawing benefits based on the records of deceased spouses. Average monthly benefit: $705.20.

Source: Social Security Administration, "Annual Statistical Supplement, 2009" (data as of December 2008)

*(Continued from page 2)*

The 1983 law also made divorced husbands and divorced widowers eligible for benefits, formalizing a practice that the Social Security Administration had already been following based on court decisions.

**How the rules work today**

Here are two general rules to keep in mind:

1. If your ex-spouse is alive, you may be able to receive, each month, an amount equal to one-half of that person's monthly benefit. (This assumes you're at normal retirement age, which is currently 66. If you're below normal retirement age, you may be eligible for a reduced amount.)
2. If your ex-spouse has died, you may be able to receive, each month, the full amount that your late ex-spouse was collecting. (If you're below normal retirement age, you may be able to receive a reduced amount.)

Thus, in a sense, if you're a divorced spouse, "You're treated as if you're still married," said Kurt Czarnowski, regional communications director for the Social Security Administration.

Bear in mind that if you're eligible for benefits under your own record and under your ex-spouse's record, you'll receive only one monthly payment, not two.

For example, if you're collecting $400 a month, your ex-spouse (who's alive) is collecting $1,000 a month, and you've both reached normal retirement age, you may collect an amount equal to half of your former spouse's monthly benefit – in other words, $500 in this example. But you won't get a check for $400 (based on your record) plus a check for $500 (based on your former spouse's record); you'll get just one amount, whichever is greater. "We'll pay on one account or the other, whichever is higher, but not both," Czarnowski said.

Also keep in mind that benefits based on your ex-spouse's record aren't available in every case. There are some hurdles to clear.

**If your ex-spouse is alive**

If you're divorced and your ex-spouse is still alive, you may be eligible for Social Security benefits based on that person's record of work and earnings under the Social Security system if you meet the following conditions:

*(Continued on page 4)*

*(Continued from page 3)*

- The marriage lasted 10 years or longer;
- The divorce was finalized at least two years before you become eligible for benefits;
- You are single;
- You're 62 or older;
- The benefits you would receive based on your ex-spouse's record are greater than the benefits you'd receive based on your own record of work and earnings; and
- Your ex-spouse is entitled to either Social Security retirement or disability benefits. (If your ex-spouse hasn't applied to the Social Security Administration for benefits but can qualify and is age 62 or older, you can receive benefits on your ex-spouse's record – if you're at least 62 and you've been divorced from that person for at least two years.)

**If your ex-spouse is dead**

What if your ex-spouse has died? You still may be eligible for benefits based on that person's record of work and earnings. "It's like being a widow [or widower], basically," Czarnowski said.

And you can collect as early as age 60 as a surviving divorced spouse (or as early as age 50 if you're disabled), provided that the marriage lasted at least 10 years. (In such a situation, you must be single -- unless you've remarried after age 60.)

Also, you may collect benefits at any age, based on the record of your late ex-spouse, as long as you're caring for your former spouse's child who is your natural or legally adopted child and younger than 16 (or disabled and entitled to benefits).

**Some women may benefit most**

Although the provision about drawing Social Security benefits based on an ex-spouse's record apply equally to men and women, it may be most helpful to certain women, Hounsell said. That's especially true for women who stayed at home to raise children and may have stopped working altogether during those years, or worked only part-time, she said.

Why? To calculate your benefit, the Social Security Administration looks back at your entire history of work and earnings under Social Security and selects the 35 years in

*(Continued on page 5)*

## Resources

- Women's Institute for a Secure Retirement (WISER) section on "Social Security And Divorce: What You Need To Know": http://www.wiserwomen.org/index.php?id=219&page=Social_Security_and_Divorce:_What_You_Need_to_Know
- WISER section on "Social Security: Q&A's for Women": http://www.wiserwomen.org/index.php?id=203&page
- Social Security Administration booklet, "How Work Affects Your Benefits": http://www.socialsecurity.gov/pubs/10069.pdf
- Social Security Administration booklet, "Retirement Benefits": http://www.socialsecurity.gov/pubs/10035.pdf
- Social Security Administration booklet, "What Every Woman Should Know": http://www.socialsecurity.gov/pubs/10127.pdf
- Social Security Administration booklet, "Survivors Benefits": http://www.socialsecurity.gov/pubs/10084.pdf

