

# Your FINANCIAL HEALTH

A digest of money management tactics for the family physician

Fall 2002

*It's time for your annual credit checkup*

## How to check your credit rating

As a doctor, you believe in preventive medicine as a prescription for good health. Similarly, more and more people today are taking a proactive, preventative approach to maintaining a healthy credit rating. That's why many people do a credit checkup once a year.

**Your credit rating can be your most valuable asset** or your most damaging liability. If you use credit cards, have a mortgage or other loan or borrow money for business reasons, you depend on your reputation as a responsible borrower. Problems and errors that get recorded in your credit bureau file will remain there for years.

Unfortunately, mistakes do happen all too often. *Consumer Reports* estimates that a whopping 48% of consumers have errors on their credit reports.<sup>1</sup> Some are the result of human error. Others may be from security leaks or technical mistakes. The worst are from identity thefts. (For more information about identity theft, reread the September 2000 edition of *Your Financial Health*, available online at [www.aafpins.com](http://www.aafpins.com).)

The problem is that even minor errors can send your credit standing into a tailspin. If that happens — whether because you were remiss in paying bills or because of something beyond your control — you could instantly find yourself treated as a credit risk, which means lenders will be reluctant to do business with you. As a result, they will either refuse you credit (imagine being turned down for your next car loan or home mortgage) or charge you a higher rate of interest. Worse, problems can snowball, making it increasingly

difficult to correct errors and repair your credit standing.

That's one reason why — before applying for a loan to buy a home, purchase a car or make some other major purchase, or just to make sure all their credit info is correct — about 100,000 people each year are requesting their credit reports. More telling, about 50% of those requests are from consumers checking their credit status before making application for a loan.<sup>2</sup> It's sound advice and well worth the time and minor cost involved.

**Fortunately, it's easier than ever** to check your credit report, thanks to the Fair Credit Reporting Act. What to do:

**1. Know where to go.** Three major companies collect credit data. They are:

Trans Union  
(800) 916-8800  
[www.credit-reports-for-free-union-trans.com](http://www.credit-reports-for-free-union-trans.com)

Experian (formerly TRW)  
(888) EXPERIAN  
[www.experian.com](http://www.experian.com)

Equifax  
(800) 685-1111  
[www.equifax.com](http://www.equifax.com)

**2. Know the law.** Under the Fair Credit Reporting Act (FCRA), you have the right to have errors corrected within 30 days after you dispute them. Also, at no charge, you can add a statement of up to 100 words to your file explaining disputes or extenuating circumstances involving a credit problem.

**3. Know what you will pay.** If you are declined for credit, insurance or employment, the reporting CRA (credit reporting agency) must provide you with a copy



of your credit report AT NO CHARGE, if you ask within 60 days. You also have the right to request copies of your reports at any time. However, you may have to pay a small charge, which will generally not exceed \$8.50. Note: If you live in Colorado, Georgia, Maryland, Massachusetts, New Jersey or Vermont, you are eligible to receive one free copy of your credit report each year.

Note that all three CRAs offer "free" credit reports. However, they are usually tied to some other service. (Or, if you sign up for a monthly service, you can get your first report for free and can cancel at any time.) All in all, it is generally best to simply request your report from each CRA once a year and pay the fee.

**Recommendation:** Check your credit report once a year. In most cases, you can order a copy online. Then take the time to go over it. Most of all, if you have questions, get more information and dispute errors immediately.

### What your credit report covers:

Your credit report contains information about:

- Late payments
- Liens
- Bankruptcies
- Garnishes

It does not contain information about:

- Bad checks
- Rent payments
- Telephone & Utility bills
- Employment History

<sup>1</sup> "Yes, I Want to See My Credit Report," [credithistoryreport.com/about\\_credit\\_reports.htm](http://credithistoryreport.com/about_credit_reports.htm).

<sup>2</sup> "The Impact on The Credit History of Consumers' Growing Interest in Their Credit Files," by Gillian Key, Head of Compliance & Data Protection, Experian, (*Credit Today*, May 2002).

*The longevity factor*

# Women have unique retirement concerns

**Time...** for a good book, uninterrupted by a deadline or must-do project.

**Freedom...** to take a present-laden trip to see the kids, help out at the community bazaar, or make a spur-of-the-moment decision to extend that ski weekend another two days. **Peace of mind...** to snuggle on the couch until midnight on a week night watching a favorite movie, not worrying about this bill or that one, or the need to obey the call of an alarm clock at the crack of dawn.

**Heaven? No. Just retirement.** If you're a woman looking forward to enjoying a peaceful, comfortable retirement someday, you're not alone. By age 65, five out of six people have hung up the briefcase or tool belt and retired.<sup>1</sup>

**The fly in the ointment: Women** may have to put in more effort before they get to enjoy a worry-free, financially secure retirement.

**One reason is the "longevity factor."**

**Women on average outlive men** by five and a half years — 73.9 for men versus 79.4 for women, according to the National Center for Health Statistics.<sup>2</sup> Plus, by the time they are 65, nearly half (45%) of all women are widows. That means they're likely to spend their final years alone.

**Plus, most women have fewer retirement resources.** Elderly women get more than half their total retirement income from Social Security, with their total median income coming at less than \$1,000 a month (\$11,611 a year), according to the report, "Women and Retirement Security," issued by National Economic Council. This is due in part to the fact that more than six out of every 10 women working today do not have a pension plan, while three-quarters of all retired women today receive no pension benefits, which is why it is no wonder



67% of women fear that their savings will run out before they die.<sup>3</sup>

**These factors very likely will have a dramatic impact on your lifestyle** and standard of living in your senior years. It doesn't matter whether you are married or single; whether you are young and just starting out or so close to retirement that you can almost read the headlines as you dream about leisurely Monday mornings with the paper in bed.

