FACILITATOR GUIDE

Informed Retirement Decisions: Managing Debt

WORKSHOP OVERVIEW

Audience profile: This workshop primarily is intended for adults in their 50s and early 60s who are thinking ahead to retirement when they will no longer have new income sources. The decisions they make about debt preretirement and during retirement will impact their retirement paycheck.

Debt is a way of life for many Americans. Reviewing one's debt load when approaching retirement is critical. Making changes to eliminate and reduce debt prior to retirement will have a positive impact on one's retirement lifestyle and help to ensure that savings for retirement last as long as possible.

By sharing tools and resources during this workshop, you will show participants how to get the clear answers they need so they can make informed decisions and be more confident decisions about how they will manage their debt leading into and during retirement.

This workshop walks participants through the basics of determining how best to manage and minimize debt. The information presented focuses on guiding the participants to resources and information to help them pay off consumer debt before retirement. Also, this workshop directs participants to free, credible resources for the many questions they may have about debt and debt relief.

Length of workshop:
90 minutes

Description of content:
The following topics are addressed in the *Informed Retirement Decisions: Managing Debt* workshop.

— The impact of debt load as an income reducer during retirement

— Strategies to reduce and manage debt

— Ways to deal with insufficient cash flow during retirement

Target Learning Outcomes:

As a result of this workshop, participants will be equipped with knowledge and confidence to outline a realistic strategy to minimize debt prior to and during retirement.

Participants will address the following learning objectives as they master the competency:

a. Discuss how debt load impacts retirement cash flow as an income reducer.
b. Review strategies to reduce and manage debt.
c. Identify strategies to deploy when facing a cash squeeze during retirement, including maintaining an emergency reserve fund.

Participants will know that they have achieved the learning outcomes when they have done the following:

a. Tallied current debt load (and anticipated debt load at retirement if not yet retired).
b. Established SMART goals to pay off all consumer debt.
c. Adopted tactics to avoid taking on new debt during retirement.
d. Established a liquid emergency reserve fund as a contingency to cover the costs of unplanned financial events.
e. Outlined rules to guide spending and borrowing decisions during retirement, particularly related to major expenditures.
f. Outlined criteria and rules to guide decisions about saving and extracting money during retirement, taking into consideration tax regulations and penalties.

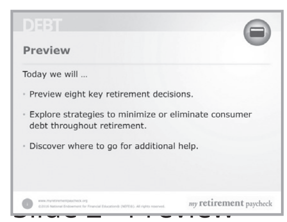
FACILITATOR PREPARATION

- ☐ View NEFE's video resources to maximize your workshop facilitation and integrate best practices for engaging adult learners. (www.financialworkshopkits.org/getting-started.aspx)
  - — About Financial Workshop Kits (length: 4:20)
  - — How to Use Financial Workshop Kits (length: 1:33)
  - — Plan Prior to Teaching (length: 3:53)
  - — Better Engage Your Audience (length: 3:32)
- ☐ Promote workshop.
- ☐ If possible, gather demographic information about your audience to make the workshop relevant to their financial circumstances, skills and knowledge.
- ☐ Preview this guide so you are prepared for questions that may arise.
- ☐ Tour the My Retirement Paycheck website to become familiar with eight independent financial decisions that impact retirees. (www.myretirementpaycheck.org)

- ☐ Tour the following websites to become familiar with the content:
  - — AARP (Managing Debt): www.aarp.org/money/credit-loans-debt
  - — Federal Trade Commission (FTC): www.ftc.gov
  - — Consumer Financial Protection Bureau (CFPB): www.consumerfinance.gov
  - — National Foundation for Consumer Credit (NFCC): www.nfcc.org
- ☐ Make note of the suggested length for each topic in this workshop. This workshop is designed to run approximately 90 minutes from Introduction and Preview to Wrap Up, depending on the amount of class discussion.
- ☐ Reflect on your own situation:
  - — What is (or was) your strategy to use credit and manage debt in retirement?
  - — How have your past experiences with borrowing money shaped your attitude about debt as you approach retirement?
- ☐ Reflect on your own views about debt during retirement:
  - — What types of debt might you have in retirement?
  - — What do you think is worth going into debt for during retirement and why?
- ☐ Throughout the workshop, keep these two points in mind:
  - — When it comes to talking about money, sharing your own successes and challenges will make the workshop much more engaging — and valuable — for participants. It makes the points you're discussing come alive, reassures them that they are not alone in having questions and concerns, and encourages them to share their own experiences, which can be equally valuable to other participants.
  - — Participants may feel self-conscious about their financial situation or some of the choices they've made, so include a statement in your opening that these workshops are a judgment-free zone and that there is no single right or wrong answer — it depends on the person's situation and values. The aim of this workshop is to empower individuals to make decisions that work for them and align with their values and needs, which might not look like everyone else's.

