Health & Retirement Services Of Illinois

August 2011 Newsletter

OUR NEWS LETTER HRSI

In Our Newsletter

AP Exclusive: Older workers would pay more due to unintended consequence of health care law.

FILE - In this March 23, 2010, file photo President Barack Obama signs the health care bill in the East Room of the White House in Washington. Another unintended consequence of President Barack ObamaÂ's health care law has surfaced: Older adults of the same age and income with similar medical histories could pay widely different amounts for private health insurance because of a quirk in the complex law. (AP Photo/J. Scott Applewhite, File) (J. Scott Applewhite, AP / March 23, 2010)

RICARDO ALONSO-ZALDIVAR Associated Press

4:19 p.m. CDT, June 30, 2011

WASHINGTON (AP) — Another unintended consequence of President Barack Obama's health care law has emerged: Older adults of the same age and income with similar medical histories could pay widely different amounts for private health insurance due to a quirk of the complex legislation.

Those differences could be substantial. A 62-year-old could end up paying $1,200 a year more than his neighbor, in one example. And experts say the disparities among married couples would be much larger. A leading GOP senator is considering a fix.

Aware of the problem, the Obama administration says it is also exploring options to head off what could become yet another controversy over the health care overhaul. Starting in 2014, the law expands coverage to more than 30 million uninsured people

and requires most Americans to carry insurance.
The glitch affects mainly older adults who are too young for a Medicare card but have reached 62, when people can qualify for early retirement from Social Security. Sixty-two is the most common age at which Americans start taking Social Security, although their monthly benefit is reduced.

As the law now stands, those who take early retirement would get a significant break on their health insurance premiums. Part or all of their Social Security benefits would not be counted as income in figuring out whether they can get federal subsidies to help pay their premiums until they join Medicare at 65.

"There is an equity issue here," said Robert Laszewski, a former health insurance executive turned policy consultant. "If you get a job for 40 hours a week, you're going to pay more for your health insurance than if you don't get a job."

The administration says it is working on the problem.

"We are monitoring this issue and exploring options that would take into account the needs of Social Security beneficiaries, many of whom are disabled or individuals of limited means," Emily McMahon, a top Treasury Department policy official, said in a statement to The Associated Press.

McMahon doubted the health care discount would start a stampede toward early retirement at a time when many experts are urging older Americans to stay on the job longer. Only a "limited number of individuals" would decide they're better off not working, she said.

Other administration officials, speaking on condition of anonymity because the issue is politically sensitive, said there's concern that the situation could create a perception that hard-working people get a worse deal compared with less-industrious peers.

A leading GOP senator is also getting involved. Sen. Mike Enzi, R-Wyo., is considering legislation that would eliminate the problem, aides said Thursday. It would allow Social Security retirement benefits to be counted as income, as has traditionally been the case for many programs that provide government assistance to individuals. Enzi is the senior Republican on the Health, Education, Labor and Pensions Committee.

To see how the Social Security wrinkle would work, consider a hypothetical example of two neighbors on the same block.

They are both 62 and each makes $39,500 a year. But one gets all his income from working, while the other gets $20,000 from part-time work and $19,500 from Social Security.

Neither gets health insurance on the job. Instead, they purchase it individually.

Starting in 2014, they would get their coverage through a new online health insurance market called an exchange. Millions of people in the exchanges would get federal tax credits, based on income, to make their premiums more affordable. Less-healthy consumers could not be turned away or charged more because of their medical problems.

The neighbor getting Social Security would pay an estimated $206 a month in premiums.

But the neighbor who makes all his income from work would pay $313 for health insurance, or about 50 percent more.

The early retiree can shield half his Social Security income, or $9,750. On paper, he would look poorer, making him eligible for a bigger tax credit to offset his premiums. But the full-time worker could not deduct any of his earnings.

The estimates were produced using an online calculator from the nonpartisan Kaiser Family Foundation.

The disparities appear to be even greater for married couples and families in which at least one member is getting Social Security. With a bigger household, both the cost of coverage and the federal subsidies involved are considerably larger.

