

SAVING AND INVESTING – FOR WORKERS AND FOR INDIVIDUALS ON PUBLIC BENEFITS

Presenters:

Elizabeth Jennings, National Disability Institute

Nakia Matthews, National Disability Institute

Marlene Ware, Warrior Support Services - *a division of
National Foundation for Debt Management*

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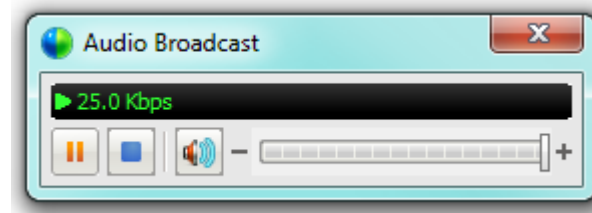
Today's Agenda

2

- **Welcome** - Elizabeth Jennings, NDI
- **Housekeeping** - Nakia Matthews, NDI
- **Overview of Financial Wellness Survey Results and Importance of Economic Empowerment** - Elizabeth Jennings, NDI
- **Investing When There Is No Money To Invest-**
Marlene Ware, Warrior Support Services - *a division of National Foundation for Debt Management*
- **Savings and Public Benefits** - Elizabeth Jennings, NDI
- **Next Steps** - Elizabeth Jennings, NDI

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- For Q&A: Please use the chat or Q&A box to send your questions to Elizabeth Jennings and we will have our presenter answer them at the end of the presentation during Q&A.

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Please note: This webinar is being recorded and the materials will be placed on the National Disability Institute website at www.realeconomicimpact.org.

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7

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What is Financial Wellness?

8

- We define financial wellness as the state of a person's finances with the intent of working towards financial behaviors that limit stress and the impact of stress on one's daily life.

Financial Wellness



National Poverty Estimates

10

Individuals ages 18-64

- For individuals without disabilities, 12.8% had income below the poverty level over the past 12 months
- For individuals with disabilities, more than 2x that rate - **27.3%** had income below the poverty level.

Source: U.S. Census Bureau, 2010 American Community Survey

- No group in America is more in need and more deserving of economic recovery

- For millions of working age adults with disabilities a dependence on public benefits for income, health care, food, and housing becomes a trap that requires limiting income to remain eligible.

Why is Financial Wellness Important?

13

- Impacts mental and physical health.
- Impact positively self-concept.
- Changes status with other community stakeholders.
- Directly impacts quality of life.

Financial Wellness and MS

- A recent survey conducted by MSAA and NDI involving individuals with MS indicated:
 - 55.1% of households earn less than \$35k annually, 16.4% earn less than \$50k but more than \$35k annually.
 - When asked about the ability to pay all of their bills in a typical month, 32% have a “very difficult” time paying their bills in a typical month, 46.9% reported a “somewhat difficult time”.
 - 43% of respondents reported that their financial status has affected their ability to access medical care at some point.

Financial Wellness and MS

15

- A recent survey conducted by MSAA and NDI involving individuals with MS indicated:
 - 71.7% of respondents do not have enough savings to cover 3 months expenses.
 - 67.1% of respondents reported that their finances were worse since their MS diagnosis.
 - 73.7% of Respondents reported that they were not aware of/have not used financial stability programs (EITC, IDA, FSS, PASS – you will learn about these in subsequent webinars)

Financial Wellness Strategies Exist

16

Financial Literacy

Budgeting

Credit Repair

Getting Banked

Use of work incentives

Use of tax incentives

Volunteer Income Tax Assistance

Earned Income Tax Credit

State Medicaid

Buy-In

Programs

Family Self-Sufficiency Programs

Individual Development Accounts

Assistive Technology Loan Funds

Student Loans

Retirement Accounts

Post-secondary Education

Employment

Self-employment

Micro-Enterprise

Home Ownership

Protection and Advocacy, Taxpayer Advocates, Credit Counseling

Volunteer Income Tax Assistance, Benefits Planning



Marlene Ware
Director of Financial Stability
Warrior Support Services

a division of National Foundation for Debt Management

INVESTING WHEN THERE IS NO MONEY TO INVEST

It's Easier Than You Think

FIRST RULE OF INVESTING

Don't expect to have investment money if you are spending your cash before you even get it!

Take a look at your bank statement.

Where is your money going?