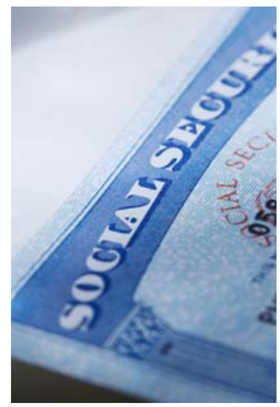
*(Continued from page 4)*
which you earned the most. So if there were years in which you did not work at all, or worked only part-time, you won't receive as much in benefits. "It's really one of the major problems for women," Hounsell said.

Another reason to keep the provision in mind has to do with pensions and retirement plans. At the time you divorced, you may not have taken into account your ex-spouse's pension, profit-sharing plan or other such arrangement. Maybe you didn't think about it, or your lawyer didn't explore the issue.

Whatever may have happened in the past, it's important to learn about your rights when it comes to Social Security, Hounsell said. Too often, "People just don't know much about the systems that affect their whole lives," she said.

**Some other points**

Following are some other points to keep in mind:




- If you're eligible for a higher Social Security benefit based on your former spouse's record, you don't have to contact that person or obtain his or her approval. "You don't need anybody's permission," Hounsell said. Just provide the necessary information to the Social Security Administration, such as how long your marriage lasted and your ex-spouse's Social Security number. (If you don't have the number, supply the agency with as much information as you can about your ex-spouse, such as your ex's date of birth, place of birth, and parents' names.)
- If you obtain benefits based on your ex-spouse's record, it will have no impact on your ex-spouse's benefits. "It doesn't take anything away" from the ex-spouse, Hounsell said. It won't reduce the ex-spouse's benefit, nor will it reduce the benefit of anyone else collecting on that person's record, Czarnowski said.
- Once you reach normal retirement age (currently age 66), you may begin collecting Social Security benefits based on your ex-spouse's record, then switch later on to a benefit based on your own record if that will pay you more.
- If you're single, you were divorced more than once and each marriage lasted at least 10 years, you may be able to receive Social Security benefits based on whichever record will pay you more.
- If you're single and collecting benefits based on your ex-spouse's record, then you remarry, you'll have to collect based on your own record or on your new spouse's record, Czarnowski said.
- You may ask the Social Security Administration for a free estimate of how much in benefits you would receive based on your ex-spouse's record of work and earnings under the Social Security system, Czarnowski said. "We encourage you to do that, to plan for your future," he said. Visit your local Social Security office, or call the agency toll-free at 1-800-772-1213. **RW**

**About the author:** Neil Downing, CFP®, is an Enrolled Agent with a master's degree in taxation who has written three books on personal finance.

**Got questions? Get answers!**
E-mail rpowell@marketwatch.com

# Your Money

## Preparing for retirement

What does it take to transition successfully from preretirement to retirement?

Preretirees need only complete 15 tasks to help smooth the transition to retirement, according to the just-released MetLife Retirement Readiness Index: Are Americans Prepared for the Transition? Study.

"While many events will influence the specific timing and even the manner in which an individual enters retirement, research on this critical process has demonstrated that a successful transition into retirement involves a personal, career, and financial transition that is associated with the completion of 15 specific developmental tasks while still in their working career," according to the study.

These tasks include areas such as work, leisure time and activities, relationships with family and co-workers, obtaining employer and federal benefits, and planning for the future.

The biggest task to complete is this: Deciding on whether to and how long to continue working is a primary decision about retirement. In its study, more than one in two surveyed (54%) said they had formulated ideas about how much to work in retirement.

In addition, 54% also said they had determined the proper balance between work and leisure time if forced to choose and 51% of those surveyed said they had identified personal goals in retirement. The study noted that fewer than half surveyed have completed tasks associated with relationships with family and co-workers. Preretirees need to consider the importance of relationships with co-workers when making a decision to retire and they need too consider how the various aspects of retirement might positively or negatively affect the relationships they have with family and friends.