The glitch seems to be the result of an effort by Congress to make things simpler. Lawmakers decided to use the definition of income in the tax code, which protects Social Security benefits from taxation.

The decision to use the tax code's definition of income has created other problems.

Medicare's top number-cruncher is warning that up to 3 million middle-class people in households that get at least part of their income from Social Security could suddenly become eligible for nearly free coverage through Medicaid, the federal-state safety net program for the poor. Chief Actuary Richard Foster says that situation "just doesn't make sense."

FEATURE-Older interns signal gloomy U.S. labor market.

By Alexandra Alper

NEW YORK, June 30 | Thu Jun 30, 2011 10:02am EDT

NEW YORK, June 30 (Reuters) - Elizabeth Romanaux puts a brave face on working as an intern at the age of 55.

A media relations manager until she joined the millions of unemployed Americans two years ago, Romanaux spent the spring building contact lists and fetching lunches as she tried to keep alive her chances of resuming full employment.

"You have to suck it up sometimes and do what a 17-year-old would happily do and be happy about it," she said of her recent stint with a public relations firm in New Jersey.

Once the domain of high school and college students, internships are more common among older Americans who are struggling to find jobs and keep their skills up to date in the worst U.S. labor market in decades.

"A lot of adults who are either returning to the workforce or have been laid off in the recession are looking for places and ways to build a resume and fill a gap between jobs," said Margo Rose, founder of HireFriday, an online job search advice website.

"The last thing you want to do is look the interviewer in the eye with a blank stare when they ask you, 'What have you been doing for the last year?'"

RISE OF THE MATURE INTERNS

Data is scant on the number of older interns but labor economists, internship recruiters and graduate school career officers agree the number has been on the rise.

"There has definitely been almost an explosion of this kind of thing," said Liz Ryan, of LizRyan.com, a career advice website. She says she had never been approached by mid-career clients seeking help securing an internship before 2008.

"In 2008, I had about 20 of them," she said.

That increased to 36 annually in 2009 and 2010.

Phil Gardner, research director for the Collegiate Employment Research Institute, which analyzes initial employment at Michigan State University, said the number of graduates taking internships "ballooned last year" before easing off as the U.S. labor market improved in early 2011.

Historically, college internships did not take off until the 1970s, when baby boomers flooded universities. From 1970 to 1983, the number of colleges and universities offering internship programs increased from 200 to 1,000.

The rising number of older interns now is symptomatic of the broader crisis in the U.S. labor market in which millions of Americans cannot get the kind of work they want.

While the U.S. unemployment rate ticked up to 9.1 percent in May, almost 16 percent of Americans were underemployed in the same month -- either out of work but looking, working part-time involuntarily or discouraged from searching for a job.

U.S. Labor Department data on Thursday showed initial claims for unemployment benefits dipped by just 1,000 to a seasonally adjusted 428,000 in the week ending June 25. That is far from the drop below 400,000 claims that would signal an improvement in the labor market.

HELPFUL OR HARMFUL TREND?

Industry specialists disagree on what the increase in older interns mean for them and the labor market.

Ryan says internships can be the ticket for older interns to beat out more recent graduates for scarce entry-level jobs.

Six in 10 internships lead to jobs, according to the National Association of Colleges and Employers, an employment research group also known as NACE.

But for critics such as Ross Perlin, author of "Intern Nation," which examines the role of internships in the U.S. economy, unpaid labor harms everyone in the labor market.

Perlin estimates that American organizations save $2 billion annually by not paying interns minimum wage. He estimates between 1 million and 2 million college students intern in the United States each year.

According to NACE, 48 percent of internships are unpaid.

Seven percent of employers surveyed by CareerBuilder.com in 2009 reported receiving internship applications from workers over the age of 50. A quarter of employers also reported receiving applications for entry-level positions from the same age group.

Ryan says Will Smith's 2006 movie "The Pursuit of Happyness" may have contributed to the uptick in post-college- age interns.

In the movie, Smith's character loses everything in a get-rich-quick scheme selling bone density scanners. But in a Hollywood twist, he lands a stock brokerage internship, which, after six grueling months, turns into a job.

TOUGH TIMES FOR TEENS

In the real world, some worry that older workers taking internships may further displace young workers from an already tight youth labor market.