SECOND RULE OF INVESTING

CREATE A DEBT REDUCTION PLAN

1. Action Plan: Write down all of your debt and interest rates on those debts. Pull your credit reports at www.annualcreditreport.com to get the big picture.
2. Action Plan: Track ALL of your **fixed** expenses.
Track ALL of your **flexible** expenses.
Save receipts for all **debit card** transactions – then look at them.
3. Action Plan: Create a **Budget** based on #2 above.
4. Action Plan: Pay down **existing debt**. (Choose highest interest first or lowest balance first.)
5. Action Plan: **No more new debt.**
6. Action Plan: Open a savings account in preparation for **future investment** opportunities – practice until it becomes a habit!

If you have debt with interest rates higher than you can earn on savings - pay off the debt.

If you are paying 18% on your credit card and your savings account is paying .04% you are going backwards.

INVEST IN A DEBT-FREE FUTURE

You certainly can't retire with any peace of mind if you are still holding on to high interest debt.

Retire your debt so you can retire.

*As a general rule, whether debt is a mortgage, car loan, student loan, credit card or medical bills, **all debt should be retired as soon as possible!** The feeling of living debt free for life is certainly worth the sacrifice required to reach that goal.*

EARNING MONEY TO INVEST – E.I.T.C.

Preview of 2012 Tax Year EITC

Earned Income and adjusted gross income (AGI) must each be less than:

- \$45,060 (\$50,270 married filing jointly) with three or more qualifying children
- \$41,952 (\$47,162 married filing jointly) with two qualifying children
- \$36,920 (\$42,130 married filing jointly) with one qualifying child
- \$13,980 (\$19,190 married filing jointly) with no qualifying children

Tax Year 2012 maximum credit:

- \$5,891 with three or more qualifying children
- \$5,236 with two qualifying children
- \$3,169 with one qualifying child
- \$475 with no qualifying children

Investment income must be \$3,200 or less for the year.

GOOGLE: “[EITC Home Page](#)” for more information

Call your local 2-1-1 to find a VITA site near you.

The Earned Income Tax Credit (EITC) is a federal income tax credit for lower income workers.

The credit reduces the amount of tax an individual owes, and may be returned in the form of a refund.

SAVE A LITTLE & GET A LOT - IDA

IDA Savers typically save for asset-building purposes.

They often save for post-secondary education or job training, to start a small business, or to purchase a home.

Individual Development Accounts (**IDAs**) are special savings accounts that match the deposits of low and moderate-income people. For every dollar saved in an IDA, savers receive a corresponding match which serves as both a reward and an incentive to further the saving habit.

Savers agree to complete financial education classes and use their savings for an asset-building purpose.

How will an IDA impact your SSI and/or SSDI?

SSI – if the IDA is federally funded you can save without penalty – so enroll in only **TANF** or **AFI** funded IDA programs.

SSDI- you can enroll in any IDA program without penalty.

To Find an IDA program near you: http://cfed.org/programs/idas/directory_search/

SAVE OR INVEST. SAVE AND INVEST!

Investing vs. Saving

Investing: Not spending your money now, so you can grow it for things you want and need in the future. Investing can grow your money even more than traditional saving options, but it is riskier.

Saving: Focused on safety of principal (the amount you start out with) and less concerned with return.

Pre-investing Questions:

- What are your investing goals?
- How much risk can you handle?
- How liquid must your investments be?

Generally with investments, the higher the risk, the higher the potential earnings.

The trick is to balance the risk and reward.