By the way, you can figure out how prepared you are for the transition by taking and scoring MetLife's retirement readiness assessment at http://www.metlife.com/assets/cao/mmi/publications/studies/2010/mmi-retirement-readiness-index-.pdf. You can read the MetLife study at this site, http://www.metlife.com/mmi/research/retirement-readiness-index.html#findings.

## State regulators scrutinize annuity scams

The National Association of Insurance Commissioners (NAIC) this week held a public hearing on the emergence of what are called Stranger Originated/Owned Annuities or STOLI. The hearing, hosted by the NAIC Life Insurance and Annuities Committee, focused on the suspect practice of targeting seniors and terminally ill patients by inducing them to purchase an annuity largely for the benefit of investors or intermediaries.

"These scams are like cockroaches," said Thomas R. Sullivan, chair of the NAIC Life Insurance and Annuities Committee and Connecticut Insurance Commissioner, according to a release. " For every one you see, there are most likely hundreds in hiding. Unfortunately, there is no way of knowing the full magnitude of this problem, but regulators are taking a diligent look at the conditions surrounding these sales and practices."

Stephan Leimberg, CEO of Leimberg Information Services and co-author of Tools & Techniques of Life Settlement Planning, praised the hearing. "Only 29 states have any

*(Continued on page 7)*

# Your Money

(Continued from page 6)
updated laws on STOLI or even modern life settlements in general and of those none to my knowledge have laws that anticipate the annuity scams that state regulators are so rightly concerned about and some that they can't yet even conceive."

In addition, he said most states' insurable interest laws are not just antiquated, they are ancient. "They do not begin to anticipate the need to regulate the life settlement business - which is absolutely necessary for this infant industry to gain credibility and to safely protect the public—both investors and sellers."

**Duly noted…**

- Putnam Investments this week said it plans to offer detailed online disclosure of fees charged to 401(k) plans and other defined-contribution plans. In doing so, the firm is moving ahead of expected regulation to mandate additional fee disclosure.
- Over the past year, average account balances of participants in Fidelity-serviced 401(k) plans rose 41% to $66,900 by the end of first quarter of 2010 and personal rates of return were 42%, according to a press release. **RW**

## Questions & Answers

*Q: I am 64 and my wife is 65.I am the higher income wage earner. My wife will be claiming benefits under her earnings in February 2011 when she is 66, full retirement age( FRA). I was thinking of claiming a spousal benefit when I turn 66 the following February, in 2012, and delaying benefits under my earnings until I turn 70.*

*My question: Can my wife claim her spousal benefit (which I think will be higher than the benefit based on her earnings) when I start collecting my spousal benefit in 2012?*

*In other words, we would each by collecting a spousal benefit. I am assuming that she cannot collect a spousal benefit at her FRA if I have not reached my FRA. Is that correct? — B.F.*

A: According to Donna Clements, a manager at Mercer, a worker who continues to work and has attained full retirement age (FRA), but is not yet age 70, can claim and then suspend their benefit payment in order to allow their spouse to collect a spouse's benefit and to earn delayed retirement credits (DRCs).

A current spouse cannot claim a benefit on the worker's record until the worker has applied. The DRCs the worker earns will also increase the benefit payable to a widow(er)– the widow(er) benefit would automatically become the higher amount including the DRCs. **RW**

**Got questions? Get answers.**
**Email rpowell@marketwatch.com**

# State of Affairs

## Aging boomers will increase dependency ratio: Census Bureau

The U.S. Census Bureau reported this week that the dependency ratio, or the number of people 65 and older to every 100 people of traditional working ages, is projected to climb rapidly from 22 in 2010 to 35 in 2030.

This time period coincides with the time when baby boomers are moving into the 65 and older age category, according to a release. After 2030, however, the ratio of the aging population to the working-age population (ages 20 to 64) will rise more slowly, to 37 in 2050. The higher this old-age dependency ratio, the greater the potential burden.

The projections are not based on 2010 Census results. Rather, they project 2000 Census counts forward using components of population change — births, deaths and net international migration.