"It pushes its way down the scale," said Ross Eisenbrey, vice president of the Economic Policy Institute, a Washington-based think tank.

The U.S. unemployment rate in May was more than 24 percent for 16- to 19-year-olds and it approached 15 percent for 20- to 24-year-olds. These are the two age groups most likely to intern.

Romanaux understands the cold business logic of using older workers as interns.

"If I could get someone like me for free, I would be apologetic about it, but I would do it."

Romanaux -- who is doing freelance consulting for the same museum that laid her off -- is grateful for her internship, which ended in May.

She says she learned about social media without having to pay the cost of tuition at a graduate school.

But she says there is nothing easy about starting over at 55.

"It was very stressful," she said, recalling early errors she made during her internship. "Even though they weren't paying me, I felt badly I couldn't do it well." (Reporting by Alexandra Alper; Editing by Jan Paschal)

Resurrection, Provena sign deal to merge.

By Bruce Japsen Tribune staff reporter

12:32 p.m. CDT, July 5, 2011

Two large Chicago area hospital operators said today they have signed a definitive agreement to merge into what would become the state's largest Catholic-owned health care system.

The deal between Chicago-based Resurrection Health Care, which operates six hospitals in Chicago and the adjacent suburbs, and Mokena-based Provena Health, which owns six hospitals in the Chicago suburbs and downstate, comes after several months of "exploratory talks" and a "formal due dilligence."

The parties say they have submitted an application to state health planning officials and are waiting for approval, which could come as early as October.

"Together we see a bolder vision of healthcare," said Resurrection Health Care chief executive officer Sandra Bruce. "One that excels at the patient, resident and family experience. One that provides high quality and value across the continuum, in true partnership with our physicians and employees. And above all, one that delivers care with compassion, dignity and respect at every stage of life."

The systems said they serve areas of the state where more than 4.5 million people live. Resurrection operates the Holy Family Medical Center in Des Plaines; Our Lady of the Resurrection Medical Center in Chicago; Resurrection Medical Center in Chicago; Saint Francis Hospital in Evanston; Saint Joseph Hospital in Chicago; and Saints Mary and Elizabeth Medical Center in Chicago. Provena Health operates Provena brand hospitals in Aurora, Elgin, Joliet, Kankakee, U rbana and Danville.

"The more we talked, the more we realized that through collaboration and equal partnership, we take a major step toward achieving a long-common goal of ensuring for the future access to a vibrant Catholic health system which will enhance our abilities to meet the needs of the communities we are privileged to serve," said Provena Health President and CEO Guy Wiebking.

A combined Provena-Resurrection system would have nearly $3 billion in operating revenue. That would make it somewhat smaller than the state's largest hospital operator, Advocate Health Care, which has been expanding through mergers and acquisitions.

Like an increasing number of providers of medical care across the country, these hospitals have been hurt financially as patients have had difficulties paying medical bills, a byproduct of job losses and other economic woes. As a result, such hospitals are turning to partnerships aimed at creating economies of scale and looking for ways to create a more streamlined patient experience.

The market is demanding more from hospital operators if they are to stay competitive. By merging, hospitals can pool capital to buy new computer systems, electronic record-keeping systems and the latest medical technology.

The bells and whistles are needed because the coming health care overhaul requires hospitals to operate more efficiently. As one example, hospitals that have high rates of readmissions for elderly patients insured by Medicare might have their government payments reduced.

Though hospitals are hurt now by a rising number of patients who cannot pay their medical bills, hospitals expect to see an influx of business between now and 2014, when more than 30 million uninsured patients will gain access to subsidies to pay for their medical care under the health care overhaul.

Social Security Cuts Weighed by Lawmakers Under Change in Inflation Gauge

By Brian Faler and Heidi Przybyla - *Jul 7, 2011 12:46 PM CT Thu Jul 07 17:46:15 GMT 2011*

President Barack Obama meets with congressional leaders in the Cabinet Room of the White House July 7, 2011 in Washington, D.C. Photographer: Pool

President Barack Obama and lawmakers are considering cutting Social Security and increasing revenue by changing the way the government measures inflation.