MATERIALS NEEDED

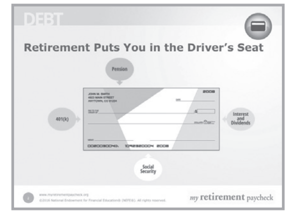
- ☐ PowerPoint presentation, LCD projector, screen, laptop computer
- ☐ Flip chart and easel or whiteboard, markers
- ☐ Pens/pencils for participants
- ☐ Copies of Workshop Packet, one per learner
- ☐ Name tags or name tents
- ☐ Optional: Internet access for live tour of the NEFE website and resources
- ☐ Optional: Pre-workshop and post-workshop evaluation forms, one per learner

Presenter Notes	Materials
Introduction and Preview *10 minutes*	
☐ Display this slide as you greet people when they arrive and help them get settled. ☐ Ensure that everyone displays a name tag or name tent. ☐ Welcome participants and introduce yourself. ☐ Facilitate an introductory activity to engage participants as they share names and get to know one another. Provide a prompt to gain insight into your audience by asking a nonthreatening, debt-related question. — *What do you hope to gain by attending this workshop?* — *What is one question you have regarding debt in retirement?* List the questions on the flip chart or whiteboard. At the end of the workshop, review the list to evaluate whether or not issues have been addressed, or point out where to get more information.	 Slide 1 - Workshop Title Name tags or Name tents Markers Flip chart or whiteboard
☐ Lead into the workshop introduction as the Preview slide is displayed to provide an overview of the workshop content and outcomes. ☐ Share that by the end of this workshop participants will be better equipped with the tools to plan how they will manage debt leading into and during retirement. ☐ Explain that during this workshop they will do the following: — Preview eight key retirement decisions. — Explore strategies to minimize or eliminate consumer debt throughout retirement. — Discover where to go for additional help.	 Slide 2 - Preview

- ☐ Ask participants to give examples of ways people receive regular income. (Examples might include paycheck from a job, disability benefits, and alimony and palimony payments.)

- ☐ Note that individuals receiving these types of income probably had only partial control of these checks. Even if they negotiated the salary, their employer decided terms such as whether they'd be paid weekly or biweekly, when and how much their raises would be, or whether they were eligible for any bonuses — and how much and when those would be. For alimony and child support, the lawyers or court decided what they would receive and when. And for any kind of benefits check, the insurer or government determined how much they would receive and when.

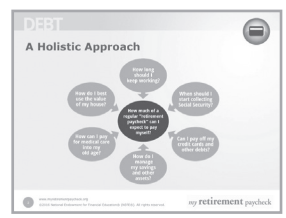
- ☐ Point out that in these instances, the income earners simply focused on managing the money they received. But stress that this changes in retirement. Explain that once in retirement, they will be in the driver's seat because THEY will have to decide how much and how often they'll be paid.



Slide 3 - Retirement Puts You in the Driver's Seat

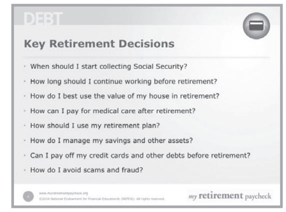
- ☐ Explain that a retirement paycheck is how people pay themselves throughout their retirement years. When a person takes an action within a decision area, it either produces or reduces retirement income. A "retirement paycheck" describes how each decision area and all income streams work together to create a paycheck.