THE MAGIC BEHIND THE NUMBERS

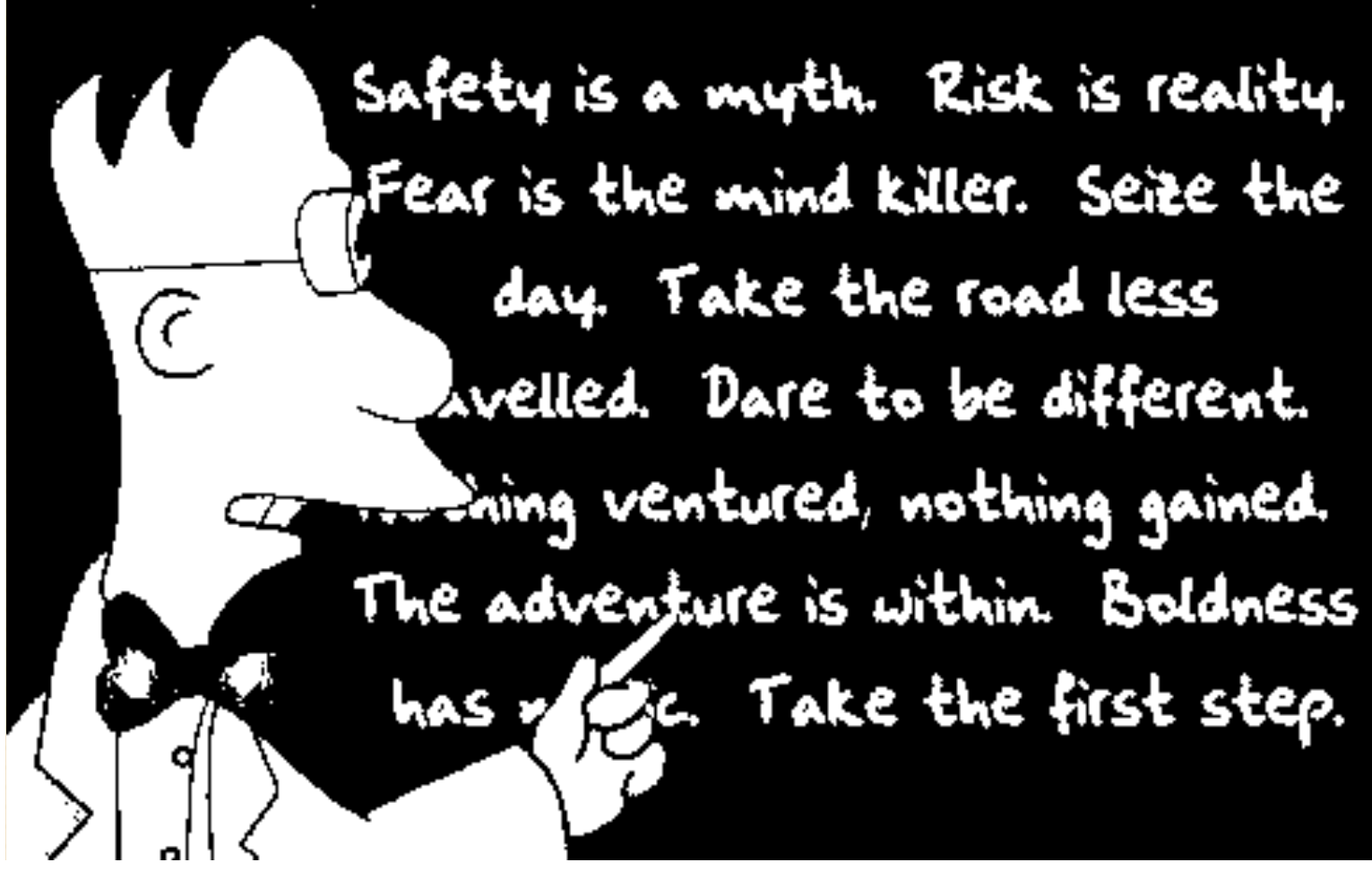
“I don’t know what the seven wonders of the world are, but I do know the eighth –
COMPOUND INTEREST”

~Baron
Rothschild

Compound Interest: is, in a nutshell, interest upon interest. When an interest payment is added to the principal and the whole thing (principal + interest) earns interest.

Start with a one-time investment of \$100

Year	5%	11%	13%
10	\$163	\$284	\$405
20	\$265	\$806	\$1,152
30	\$432	\$2,289	\$3,912
40	\$704	\$6,500	\$13,278
50	\$1,147	\$18,456	\$45,074



Safety is a myth. Risk is reality.
Fear is the mind killer. Seize the
day. Take the road less
travelled. Dare to be different.
Nothing ventured, nothing gained.
The adventure is within. Boldness
has no c. Take the first step.

What is your investing personality?

Being too “safe” means you may not accumulate enough money for your goals.

Being too “aggressive” means you could lose all or some of your money.

Knowledge is the key (and having a plan!)

LOW RISK OPTION #1

Bank Savings Account – Low to No risk. Highly liquid. FDIC insured up to \$250,000. Low to No return on investment. Taxable.