The expected steep rise in the dependency ratio over the next two decades reflects the projected proportion of people 65 and older climbing from 13% to 19% of the total population over the period, with the percentage in the 20 to 64 age range falling from 60% to 55%.

"This rapid growth of the older population may present challenges in the next two decades," said Victoria Velkoff, assistant chief for estimates and projections for the Census Bureau's Population Division. "It's also noteworthy that those 85 and older — who often require additional caregiving and support — would increase from about 14% of the older population today to 21% in 2050."

With the projected more rapid increase in the life expectancy for men over the next several decades, women would comprise a smaller percentage of older people: 57% of those 65 and older today, 55% in 2050. Among those 85 and older, the drop would be even larger (from 67% to 61%).

The findings are contained in the report, "The Next Four Decades: The Older Population in the United States: 2010 to 2050." Learn more at http://www.census.gov/newsroom/releases/archives/aging_population/cb10-72.html.

### Duly noted…

- While discussion about the so-called "retirement crisis" has primarily focused on saving enough money to retire, the threat of outliving your assets in retirement is becoming a bigger risk for individuals, according to a new report from Allianz. According to the report, there are 10 behavioral insights that should be taken into account when creating and evaluating a retirement income strategy. The report, "Behavioral Finance and the Post-Retirement Crisis," contains a checklist that that can be used by policy makers to evaluate how different policy proposals compare in terms of their impact on employee/retiree behavior. You can read the report at http://www.allianzinvestors.com/documentLibrary/RFIbehavioralFinance/Allianz_DOL_RFI_Response.pdf. **RW**

**Got questions? Get answers!**
E-mail rpowell@marketwatch.com

# HealthWatch

## Increasing number of private physicians raises concerns for seniors

*By Gillian Bernard*

A small but growing number of primary care physicians are deciding to privatize their practices rather than following an insurance-based business model. A startling majority of these doctors have opted not to accept Medicare recipients, citing that the compensation for their services is insufficient. As a result, the number of physicians accepting seniors with Medicare are shrinking and the quality of care they receive is deteriorating.

The private physician trend is due to the increasing workload and decreasing Medicare reimbursement for primary care physicians. Medicare's physician reimbursement has suffered in recent years and there is an impending 21 percent cut in 2010. Congress has voted three times to postpone the reduction but is set for June 1.As more baby boomers enter retirement, the number of older patients with complex problems that require more care and attention is growing. At the same time, physicians do not have the time to properly care for these patients and are making less money due to the costs accrued during the treatment process and inadequate compensation from Medicare. As a result, doctors burn out and decide to specialize or enter new fields.

The average physician may have thousands of patients whereas concierge physicians may only see a few hundred. Often called concierge or retainer-based physicians, these doctors usually charge an initial fee for first-time patients, an annual fee that ranges from $1,000 to $20,000 and hourly fees. In return, these doctors typically provide round the clock accessibility, transportation to and from appointments and better facilities. Also, concierge physicians see fewer patients and therefore can dedicate more time and attention to their clients.

Though the number of private physicians remains small its growing popularity poses serious problems. There are concerns that it will create a tiered health-care system based on income. In addition, the impending health-care reforms will provide coverage for an additional 30 million people which will further burden primary care physicians who already have sizeable workloads. Due to the disparity between services provided and compensation, fewer doctors will enter the primary physician field. As a result, a physician shortage will likely occur in the near future, which will exacerbate the problem.

Currently, there are 65 million people who live in areas where there are an insufficient number of physicians. With the upcoming deluge of new patients and no foreseeable compensation reform, is it likely that more primary care physicians will go private or specialize. It therefore is important to prepare for these possible costs or speak with your physician to see where they stand on this issue.