- ☐ Point out that academic research and evidence suggests that retirement is a holistic process, with each decision area affecting other areas of consideration. For example, all of the questions shown in the illustration on the screen are connected to one larger question: *How much of a regular retirement paycheck can I expect to pay myself?* The answer to this question depends on decisions made about factors such as work, benefits and housing. By piecing together many different streams of income, taking responsibility for making informed decisions, and appropriately growing and protecting assets, individuals can make a small nest egg last longer during retirement.



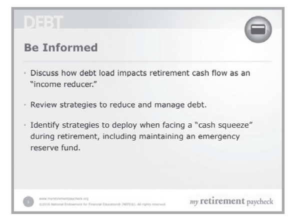
Slide 4 - A Holistic Approach

- ☐ Explain that just as retirement planning encompasses savings, work, pensions and Social Security, decisions about borrowing and managing debt are interrelated as well.
- ☐ Note that there are eight decision areas: Debt, Fraud, Social Security, Work, Home and Mortgage, Insurance, Retirement Plans, and Savings and Investments. While most of these decision areas are income producers — meaning they contribute income to one's retirement years — areas such as Debt and Fraud are examples of income reducers.
- ☐ Explain that decisions that are made in each of these areas have a real impact on what a person can pay themselves as part of their retirement paycheck.



Slide 5 - Key Retirement Decisions

- ☐ Preview that this workshop specifically will help participants be informed about factors that impact their decisions about how to manage debt prior to and during retirement.
- ☐ Distribute the Workshop Packet and point out the Action Plan. Explain that in this workshop they will address the following topics to help them devise a realistic strategy for paying off consumer debt prior to and during retirement.
  - — Discuss how debt load impacts retirement cash flow as an income reducer.
  - — Review strategies to reduce and manage debt.
  - — Identify strategies to deploy when facing a cash squeeze during retirement, including maintaining an emergency reserve fund.



Slide 6 - Be Informed

Action Plan: Lowering My Debt

Topic A: Discuss how debt load impacts retirement cash flow as an income reducer.
15 minutes
Critical

- ☐ Ask the group what types of debt they might have in retirement. Responses may include mortgage-related debt (mortgage, home equity loan, home equity line of credit) and consumer debt (installment loans (e.g., car loans), student loans, credit card debt). Then invite participants to consider how debt load impacts cash flow in retirement.

- ☐ Discuss the reality of costs and limitations when money is tied up in debt. Include the following factors in the discussion:
  - — Retirees may not be a favorable credit risk in the eyes of a creditor.
  - — When savings for retirement are used to pay down debt, an individual essentially is borrowing from both a creditor and his or her future self.
  - — Debt can decrease the longevity of accumulated financial assets and savings.
  - — Unless retirees return to the workforce, there is no new source of income to help cover debt.

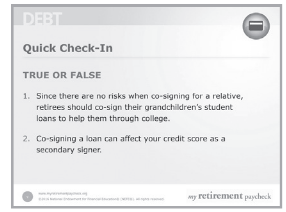
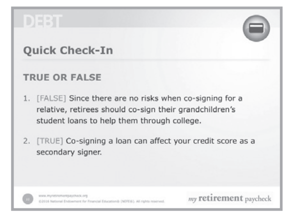
Slide 7 - Debt: Costs and Limitations

- ☐ Point out the impact that debt has on lifestyle and stress.
  - — Debt generally causes a more restrictive lifestyle. Carrying debt often means that less disposable income is available for travel, education and leisure activities. Additionally, less money is available emergencies and other unforeseen events such as repairs to a home or vehicle.
  - — Debt also causes stress, which can lead to physical problems such as insomnia, changes in eating habits and cardiovascular problems. Over time, chronic stress can lead to depression and hopelessness. As physical and psychological responses to stress occur, costs for necessary health care may rise and exacerbate the issue.