Four senior congressional aides said lawmakers are discussing using an alternative yardstick to gauge inflation, known as the "chained consumer price index," to determine annual cost-of-living adjustments for millions of Americans.

The idea may rile both Democrats and Republicans, because it could mean paring Social Security by $112 billion over 10 years, raising taxes by $60 billion and cutting pension and veterans' disability payments by $24 billion, according to estimates by the nonpartisan Congressional Budget Office and the Joint Committee on Taxation.

Advocates say the change is needed because the government's current measure of inflation overstates how quickly prices rise.

"There hasn't been any economist anywhere that says we shouldn't do that," said Senator Tom Coburn, an Oklahoma Republican who was one of the so-called Gang of Six lawmakers that tried to develop a long-term debt plan. "We need a CPI that truly reflects what's happening in the economy, not what's good for the politicians."

The idea, which was discussed both as part of a series of debt talks led by Vice President Joe Biden and by the Gang of Six, resurfaced yesterday during a meeting between Treasury Secretary Timothy Geithner and House Democrats, according to a congressional aide. Democrats pressed Geithner on the issue and he didn't rule it out, according to the aide.

Meeting Today

Obama met today with congressional leaders as they push to hash out a deficit-reduction plan that would ease passage of a debt-limit increase by an Aug. 2 deadline. Obama called the meeting "constructive" and "frank," though he said they remain "far apart on a wide range of issues."

The president said aides would work through the weekend and lawmakers would reconvene on July 10 so "the parties will at least know where each other's bottom lines are and will hopefully be in a position to then start engaging in the hard bargaining that's necessary."

Representative Xavier Becerra, speaking on C-Span today, said the chained index proposal may be an Obama negotiating tactic. "He has tried many ways to get our Republican colleagues to come to some middle ground and hasn't succeeded," said Becerra, a California Democrat who opposes benefit cuts. "I suspect he's saying, 'Look I'll put everything on the table, let's see what sticks.'"

'Zero Appetite'

Representative Jared Polis, a Colorado Democrat, said "there is a zero appetite in the Democratic caucus for looking at entitlement programs unless there is substantial revenue on the table."

White House spokesman Jay Carney downplayed the significance of any changes in Social Security, saying in a statement: "The president has always said that while Social Security is not a major driver of the deficit, we do need to strengthen the program." He said Obama wants to work with both parties to do that "in a balanced way that preserves the promise of the program and doesn't slash benefits."

Social Security and other government benefits along with much of the tax code are automatically adjusted for inflation so Americans don't fall behind as prices rise. Yet economists say the government's inflation measure exaggerates how quickly prices increase, which means it's paying too much for annual cost-of-living gains while collecting too little tax revenue.

Cutting Benefits

Democrats such as Representative Jan Schakowsky of Illinois say the alternative index, which she called the "chainsaw CPI," would mean cuts in Social Security benefits. Over 10 years, using the alternative index would reduce projected Social Security spending by 1.2 percent, according to the Congressional Budget Office.

Schakowsky said the current inflation measure already understates the cost-of-living increases facing seniors because they spend more on medical care than the average American.

"Seniors get the double whammy -- higher health-care costs and deeper benefit cuts," she said.

Even Democrats like Senator Ben Nelson of Nebraska, who's often voted with Republicans, rejected the idea. "At some point we have to look at Social Security, but that's not part of this process," he said today.

A. Barry Rand, head of the AARP, the advocacy group for the elderly, said: "Reducing the COLA by even a small amount is a harmful cut for many retirees."

Stealth Tax Increase

Grover Norquist, head of the anti-tax Americans for Tax Reform, called the idea "effort number 27" to dress up a tax increase in the guise of good government.

"This is one of those things invented by people who are trying to raise taxes and pretend they're not," he said. "If you change the law to get more money, that's a tax increase -- doesn't matter how you do it or what you call it."

Senator John Thune, a South Dakota Republican, said he supports applying the chained index to benefits programs, though not to taxes.

“Taxes are entirely different,” said Thune. “That would be a license to steal for the federal government if you just locked in tax increases every year based on what some index is.”