**About the author:** Gillian Bernard is a writer for HealthView Services. Check out HealthView Services' blog at www.HealthViewRetirementPlanning.com. **RW**

*(Continued on page 10)*

**Got questions? Get answers!**
E-mail rpowell@marketwatch.com

# HealthWatch

*(Continued from page 9)*

**Prices for brand-name drugs most used by Medicare patients up 10%**

The price of brand-name drugs widely used by Medicare recipients rose an average 9.7% over the past year, according to a new AARP report. By contrast, inflation rose only 0.3%. The price of the Alzheimer's drug Aricept rose by nearly 14%, while the heart disease medication Plavix saw a 10.5% jump, according to the AARP Rx Watchdog report. Expensive specialty drugs, such as biologics or injectable drugs, saw a hike of 9.2%, the report found.

The price increase is the biggest year-over-year jump since AARP began tracking drug prices in 2002, according to AARP.

Despite the price increase for brand names, the cost of generic drugs declined by an average of 9.7%. The study found that the average yearly costs for a person taking three generic medications dropped by $51, compared with a $706 increase for people taking three comparable brand-name prescriptions.

**Duly noted...**

- The Kaiser Family Foundation's latest Health Tracking poll shows that confusion over the new health reform law has declined but remains widespread, with 44% of the public saying they were confused in May, compared to 55% in April. Moreover, more than a third of Americans (35%) say they do not understand what the impact of the law will be on themselves and their families, while 61% report feeling they do understand what that impact will be.
- The Department of Health and Human Services is preparing to evaluate a 17-month-old pilot program that has tested whether beneficiaries use personal health records (PHR) in Utah and Arizona, Modern Healthcare reports. HHS released a statement saying, "Current PHR business models represent broad and varied uses, from disease management to health promotion, with sponsors consisting of commercial vendors, heath plans, employers and health-care providers. We know very little about why consumers, and specifically Medicare beneficiaries, elect to use PHRs and what functionality they want from a PHR." Mathematica Policy Research will conduct the evaluation. The agency said 1,362 people were using PHRs under the pilot program. (Kaiser Health News) **RW**

## Contact us

Please send any and all comments, criticism and compliments to Robert Powell at rpowell@marketwatch.com. Write also if you have questions about money or want a money makeover. Please note, you may have to copy links mentioned in the newsletter and paste into your browser. Please contact our customer service center if you have any questions regarding your subscription. Please send e-mails to orders@marketwatch.com, with "Retirement Weekly" in the Subject line. **RW**

# A Closer Look

**The Community Living Assistance Services and Supports Act: A closer look**

*Editor's note: The following is an excerpt from the LISI Elder Care Planning Newsletter #13. It is reprinted with permission and edited for Retirement Weekly.*

On March 23, 2010, President Obama signed the Patient Protection and Affordable Care Act into law. Included in the PPACA was the Community Living Assistance Services and Supports Act (CLASS). CLASS establishes a national voluntary insurance program designed to assist adults with severe functional impairments in obtaining the services and supports needed for them to stay functional and independent.

Under the CLASS program, eligible participants will pay monthly premiums in return for a long-term care benefit should they develop a disability. Each participant's benefit will be based on his or her difficulty in performing basic life activities (bathing or dressing). The most appealing part of the CLASS program is that it will not require screening of applicants for health problems (prior or existing) and will allow all individuals to enroll (even those who might not otherwise qualify for private long-term care insurance policy).

According to Marc Soss, an estate-planning and tax attorney in Florida, CLASS wasn't intended to replace a private long-term care insurance policy, but rather was designed to provide those who may not be eligible or able to afford a private policy with an alternative. Only a private long-term insurance policy is designed to pay for the ballooning cost of long-term care, but a CLASS program policy may serve as a good supplement, and may also lower an individual's taxable income below the new Medicare tax on high-income households, according to Soss. Below is Soss' commentary:

**Summary** — An estimated 10 million Americans (expected to increase to 15million in 2020) are currently in need of long-term care services and support. With the exception of those able to afford a private long-term care policy or already covered by one, neither the Supplemental Security Insurance (SSI) nor Old, Age, Survivors, and Disability Insurance (OASDI) programs will provide benefits to fill the gap. As a result, Americans unable to afford a private long-term care or who have or develop severe functional impairments can only access coverage for the services critical to their independence (such as housing modifications, assistive technologies, transportation, and personal assistance services), through Medicaid.