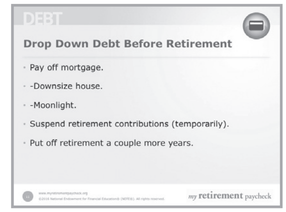
Slide 8 – Debt: Lifestyle Costs

- ☐ Discuss the consequences when debt outlives the debtor. Point out that although one may believe that debt dies with a debtor, this is not the case. The estate of the deceased person owes the debt. When the estate cannot cover the debt, certain individuals may have responsibility if they:
  - — Co-signed the obligation;
  - — lived in a community property state as the deceased individual's spouse; or
  - — are the deceased person's spouse and their state law requires that spouses pay a particular type of debt, like some health care expenses.
- ☐ Point out special considerations when co-signing loans, including student loans. Remind participants that when loans are co-signed, the co-signer is taking legal responsibility for the account. In particular, review the following consequences of co-signing a loan:
  - — If the primary borrower misses a payment, the co-signer's credit will most likely be negatively impacted.
  - — A co-signer agrees to pay a borrower's debt if the borrower defaults on the loan, potentially leaving the co-signer with garnished Social Security payments and the burden of legal fees, late fees and interest if legal action is taken against the co-signer for repayment.
  - — A co-signer cannot declare bankruptcy and eliminate the responsibility of student loan debt.
- ☐ Share that joint accounts work similarly: All account holders have rights to the assets in the account. But if the account holder dies, the surviving account holder has sole access to the funds or debts associated with the account. Caution participants that joint accounts can be used in debt collection or in legal proceedings against an individual, leaving an unsuspecting joint-account holder with depleted assets.

Slide 9 – Debt: Relationship Costs

ACTIVITY: Direct participants to complete the Debt Comparison activity individually or with their significant other. Encourage them to discuss how their debt loads might be impacting their plans for retirement/retirement lifestyle. Encourage participants to complete Action Plan Tasks #1 and #2	Activity: Debt Comparison Action Plan: Lowering My Debt
☐ **CHECK-IN QUIZ ACTIVITY: Display two or three questions. Ask individuals to silently reflect on whether the answers are “True” or “False.” Click to the next slide to show the answers.**	 Slide 10 - Check-in Quiz  Slide 11 - Check-in Quiz (answers)

Continued on page 10

Topic B: Review strategies to reduce and manage debt. *20 minutes* Critical	
☐ Ask participants about how they are planning or could plan to reduce debt prior to retirement. Share any of the following that are not mentioned: — Pay off a mortgage by retirement. A mortgage generally is an individual's biggest debt obligation. If considering buying a smaller house and the market is favorable to sell, downsize now. Just keep in mind transaction costs and moving expenses. — Consider the 10 years before retirement as a "debt reduction decade." This may include taking on more work for a period of time to pay off consumer loans, but certainly means intentionally eliminating debt through spending redirection and increasing debt repayment. — Suspend retirement contributions. If debt costs more than the returns on investment, it may make sense to use all money available to you to pay off loans. — Consider working longer. Working to pay off debt likely will provide a sense of well-being and security in retirement.	 Slide 12 – Lower Debt Before Retirement
☐ (Optional) If Internet is available, consider going to the nfcc.org site and https://www.consumer.ftc.gov/articles/0153-choosing-credit-counselor to see the guidelines and questions for interviewing the prospective counselor.	(optional) Internet access

- ☐ Explain that debt consolidation is a means of combining all of an individual's unsecured debt into one loan and one monthly payment. While debt consolidation may be an option worth considering in some situations, caution participants that the process can be more expensive than expected.

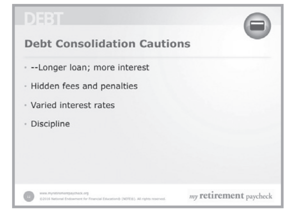
- ☐ Share the following tips for understanding debt consolidation loans:

  — Weigh the downsides. Longer loan terms may decrease monthly payments, but they increase the total amount of interest paid over the life of the loan. In addition, one might incur hidden fees and penalties.

  — Know the seller. Lenders are not obligated to give the best rate for which an individual qualifies, so shop around and look carefully at the terms. Also, just because he or she is willing to sell a loan doesn't mean the borrower can afford it.

  — Avoid the slippery slope. Don't fall into the trap of increasing the amount of a debt consolidation loan to finance additional purchases. This results in an increased monthly payment and boosts overall debt.