Representative Sander Levin of Michigan, the top Democrat on the House Ways and Means Committee, released a study yesterday that said the tax increases would hurt the middle class.

Technical Change

Advocates say switching index measures would be a technical change, not a tax increase.

“I don’t see how anybody can argue against having accurate formulas,” said Senator Mike Crapo, an Idaho Republican who was a member of the Gang of Six.

Coburn said the Gang of Six agreed on the chained index before he dropped out of the negotiations in a separate dispute. Another group of lawmakers led by Biden was debating the idea before their talks fell apart, said Senate Finance Committee Chairman Max Baucus, a Montana Democrat and a participant in that group.

Inflation is a general rise in the price of goods and services, and the government measures it by surveying thousands of Americans on what they buy and where they shop.

The Bureau of Labor Statistics each month sends 400 price collectors to 26,000 stores in 87 cities to record the prices of breakfast cereals, bus tickets, haircuts, toys, funerals, dental fillings, jewelry and 80,000 other products and services. It uses that information to devise a basket of goods the typical family buys each month in order to track prices.

Missing Consumer Response

There is a “pretty widely held” consensus among economists that the bureau’s methodology exaggerates inflation because it doesn’t fully account for how individuals respond to rising prices, said Mark Zandi, chief economist of Moody’s Analytics.

It accounts for those who buy cheaper brands of wine or steak when those prices rise, though not for those who opt instead for beer or chicken. That means it overestimates inflation, which leads to cost-of-living increases for Social Security beneficiaries, veterans and federal retirees that are bigger than necessary to maintain their purchasing power. It also affects the number of Americans who qualify for food stamps and other aid to the poor with eligibility criteria tied to federal poverty guidelines.

It means the thresholds at which higher income tax rates begin to apply to individual taxpayers rise faster than necessary to prevent so-called “bracket creep,” which means less tax revenue pouring into the Treasury.

The chained index accounts for the belt-tightening chicken eaters and beer drinkers. Over the past decade, the alternative index has grown more slowly than the current inflation measure by an average 0.3 percentage points a year, the CBO says.

“It’s a no-brainer,” said Marc Goldwein, former associate director of the administration’s deficit commission. “We’re measuring inflation wrong now and it’s obvious we should measure it right -- especially if it’s going to reduce the deficit.”

Nearly 25% of Car Crashes Linked to Gadget Use

Colin Bird Cars.com

6:50 p.m. CDT, July 12, 2011

Texting, talking on a cellphone and other distractions caused by electronic gadgets cause up to 25% of car crashes, according to a report by the Governors Highway Safety Association, a nonprofit group working to improve traffic safety.

Drivers are distracted about half the time they're driving, according to the GHSA report. It also found that cellphone use and texting increase the risk of an accident. Like other recent reports, it says texting increases the risks more than simply talking on a cellphone.

The report also questions the effectiveness of handheld cellphone and texting bans. It found there's no conclusive evidence that talking via a Bluetooth headset or other hands-free method is any safer or less distracting than talking with a phone in your hand. The report also says that texting bans are proving to be difficult to enforce.

In this latest study, GHSA recommends states pass a complete ban on cellphone usage for novice drivers and a texting ban for all drivers. An earlier study by GHSA said it did not support a total ban of in-car phone usage and that texting bans may increase the amount of auto collisions.

Currently, 30 states and the District of Columbia ban cellphone use for novice drivers. Thirty-four states and the District ban texting for all drivers.

Some seniors to lose Illinois prescription drug help Sept. 1

By Monique Garcia Clout Street

5:11 p.m. CDT, July 14, 2011

About 43,000 low-income seniors and people with disabilities will lose help paying for prescription medication starting Sept. 1 after state lawmakers cut funding for a drug-assistance program in half.

That number represents roughly 20 percent of the 211,000 people currently enrolled in the Illinois Cares Rx program. Those that still qualify will see their co-payments for medication increase.

The Illinois Department of Healthcare and Human Services lowered income eligibility requirements and raised payments because legislators only set aside $53.7 million for the program, down from about $107 million in previous years, agency spokesman Mike Claffey said Thursday.