In order to assist those individuals President Obama signed the Patient Protection and Affordable Care Act (PPACA) into law on March 23, 2010. Included in PPACA was the Community Living Assistance Services and Supports Act (CLASS).CLASS establishes a national voluntary insurance program designed to assist adults with severe functional impairments in obtaining the services and supports needed for them to stay functional and independent.

**Facts—** Under the CLASS program, eligible participants will pay monthly premiums in return for a long-term care benefit should they develop a disability. Each participant's benefit will be based on his or her difficulty in performing basic life activities (bathing or dressing). The most appealing part of the CLASS program is that it will not require screening of applicants for health problems (prior or existing) and will allow all individuals to enroll (even those who might not otherwise qualify for private long-term care in-

*(Continued on page 12)*

# A Closer Look

(Continued from page 11)

surance policy).

**CLASS requirements —** Participation in the CLASS program requires: (i) a monthly premium payment (subject to annual increases) through employer payroll deduction; and (ii) 60 months of premium payments and employment during at least three of those five years. In return, the participant will be entitled to a lifetime cash benefit, based upon his or her degree of impairment, as long as the claimant remains disabled.

Employees will be automatically enrolled in the CLASS program (just like social security) unless they opt out. Employees who opt out of the CLASS program may later opt back in subject to higher premiums and requirements. Self-employed individuals or those whose employers do not offer the CLASS benefit program will also be able to join the program through a government payment mechanism.

It is anticipated that monthly plan premiums will not be increased for participants who remain an active enrollee in the program. A monthly premium increase will also not apply to an active enrollee who: (i) has attained age 65; (ii) has paid plan premiums for at least 20 years; or (iii) is not actively employed.

**Benefit triggers —** Participants will become eligible to receive plan benefits upon a determination that they have a functional limitation, certified by a licensed health care practitioner, expected to last for a continuous period greater than 90 days.

The determination must find that the participant:

(i) is unable to perform at least the minimum number (which may be two or three) of daily living activities; or

(ii) requires substantial supervision to protect him or her from threats to their health and safety due to substantial cognitive impairment.

There will be no cap on the lifetime benefit a participant can receive.

**Impact on other government benefits and programs —** A CLASS program participant who resides in a hospital, nursing facility, intermediate care facility, or an institution for mental diseases, will only be able to retain five percent of their cash benefit. The balance will be applied toward the facility's cost of providing the participant's care, with Medicaid serving as the secondary coverage.

In contrast, a plan participant who subsequently receives medical benefits under Medicaid will be able to retain fifty (50%) percent of his or her program cash benefit. The balance will be paid to the State providing the assistance. Benefits received under the CLASS program will be disregarded for government benefits (Federal, state, or locally funded) eligibility purposes. Program benefits will also have no impact on a participants use of cash benefits paid into a Life Independence Account.

**Comment —** The CLASS program is not intended to replace a private long-term care insurance policy but provide those individuals, who may not be eligible or able to afford a private policy, with an alternative.  Only a private long-term insurance policy is designed to pay for the ballooning cost of long-term care. However, a CLASS program policy may serve as a good supplement. The program may also serve as a means to lower an individual’s taxable income below the new Medicare tax on high-income households.

In addition, despite being signed in law in March 2010, the Department of Health and Human Services will not bring the program into effect until 2012. **RW**