  — Establish a plan. The best way to get out of debt is to create a financial plan and stick with it and to live within one's means.



Slide 13 – Debt Consolidation Cautions

- ☐ Point out that if someone chooses to work with a debt consolidator, it's worth asking the following questions:

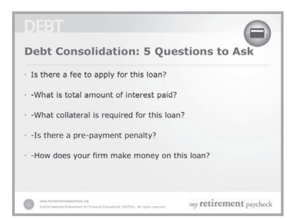
  — Is there a fee to apply for this loan?

  — What is the interest rate, term, monthly payment amount and total amount of interest paid?

  — What collateral is required for this loan? What fees or paperwork is required for the collateral?

  — Is there a prepayment penalty?

  — How does your firm make money on this loan?



Slide 14 – Debt Consolidation: 5 Questions to Ask

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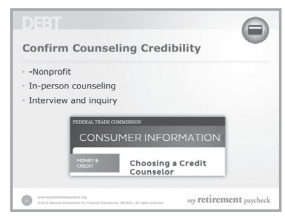
- ☐ Share the following courses of action for handling a credit crisis in retirement:
  - — Ask creditors for more favorable lending terms. Communication with creditors is critical. In nearly all cases, talking with creditors early will yield more favorable results.
  - — Contact the National Foundation for Credit Counseling (www.nfcc.org). Credit counselors can help individuals take control of their spending and work out an affordable repayment plan.
  - — Protect financial assets while in a crisis. Avoid services that claim they can eliminate debt or fix a credit score. These alleged services typically cost more money and may cause a worse credit situation.
  - — Consider selling possessions as a strategy to raise cash, either through a garage sale or online platform.

Slide 15 – Cope with Credit Crisis

- ☐ Encourage participants to thoroughly vet credit counseling services. Suggest the following guidelines.
  - — Look for a nonprofit organization, preferably that offers in-person counseling.
  - — Request free information about the organization and its services.
  - — Interview the prospective counselor and check with the state Attorney General or local consumer protection agency to ensure there are no complaints against the counseling services. For a list of questions to ask, see www.consumer.ftc.gov/articles/0153-choosing-credit-counselor.



Slide 16 – Confirm Counseling Credibility

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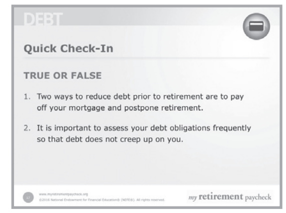
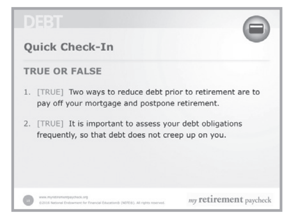
- ☐ Share that credit traps seem like quick fixes that often result in an individual getting deeper and deeper into debt, usually from fees and excessively high interest rates. No matter how bad a credit crisis may seem, encourage participants to avoid the credit options that can become expensive ways to borrow money, including:
  - — Pawnshops
  - — Check-cashing stores
  - — Cash-advance firms
  - — Payday lenders
  - — Rent-to-own companies
  - — Auto title loan companies
  - — Repeatedly rolling debt from one credit card to another, which can lower one's credit score
- ☐ Share that haphazard money management habits also can result in unmanageable debt, although acknowledge that unforeseen circumstances are just as often the culprit. To help participants manage debt in retirement, no matter the cause, encourage the following healthy habits:
  - — Spend less than your retirement income. This saving tactic works well during working years and will continue to benefit individuals during retirement years.
  - — Take control of how you spend money. Tracking what actually is spent can help avoid potential debt traps.
  - — Build an emergency reserve fund. Aim to have three months of living expenses available for unexpected expenses to avoid the use of expensive debt.
  - — Know the costs of using credit. Read the fine print and be aware of how and when fees are assessed or higher charges can be applied.
  - — Lower costs of using credit by paying bills on time every month and spending less than 30 percent of a credit limit from any one source.
  - — Know what you owe and methodically pay down the balance.
  - — Pay off high-interest debt before paying down a mortgage.