That means for a single person to qualify, they cannot make more than $21,780 a year, down from $27,610. A family of three's income cannot exceed $37,060 a year, down from $45,657.

Those who are still eligible for discounted drugs will have to pay more out of pocket. Co-payments for generic drugs will increase to $5.00 from $2.50, and brand name drugs will cost $15, up from $6.30.

Claffey said the agency decided to increase co-payments to keep more people enrolled in the program as the state continues to grapple with its "severe fiscal crisis."

The agency ran into a small speed bump putting in the place the new eligibility requirements.

Roughly 5,700 people across the state were mistakenly sent letters this month stating that they would no longer qualify under the new income standards. But the memos were sent based on outdated income information for enrollees. Claffey said the department is reaching out to those who got the letter to reassure them that they will still receive discounted medication.

Medicare doesn’t cover many health-care expenses for low-income seniors

‘It might get a whole lot worse’: Helen Johnson is a low-income senior left with high health care bills.

By N.C. Aizenman, Published: July 18

Helen Johnson gave a welcoming smile to the group of older men and women who had assembled at the senior center in the Maryland Eastern Shore town of Snow Hill on a recent evening. All of them were caregivers for spouses or parents with debilitating illnesses.

“We’re very concerned about you,” began Johnson, 74, who organizes support programs for a nonprofit agency serving the elderly. “You spend so much time tending to your loved ones, you don’t have time for your self.” But Johnson’s comforting message masked worries of her own. There was the gnawing pain in her arthritic knee, which gets so bad by late afternoon that she can’t stand up for more than a few minutes at a time. There was her dread of the drive home after dark, which has become difficult as her eyesight has weakened. And perhaps most wearying, there was the knowledge that despite her dislike of working evening hours, she had no alternative.

Nearly a decade after reaching retirement age and qualifying for Medicare, Johnson cannot afford to give up her job. Even with the paycheck it brings, her income is only a few notches above the federal poverty level. Her situation is so common that it presents an uncomfortable — and not always acknowledged — challenge for policymakers seeking to rein in spending on Medicare: Nearly half of Medicare recipients have incomes at or below 200 percent of poverty — $21,780 for an individual, $29,420 for a couple.

At a time of growing concern about federal deficits and the national debt, few dispute the need to take on Medicare. The health insurance program for seniors and others with certain disabilities already accounts for 15 percent of the federal budget — behind only Social Security and defense spending. And that share is expected to rise as health-care costs continue their upward spiral and more baby boomers retire, threatening the long-run solvency of Medicare.

Yet several of the most prominent solutions under discussion largely derive their savings by shifting a greater share of the cost onto beneficiaries. The Republican plan sponsored by Rep. Paul Ryan (R-Wis.) and passed by the House of Representatives in April, for instance, would substantially reduce federal spending on Medicare by capping the government's contribution to the program and transforming it into a system of "premium supports" granted to seniors to partially subsidize their purchase of private insurance plans, with seniors responsible for any additional costs. This would more than double out-of-pocket health-care spending by a typical senior to $12,500 per year, according to estimates by the Congressional Budget Office.

And the ability of many seniors to shoulder that burden appears questionable. Only 5 percent of Medicare beneficiaries have incomes of $80,000 or above, a figure that includes any income from a spouse. As for the 47 percent who are at or close to poverty, on average they are already spending nearly a fourth of their budgets on health care, according to an analysis of Medicare survey data by the Kaiser Family Foundation.

"There's this impression that there's a great deal of wealth among the Medicare population, this image of wealthy seniors playing golf and enjoying their retirement years," said Tricia Neuman, director of the Kaiser Family Foundation's Medicare Policy Project. "But while some are lucky to do so, many are living on a fixed income, struggling to make ends meet .□.□. with really limited capacity to absorb rising costs."

Back to work

Johnson, a single woman with a master's degree in education who spent a lifetime working for social service agencies, is in one of the toughest categories. Virtually her only retirement income is a monthly Social Security check of roughly $1,450. If she had to rely on that alone, her income would be just above 150 percent of poverty — too low to cover her bills but too high to qualify her for federal and other assistance programs that could offset her Medicare premiums and other health costs under either current law or the Ryan alternative. That plan also offers extra help only to seniors at or below 150 percent of poverty. (The Ryan plan would not apply to Johnson because it exempts current seniors, taking effect only as Americans 55 and younger reach retirement age.)