# Worth Reading

- US DEPARTMENT OF HEALTH AND HUMAN SERVICES, OFFICE OF THE INSPECTOR GENERAL: "Performance Data for the Senior Medicare Patrol Projects: May 2010 Performance Report,"http://www.oig.hhs.gov/oei/reports/oei-02-10-00100.pdf
- US NATIONAL CENTER FOR HEALTH STATISTICS: "Deaths: Final Data for 2007," http://www.cdc.gov/nchs/data/nvsr/nvsr58/nvsr58_19.pdf
- ALZHEIMER'S ASSOCIATION: "Changing the Trajectory of Alzheimer's Disease: A National Imperative," http://www.alz.org/alzheimers_disease_trajectory.asp?type=homepage
- BROOKINGS INSTITUTION: "Strategies for Promoting Lifetime Income in Retirement Savings Accounts," http://www.brookings.edu/papers/2010/0519_retirement_savings_gale_john.aspx
- KAISER FAMILY FOUNDATION: "What's in There? The New Health Reform Law and Medicare," http://www.kff.org/healthreform/ahr050710video.cfm
- NATIONAL ACADEMY OF SOCIAL INSURANCE: "A New Deal for Young Adults: Social Security Benefits for Post-Secondary School Students," http://www.nasi.org/research/2010/new-deal-young-adults-social-security-benefits-post
- MAX PLANCK INSTITUTE FOR DEMOGRAPHIC RESEARCH: "The downside of marriage for women: the greater a wifes age gap from her husband, the lower her life expectancy," http://www.demogr.mpg.de/en/press/1813.htm
- METLIFE MATURE MARKET INSTITUTE: "The MetLife Retirement Readiness Index Print: Are Americans Prepared for the Transition?" http://www.metlife.com/mmi/research/retirement-readiness-index.html?WT.ac=Pro2_NewMMI_5-18421_T4297-MM-mmi&oc_id=Pro2_NewMMI_5-18421_T4297-MM-mmi#findings
- NATIONAL OPINION RESEARCH CENTER (UNIVERSITY OF CHICAGO): "Consequences of Winning the War on Aging," http://www.norc.org/News/Consequences+of+Winning+the+War+on+Aging.htm
- RAND CORPORATION FACT SHEET: "Improving the Quality of Care for Dementia," http://www.rand.org/pubs/research_briefs/RB9530/
- URBAN INSTITUTE REPORTS, PODCAST: "Unemployment Statistics on Older Americans," http://www.urban.org/publications/411904.html; "Social Security and the Budget," http://www.urban.org/publications/412095.html; and "Securing Social Security: Does It Need to Be Fixed Now?"http://www.urban.org/events/Securing-Social-Security.cfm
- BOSTON COLLEGE CENTER FOR RETIREMENT: "Incorporating Employee Heterogeneity Into Default Rules for Retirement Plan Selection," http://crr.bc.edu/working_papers/incorporating_employee_heterogeneity_into_default_rules_for_retirement_plan_selection.html
- NATIONAL BUREAU OF ECONOMIC RESEARCH: "The Effect of Housing on Portfolio Choice," http://www.nber.org/papers/w15998
- US SPECIAL COMMITTEE ON AGING COMMITTEE REPORT: "Social Security Modernization: Options To Address Solvency and Benefit Adequacy," http://

Dear subscribers: Thanks, as always, for subscribing to and reading *Retirement Weekly*. Do e-mail me at rpowell@marketwatch.com if you have questions, comments, criticism or compliments.

**Robert J. Powell, III** is President of Unison Associates LLC, a Salem, Mass.-based financial education, communication and consulting firm. Powell, who has more than 20 years of experience in the financial services industry, is author of "20 Tips for Retirement Investors," co-author of "Decoding Wall Street", executive producer of PBS' "More Than Money," editorial director of PBS' "The Truth About Retirement" (in development) and a member of the expert faculty at the California Institute of Finance. Previously, Powell served as editor-in-chief of DALBAR's Mutual Fund Market News and columnist for The Boston Herald. Powell owns no shares of any investment mentioned in this week's issue. He currently provides consulting services to the Financial Planning Association and the Retirement Income Industry Association. He also holds a minority interest in Major League Investments.



## Retirement Weekly Library

If for any reason you do not receive your copy of Retirement Weekly via e-mail don't panic. You can access it online in the Market-Watch library. Here's how:

Log into your MarketWatch.com account. Once you log into the MarketWatch.com Web site, click on the "my marketwatch.com" link.

Once the page opens, click on the "Premium Newsletters" link. Once the page opens, log in using your userID/password. Once you are logged in, you will see your Retirement Weekly library.

## Blogging on retirement

Be sure to check out the blog I'm writing about retirement on MarketWatch.com. Learn more at http://blogs.marketwatch.com/retirement.

## Got questions? Get answers!

E-mail rpowell@marketwatch.com **RW**