Barclays 1.00% \$0 minimum deposit No fees

Ally Bank .95% \$0 minimum deposit No fees

These are examples of two online banks – your “brick and mortar” bank probably won’t be able to compete with these interest rates.

www.bankrate.com

Bank accounts may not be as enticing as other types of investing – but they are the perfect place to start.

A bank savings account can be your “training wheels” for the next level of investing.

LOW RISK OPTION #2

Money Market accounts look just like any bank savings account – but they come with restrictions that may impact their liquidity.

Money Market Savings Account – Low to No risk.

Highly liquid with a few restrictions. FDIC insured up to \$250,000. May earn a higher rate than a bank savings account. Taxable.

EverBank 1.01% \$1,000 min. deposit Fees

Sally Mae 1.05% \$0 min. deposit No Fees

Again, these are online banks with lower overhead than the “brick and mortars” –in most cases the online banks will have higher interest rates.

www.bankrate.com

LOW RISK OPTION #3

Short and Long-term CDs – Low to No risk. Liquid, but with penalties for early withdrawal. FDIC insured for up to \$250,000. May earn a higher rate than the bank savings account or Money Market Account.

Ally Bank 1 Year CD 1.04% \$0 min. deposit
No fees

CitBank 3 Year CD 1.3% \$1,000 min. deposit
No fees

CDs (Certificates of Deposit) can have a maturity rate from 6 months to 10 years. *Online accounts.

www.bankrate.com

Several of the nation's largest banks are offering 10 –year CDs with a yield of 1.75% or less, including Chase, Bank of America, PNC, and SunTrust. Consider our current inflation rate of 2.2%.

THE RISKS GO UP

Investing is complicated. Hiring someone to make your decisions is dangerous if you are financially challenged. If you do hire someone – educate yourself first.

Long-term Securities (Bonds) – A loan to the US Government. Liquid with some consideration to lost value. Typically your interest is paid to you as a dividend semi-annually. Yes, there are risks.

Stocks and Mutual Funds – No guarantees. Risky. Liquid. Fees.

Retirement Accounts (IRA, 401k) – Must have earned income. Some are tax deferred. No guarantees. Liquid with penalties. Yes, there are risks.

Before you commit your money, find an honest broker:
www.saveandinvest.org Click on “**Find a Broker**”

RISK AND REWARD OR REGRET

So, the long and the short is this: there are many considerations. All are personal to you- the risk level you can handle, the reward you expect, and your ability to weather possible financial losses.

What are the vehicles you may use to drive your financial future?

- **Mutual Funds:** Index Funds, Lifecycle Funds, Balanced Funds, etc.
- **Retirement Accounts:** 401(k) or 403(b), IRA, Roth IRA, Annuities, etc.
- **Bank Accounts:** Bank Savings, Money Market, CDs
- **Securities:** Treasury Bills, Bonds, etc.
- **Stocks:** Too many to list – they are shares of ownership in a company
- **Real Estate:** Buying property to sell at an increased rate of return

One of the main reasons investors lose money is because they chase after unrealistic rates of return on their investments.

Rule #1: Don't ever lose money. Rule #2: Don't ever forget rule #1.
~ Warren Buffett

A WORD OF **CAUTION** TO THE RISK INCLINED

"Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas."

- Paul Samuelson

The **stock market** is rarely a place where anyone 'gets rich quick'.

If everyone could become a billionaire by investing, **Warren Buffett** would not be famous. It takes time, study and effort and most importantly - independent thought.

The stock market isn't '**fun**'. The world of investment is dominated by investment banks and their bankers. They do all the big deals, float companies, issue bonds, trade stocks, bonds, currencies and commodities and make lots of money. They employ some of the world's brightest young MBA's, whom they teach how to make money in the stock market and then they help them to figure out new and improved profit making ventures. They do all this because it is a business, with real money and real profits. Nobody is playing around.

YOU'VE BEEN WARNED

Investment and Insurance Products:

NOT FDIC-Insured

NO Bank Guarantee

MAY Lose value ~ *Wells Fargo & B of A disclosure*

Investors should carefully consider the investment objectives, risks, charges and expenses of any investment company before investing. The prospectus contains this and other information about an investment company. The prospectus is available from your financial advisor and should be read carefully before investing. ~ *Raymond James disclosure*

The small group of get-rich-quickers who do make lots of money fast do it purely as a result of chance. They rarely keep their trading gains for very long.

