For Kupuna: 15 Quick Tips for Protecting Your Finances

As many consumers get older, they often face issues such as how to maintain their lifestyle and pay for medical expenses on a fixed income for years into the future. Here are banking and other money-management tips for you to consider for in your retirement years.

Getting Help

1. Decide if you need financial help from an expert, and then choose wisely. A financial advisor could help answer questions such as how quickly to take money from savings and how to invest in your later years.

2. Prepare for the possibility that you may become unable to handle your finances. Consider writing down a list of your financial institutions and account numbers and keeping it in a safe place that would be accessible by your loved ones in an emergency. An attorney can help you decide if you should have a legal document known as a power of attorney (POA), which would allow one or more people you designate to make key decisions with as much or as little of your financial or personal life as you choose.

You can also add a co-owner to a deposit account, but that person has the ability to conduct transactions, including withdrawing money from a checking or savings account, without your knowledge.

Spending Money

3. Develop a spending plan for your retirement. Having a plan for your money and limiting expenses in retirement is important.

- Consider new ways to cut costs, such as by letting your auto insurer know you no longer drive your car to work.

- Consider continuing to put some of your income into savings, especially for short-term goals such as holiday gifts, because that can help you avoid a large, sudden withdrawal from your retirement investments.

4. Consider limiting the mail and phone calls you receive from marketers. Unsolicited offers from unfamiliar companies can result in you overspending your budget or paying for shoddy merchandise or service from vendors who don't stand behind their products. Consider being added to the national Do Not Call Registry (call 1-888-382-1222 or visit www.donotcall.gov). Also review the privacy disclosures that banks and other financial companies you do business with send at least once a year. They explain if and how you can limit certain sharing of your information.

Borrowing Money

5. Review your credit reports even if you don't plan to apply for a new loan. Why? Mistakes or other errors on your credit reports could make it more costly for you to buy insurance or borrow money. And, monitoring your credit reports is a way to detect identity theft. Order your free credit report at least once every 12 months from each of the three main credit bureaus by calling 1-877-322-8228 or at www.annualcreditreport.com.

6. Think twice before accepting an offer to "advance" (lend) you a portion of your future pension, Social Security or other retirement income. These offers are similar to payday loans and they likely involve costly fees and interest. You can also find yourself taking out similar loans in the future — paying additional fees and interest charges — to make up for new cash shortages as you repay the original loan. "If you need to borrow money fast, check with your bank and other financial institutions, and compare the products they offer based on the Annual Percentage Rate," advised Reynolds.

7. Use credit cards cautiously. Accumulating debt can be costly, yet many seniors have considerable credit card debt. Before making purchases using your credit card, consider whether you will be able to pay your balance in full when the statement arrives, so you will avoid costly interest charges. Even small purchases can add up to big credit card bills.

8. Remember that a reverse mortgage will eventually have to be paid back — with interest. Reverse mortgages allow homeowners age 62 or older to borrow against the equity in their homes without having to make monthly payments as long as they meet the terms of their loan agreement, such as staying current on property taxes. However, the money borrowed plus interest must eventually be repaid, usually when you or your heirs sell the house.

Earning Money

9. Think about ways to turn a hobby or another interest into a part-time job. Other possibilities for supplementing your income in retirement include a seasonal job or freelance consulting. But consider if this extra money could affect other aspects of your finances tied to your income, such as a potential increase in your Medicare costs or a possible temporary reduction in your Social Security benefits. Also consider any income tax implications.

Saving and Investing

10. If you're considering an annuity, understand the potential pros, cons and costs. You buy an annuity by making either a single payment or a series of payments to the insurance company. In return, the company promises to make payments to you, either as one lump-sum payment or a series of payments for a specified time period. Because there are different types of annuities and a mix of potential benefits and risks, it's important to learn as much as you can before investing.

11. Know if you've agreed to let your bank cover certain overdrafts. You have a choice whether or not your bank will charge you a fee, perhaps $30 or more, to cover everyday purchases you make with a debit card when you don't have enough money in your bank account to cover the cost of the purchases.

- Another way to avoid overdrafts is to keep tabs on your account balance before using your debit card or writing a check.
- In addition, you can also ask your bank to link your checking account to savings to cover any overdrafts, perhaps for a small fee.

12. Look into discounts and other deals. If your bank offers a special deal for seniors, you may be able to do better elsewhere or with another type of account at that bank.

- Comparison shopping is key. Banks and other businesses may negotiate with respect to fees or other account terms, so ask questions and show them what is being offered by competitors.
- You might be able to get a better deal than what is advertised.

Getting Organized

13. Make it easier to manage your money and pay the bills. If you've accumulated multiple bank and investment accounts and credit cards over the years, consider whether you can close some you no longer use or need. This can reduce the number of accounts you have to manage.

- You can also have automatic withdrawals from your bank account to routinely put a certain amount of money into a savings account or a U.S. Savings Bond.

14. Consider additional ways to save time and money. Your bank and the companies you do business with also will likely provide alternatives for you to pay your bills electronically.

Be cautious about going paperless if you aren't tech savvy or comfortable going online to review your statements when they arrive.

15. Organize and protect your important documents. Items to keep at home, in a secure place that's easy for you to get to, may include your bank and brokerage statements, insurance policies, Social Security and company pension records, and other personal and financial papers you or your family might need on short notice. If caregivers or others regularly visit you, make sure that your checkbooks, credit cards and other financial records are protected.

What to do:

STOP. THINK. CONNECT.

To protect yourself against financial threats, *STOP. THINK. CONNECT.* If you don't understand what someone is telling you to do, consider asking a trusted family member or friend to explain it to you, and/or to recommend a good professional who can help you use the financial tools available effectively.

Division of Financial Institutions
Dept of Commerce & Consumer Affairs
King Kalakaua Building
335 Merchant Street, Room 221
Honolulu, HI 96813
Phone: 808.586.2820
Source: FDIC Summer 2013