**You will in all likelihood need more retirement income** than you thought... and you are the one who must make sure it is there. How much will you need? That depends on a number of factors.

**One scenario:** Let's assume that you will need \$100,000 a year in today's dollars at retirement. Let's further assume that you will live five years longer than a man who is the same age as you. That means you will need an additional \$500,000 in income! Some may come from Social

Security; some may come from a pension. But you may need to make up the shortfall yourself...or run the risk of spending your retirement years struggling financially.

**Recommendation: Plan for a long life:**

- (1) If possible, make maximum contributions to qualified plans through work. Sacrifice in other areas if necessary.
- (2) If you are married, help your husband understand your concerns about your financial future if you outlive him. (See related article, this issue of *YFH*.)
- (3) Make little sacrifices today to help lock in the retirement lifestyle and security you want tomorrow. This will help assure that your retirement years are in fact your golden years — safe, secure, free of financial worry.

<sup>1</sup> "Facts About Retirement," 2002 *Field Guide*, The National Underwriter Company, 2002, p. 318.  
<sup>2</sup> "Years of Life Expected at Birth in U.S., 1900-99," *The World Almanac and Book of Facts 2002*, p. 880.  
<sup>3</sup> "Women and Retirement Security," Social Security Administration, [www.ssa.gov/policy/pubs/womenrs.html](http://www.ssa.gov/policy/pubs/womenrs.html).

## Personal observations

# Hey, guys, are you adequately insured?

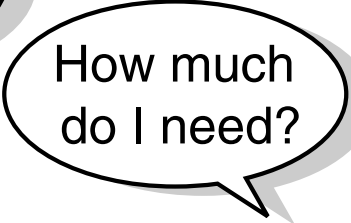
by John R. Ingrisano



I think so.



I guess I do.



How much do I need?

**My grandfather** never said “I love you” to anyone. But he showed it by working 12-hour days for \$15 a week during the Great Depression to provide for his wife and six children... and he never complained. The way he saw things, it was his job to take care of his family.

**For men, some things haven't really changed.** Our most basic, instinctive role is that of provider and protector. We like the feeling of putting the kids to bed in a warm, safe home; of knowing the bills are paid and there's still money left in the account; of helping make it possible for our wife to fulfill her dreams — whether it is to build a career, be a stay-at-home mom, or a little of both.

**Unfortunately, there's a big potential problem.** Though my grandmother lacked for nothing in her older years due to the devotion of her children, she did nonetheless die penniless, having outlived my grandfather by 30 years. Your wife runs the risk of suffering the same ignoble fate. A harsh assessment? Hardly.

**Dealing with death is primarily the domain of women.** That is because approximately 86% of the widowed are women. Further, half of all marriages end with the death of the husband; only a fifth end with the death of the wife.<sup>1</sup>

**The bottom line: Your wife is likely to outlive you** by a decade or more, and there is a good possibility she will spend that time in poverty, reports the National Center for Women and Retirement Research.

**What she would say: If your wife knew now what she will know then,** she would say she wished you had owned more life insurance. At least that was the conclusion of a 1998 survey of survivors: 45% of widows (and 37% of widowers) said their spouse had been inadequately insured, according to one report.<sup>2</sup>

**Life insurance makes the difference** for millions of surviving spouses and children. Life insurance is designed to replace lost income if you die prematurely. It can be used to pay off a mortgage, ensure that children receive college educations and, most of all, help guarantee that your wife will maintain the dignity of the standard of living you both worked so hard to achieve. Just as important, proceeds are paid income tax free.

**How much life insurance do you have?** If you're like most men (and women are even worse off), the answer is: not enough! According to one study, only 64% of men own any life insurance at all. The average amount of coverage owned by those who do have coverage is \$143,100 (for women, it's \$76,000).<sup>3</sup>

**How much life insurance should you have?** That's a personal call. If all you want to do is make sure your bills are paid and you get a nice funeral, you don't need much. However, if you want to help assure your widow's financial security, that's a different story. In the words of one veteran life insurance agent who had delivered more than twenty life insurance proceeds checks: “I never met a widow who felt her husband had paid too much for life insurance.”

**Do the math.** According to estimates provided by the Consumers Union, you may need coverage equal to between 7 and 17 times your annual earnings, depending on your situation. So, if you earn \$100,000 a year, you may need between \$700,000 and \$1,700,000 of coverage.<sup>4</sup>

**Guys, you want 'em to miss you when you're gone.** The question is how you want them to remember you — as the nice guy who left them struggling, or as that terrific man who loved them enough to take care of them to the very end...and beyond?

**Recommendation:** Men, review your life insurance and make sure you and your wife think the amount is adequate. Decide how much additional life insurance you may need. Your widow will thank you someday...

<sup>1</sup> *Widowhood in Later Life*, by A.M. Matthews.

<sup>2</sup> “1998 Survivor Study” *The Women's Market*, (Life Insurance Marketing and Research Association, 1999).

<sup>3</sup> *Trends in Life Insurance Ownership* (LIMRA, 1999).

<sup>4</sup> *Consumer Reports* (July 1998).

### How much life insurance do you need?

Contact AAFP Insurance Services for a worksheet and cash flow chart by calling (800) 325-8166 or visiting our website at [www.aafpins.com](http://www.aafpins.com)

# Your FINANCIAL HEALTH

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J. Thomas Koch, President, AAFP Insurance Services

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A handwritten signature in black ink that reads "J. Thomas Koch".

## Your FINANCIAL HEALTH

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