WHAT'S THE PLAN?

Investing is a long-term endeavor. Don't plan on getting rich overnight.

Remember the story of the Tortoise and the Hare? Be the tortoise!

Why do you want to save or invest?

Are you establishing an emergency fund?

- It must be liquid.

Are you planning to buy a home?

- It should be liquid within the time frame you set.

Are you planning a retirement account?

- Not liquid. You have to wait until you are 59^{1/2} anyway!

Are you planning to start your own business?

- It should be liquid within the timeframe you set.

Do you want financial security?

- You want liquid and non-liquid accounts.

KNOW THYSELF (AND 'THY' EXCUSES)

Circle the excuse that is keeping you from taking that first step:

- I'm just not good with money.
- I don't have time to deal with my money.
- I'm not a numbers person.
- I hate paperwork.
- Organization isn't my strong suit.
- I'm afraid I will lose money.
- I don't know where to start.
- I don't have enough money to save.
- I'm too old. I'm too young.
- All of the above.

Time passes.
Whether you save \$5.00 this month or not – time passes.

\$5.00 a month for 10 years is \$600.

Ten years from now would you turn down the offer of \$600?

Additional Information and Research

www.bankrate.com: the web's leading aggregator of financial information.

<http://beginnersinvest.about.com>: an easy to understand resource with information on everything from how to choose a broker, why the stock market fluctuates, and how to buy stock.

<http://money.cnn.com>: The portal to read both **Money Magazine** and **Fortune Magazine** online. Many articles on personal finance and investment questions.

www.saveandinvest.org: a website dedicated to helping people manage their money with confidence.

THANK YOU!



Savings and Public Benefits

Savings and Social Security Disability Insurance (SSDI)

37

- SSDI is provided to individuals who:
 1. Meet SSA's definition of disability
AND
 2. Have the required work credits
OR
 2. Eligible as a Disabled Adult Child

SSDI has NO ASSET LIMIT

Savings and Supplemental Security Income (SSI)

38

- SSI is provided to individuals who:
 1. Meet SSA's definition of disability
and
 2. In 2012, have income under \$698 (*\$1,048 for eligible couples*)
and
 3. Have assets under \$2000 (*\$3000 for eligible couples*)

Savings and the SSI Asset Limit

39

- SSI counts the following towards the asset limit:
 - cash; bank accounts, stocks, U.S. savings bonds; land; life insurance; personal property; vehicles; anything else you own which could be changed to cash and used for food or shelter.
 - Investments and retirement accounts would fall under “anything else you own which could be changed to cash”.

Resources – SSA Benefit Related

40

- SSI excludes some assets:
 - ▣ Your home, vehicle, goods you use for self-support, etc.
 - <http://www.ssa.gov/ssi/spotlights/spot-resources.htm>
 - ▣ Properly established Trusts
 - <http://www.ssa.gov/ssi/spotlights/spot-trusts.htm>
 - ▣ Individual Development Accounts
 - <http://www.ssa.gov/ssi/spotlights/spot-individual-development.htm>

Suggested Next Steps

1. Consider everything you have learned over the past webinars and today and create a vision for your financial future. Write your goals down.
 - Webinar archives –
<http://www.realeconomicimpact.org/Financial-Education/Financial-Wellness-Webinar-Series.aspx>
2. Determine one way that you can take a step towards that goal.
 - Examine your employment decisions
 - Explore investment opportunities
 - Identify funds
 - Take action

Suggested Next Steps

3. Set a goal to complete items 1 and 2 over the next three months.

4. Share with us your experience.
 - We will send out emails over the next few months to offer you a chance to share your experience.

Resources – Investment Related

43

- www.bankrate.com - the web's leading aggregator of financial information.
- www.beginnersinvest.about.com - an easy to understand resource with information on everything from how to choose a broker, why the stock mark fluctuates, and how to buy stock.
- www.money.cnn.com - The portal to read both Money Magazine and Fortune Magazine online. Many articles on personal finance and investment questions.
- www.saveandinvest.org - website dedicated to helping people manage their money with confidence.

Contact Information

NDI - www.realeconomicimpact.org

Elizabeth Jennings

202-296-2044

or

ejennings@ndi-inc.org