

Swept away

Seniors still suffering from investment losses

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By Chris Baker

The Washington Times

What stock market rebound? Wall Street bounced back in 2003 after a rough three-year slide, but many older Americans continue to suffer investment losses, forcing some to cut back on entertainment, vacations and medicine, according to a new AARP study.

The senior-advocacy organization surveyed 900 Americans 50 and older as part of its annual Quality of Life index. Sixty percent of the respondents said they owned stocks in 2003, and half of those reported losses, the study found.

About 6 percent reduced spending on health care, health insurance and prescriptions in 2003. Twenty percent cut back on entertainment, and 22 percent cut back on travel.

The report, released last week, painted a discouraging financial picture for older Americans, but it wasn't as bleak as in 2002. Although 30 percent of older investors reported losses in 2003, 77 percent said they lost money on investments the previous year.

In the 2002 survey, 67 percent of older Americans said stock losses had a sobering effect on their lifestyles.

"Life has improved for older Americans, but they remain vulnerable. There's a pretty substantial amount who are not living as well", said John Gist, associate director of AARP's Public Policy Institute.

The study did not explore why older Americans suffered stock losses in 2003, Mr. Gist said. The survey results were surprising, researchers said, given that last year was the best since

the technology bubble burst in 2000.

The Standard & Poor's 500-stock index rose 26 percent last year, the Dow Jones industrial average finished 25 percent higher and the Nasdaq composite index jumped 50 percent.

Of the retirees that AARP surveyed in 2003, one-fifth expected less retirement income from the market. Thirteen percent of the respondents who lost money in the market were considering returning to work.

Compounding the problem of low equity for investors have been low interest rates on assets, Mr. Gist said.

"It's been a double whammy for some older Americans", he said.

Falls Church retiree Vivian Givens, 84, has invested in stocks since the 1960s. She has protected her investments by holding onto most of her portfolio.

"That's the difference between the old and the young. I'm still holding," she said.

Ms. Givens recently dumped a handful of stocks that she called "losers" and invested that money into better-performing stocks.

"My gains have made up for my losses," she said.

Older investors must determine for themselves how much money, if any, they want to invest in the stock market, financial advisors say. In some cases the elderly prefer putting their money into bonds, which tend to be less risky.

Advisers say older Americans who put money in stocks can help insulate themselves from losses through vehicles such as an equity index annuity, which ties returns to the increase in stock market indexes such as the S&P 500. If the stock market goes down, investors in equity index annuities do not lose their money because the vehi-

cles tend to guarantee a minimum rate of return.

"It's not a market-beating strategy by any means, but it allows you to participate in the stock market with no threat of loss," said Paul C. Bennett, a certified financial planner and president of Private Wealth Advisers LLC in Reston.

The economic fortunes of older Americans are changing.

About 4.5 million seniors who are 65 and older worked in 2003, or about 13.5 percent of all Americans, according to the Bureau of Labor Statistics. By comparison, 3.3 million Americans 65 and older worked in 1993, or about 10.9 percent of the population.

In some instances, seniors are staying in the work force for financial reasons. In others, elderly Americans are postponing retirement because they are healthier and want to stay busy.

Another study released last week found that seniors who use credit cards are taking on more debt, suggesting that more might be using plastic to pay bills.

For example, the average monthly credit-card balance of people between 65 and 69 tripled from \$1,842 in 1992 to \$5,844 in 2001, according to the "Retiring in the Red" report by Demos, a nonpartisan research group.

Older Americans can protect themselves from investment losses and mounting debt by consulting professional financial advisers, said Mr. Bennett, who specializes in giving advice to retirees and people preparing to retire.

"At the end of the day, no one wants to outlive their money, he said.