Slide 17 – Debt Traps and Habits

ACTIVITY: Encourage participants to work in small groups to review the Debt Management Scenarios activity to suggest options for each situation. Arrange for each group to report out to everyone on at least one recommendation.	Activity: Debt Management Scenarios
☐ **CHECK-IN QUIZ ACTIVITY: Display two check-in questions. Ask individuals to silently reflect on whether the answers are "True" or "False." Click to the next slide to show the answers.**	 Slide 18 - Check-in Quiz  Slide 19 - Check-in Quiz (answers)

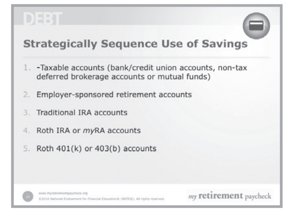
Continued on page 15

Topic C: Identify strategies to deploy when facing a cash squeeze during retirement, including maintaining an emergency reserve fund. *25 minutes* Critical	
☐ Ask participants to share ideas for dealing with a cash squeeze and unexpected debt. Capture comments on a flip chart to reference during workshop discussions. Share any additional ideas below that were not mentioned. Indicate that putting off purchases can work in some cases, but not necessarily all cases. — Reduce and/or defer discretionary items. — Share costs and services with others. — Look for less expensive options to current expenditures such as cell phones and Internet/cable. — Buy used or generic products. — Sell assets. For example, sell a car and use public transportation. Or, sell a higher-value car and buy less expensive replacement. — Take on an extra job. — Let children pick up a greater share of college expenses. You always can help your child pay down his or her loan if your financial situation turns around. A child has more time to pay down loans than you have to save and prepare for retirement. — Tap an insurance policy or annuity. — Use emergency reserve funds. ☐ Return to the idea of an emergency reserve fund to cover contingencies and unexpected or recurring expenses, such as a roof replacement or car repair. An emergency reserve fund should include easily accessible savings that will support expenses for a three to six month time frame. Having an emergency reserve fund reduces the need to use expensive forms of debt.	Flip chart and markers

- ☐ Discuss tactics to manage short-term and longer-term cash squeezes for acquisition of goods and services. Share that it's often best to do this by reducing expenditures rather than borrowing or — as a last resort — extracting money from funds in a predetermined sequence.

- ☐ Explain that using retirement savings should be one of the last options for recovering from debt. Doing so reduces the principal and therefore future earnings. However, once cash has been raised through nonretirement accounts, debts should be paid through the reduction of investments using a predetermined priority sequence, using the following as a guide.

  1. Taxable accounts (bank/credit union accounts and non-tax deferred brokerage accounts or mutual funds) and tax-free accounts (e.g., municipal bonds or muni bond funds)
  2. Employer-sponsored retirement accounts such as a 401(k) or 403(b)
  3. Traditional IRA accounts
  4. Roth IRA accounts
  5. Roth 401(k)/403(b)accounts



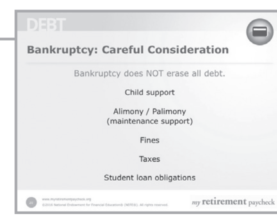
Slide 20 – Strategically Sequence Use of Savings

- ☐ Quickly mention bankruptcy as a last-resort option to consider when faced with an unavoidable cash squeeze. By filing for bankruptcy, an individual is requesting that his or her debts be legally discharged. Bankruptcy protects the debtor from debt collection by creditors, but the process involves fees, can be lengthy and not all debts are forgiven.

  — When debt obligations are greater than assets to pay them off, it might be an option to consider.

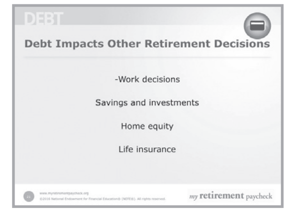
  — Questions to consider before filing for bankruptcy include: *Have I exhausted all other options? Am I willing to accept the consequences of a damaged credit score? Can I afford to pay an attorney?*

  — Some debts and monetary obligations that are not forgiven through bankruptcy include child support, alimony or palimony, fines, taxes and some student loan obligations.



Slide 21 – Bankruptcy: Careful Consideration

- ☐ Point out that if an individual goes into retirement with debt or acquires debt after retiring, the resulting debt impacts other retirement decisions. One may determine that the debt cannot be handled by the current income stream of retirement resources such as pensions, Social Security or annuities. Some options include:
  - — Return to the job market. Part- or full-time employment for a period of time can help to pay off debt.
  - — Pay off debt before funding savings if interest paid on credit is significantly greater than the investment gain.
  - — Use a home's equity. Swapping a high interest debt for a home equity loan could reduce the payment and overall cost of debt. In many cases a home equity loan also provides a tax break on the interest on the loan, up to $100,000. However, be aware that the home is at risk if monthly payments are not paid.
  - — Refinance a mortgage for a lower interest rate. Or downsize a home or rent a place to live.
  - — Consider switching from more expensive whole life insurance to less expensive term life insurance. Discuss with a qualified professional to see if it makes sense for the situation.
  - — Carefully consider a reverse mortgage, which is a unique form of debt that leverages one's house and does not have to be repaid until the owner dies or moves out of the home. Because it's a complex product with many consequences, talk to a qualified financial planner before proceeding.

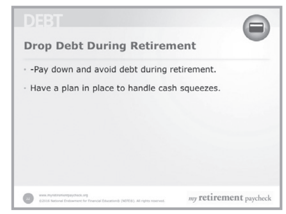
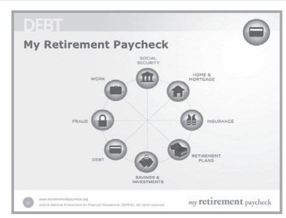


Slide 22 – Debt Impacts Other Retirement Decisions

ACTIVITY: Direct participants to work individually or with their significant other to complete the Decrease Debt Goal activity by writing at least one SMART goal to decrease debt load. As time allows, encourage participants to share with the whole group how goal setting can decrease the stress of debt and planning for retirement. Reference the Action Plan so participants can update their Readiness Task lists.

Activity: Decrease Debt Goal

Action Plan: Lowering My Debt

☐ Begin to wrap up the workshop asking participants to reflect on what they learned about strategically planning to reduce or eliminate debt during retirement. Ask if any have changed their mind compared to what they were planning prior to this workshop and why? Revisit the questions that participants wanted answered at beginning of workshop.	
Wrap up: Take Action *15 minutes*	
☐ Transition into the wrap-up for this workshop by reviewing what was covered in the workshop. Reinforce that making decisions about debt during retirement can have long-term impact for retirees, especially when there are no new sources of income. However, this is not the only issue that involves intentional decision making. Remind participants of the following debt management strategies: — If possible, consider working until at least full retirement age. — Pay down and avoid debt in retirement. — Have a plan in place to handle cash squeezes.	 Slide 23 – Lower Debt During Retirement
☐ Point out that planning how to reduce debt is only one of eight important retirement decisions (as presented in the slide). Explain that this one decision impacts several other decisions, including lifestyle decisions related to one's home and how savings and investments will be preserved to last throughout retirement. And vice versa: Other retirement decisions impact how debt is managed. ☐ Suggest that participants look at www.MyRetirementPaycheck.org or for other workshops in this series for more information about the other retirement decisions.	 Slide 24– My Retirement Paycheck

☐ Provide your contact information (if desired) so participants can follow up later with questions. ☐ Point out the list of resources provided in the Workshop Packet. Call attention to the following online resources: — www.myretirementpaycheck.org/retirement-debt.aspx — AARP (Managing Debt): www.aarp.org/money/credit-loans-debt — Consumer Financial Protection Bureau (CFPB): www.consumerfinance.gov — Federal Trade Commission (FTC): www.ftc.gov — National Foundation for Consumer Credit (NFCC): www.nfcc.org	 Slide 25 - Resources
☐ Encourage participants to use what they have learned to complete the Action Plan. If feasible, arrange for participants to continue to work on their own or with your guidance after the workshop concludes. Provide Internet access in a lab setting so participants can utilize the debt resource websites.	 Slide 26 - Are You Ready? Action Plan: Lowering My Debt