Johnson said she started feeling the pinch within a few years of her retirement in 2000. Her only son, beset with troubles of his own, was not in a position to help.

She said she started by eliminating the little luxuries: "no more dinners out with the girls; no more new clothes."

Then she dipped into her savings, all but depleting the roughly $30,000 in her 401(k) account to cover big-ticket expenses such as a forest green Toyota Camry to replace her old car and a new water pump and windows for her house, a four-bedroom bungalow her father built virtually by hand in the mid-1940s. She also took out a home equity loan to pay for a new roof, a debt on which she still owes $7,000.

And she never completely stopped working, initially putting in a day a week for her last full-time employer, a nonprofit agency based in Salisbury, Md., called Maintaining Active Citizens, or MAC.

Yet even bills that seemed manageable when she first retired started ballooning: $75 a month for a phone and DSL connection, where once she spent $34; $102 for a light bill that used to be closer to $50. Meanwhile, nearly a fifth of her Social Security check was needed for her Medicare and supplemental coverage premiums.

Four years ago, Johnson concluded that she simply had to work more hours.

The three-day-a week-job coordinating MAC's caregiver project has boosted her income by about $1,000 per month.

“It's helped me tremendously,” she said. “There’s not as much pressure to keep robbing Peter to pay Paul — you know, send a bill and pay only part of it, keep track of the gray periods when you don’t have to pay in full yet.”

But the respite feels precarious. Funding for the caregiver project expired at the end of last month. MAC’s executive director, Margaret Bradford, thinks she can patch together enough resources to continue employing Johnson while she applies for a new grant, but there’s no guarantee it will be approved.

And the job is of no use if Johnson can’t stay healthy enough to work. After years of bronchial trouble, she has developed chronic obstructive pulmonary disease, which can leave her breathless and tired. The medication she takes to control it has also caused her to gain substantial weight, exacerbating her arthritis.

‘I don’t want to be here’

But Johnson, a farmer’s daughter who put herself through the University of Maryland one night class at a time, isn’t ready to give up.

The stereo in the exercise room at the Peninsula Regional Medical Center in Salisbury was playing Fleetwood Mac: “Don’t stop thinking about tomorrow. Don’t stop, it’ll soon be here.”

Beads of sweat moistened Johnson’s brow as she strode on a treadmill set to 0.9 mph.

A nurse monitored Johnson’s heart rate and blood oxygen levels to ensure she was not overdoing it. The three-day-a-week pulmonary rehabilitation program is designed to teach patients strengthening exercises in a controlled setting.

This was Johnson’s eighth session, and she was not precisely enjoying it.

“My hands are going numb and my knee hurts,” she said, huffing slightly. “To be honest, I don’t want to be here. . . . But I see this as allowing me to stay mobile. We’re trying to find the solution to help me keep going.”

And if they fail?

“I face up to the fact that it might get a whole lot worse,” she said. “But I just pray and hope for the best. You can’t worry too far ahead because you’ll make yourself sick. So I’m just enjoying what I have and take things one day at a time.”

7 Secrets About Store Brands

Forbes

By Laura Heller, Forbes.com

Store brands—those generic labels we often equate with bargain quality—are among the fastest growing and most popular items for sale today. They provide more choices, help us save money and have come a long way from the bottom-shelf, hokey-labeled products from decades past. But not all store brands are created equal. You may be surprised to learn that an in-house brand isn't always what it seems.

A typical generic product (also called "private label") yields a higher profit for the store, even when it sells for a lot less than the similar national brand. That's because there are no marketing or advertising costs involved and why companies invest a good amount of money in creating private labels. Name-brand consumers pay for those Superbowl ads in the form of higher per item prices.

In Pictures: 10 Secrets About Store Brands

"Private label provides value and it's higher margin," says Natalie Berg, Global Research Director at Planet Retail, a retail intelligence agency in London. "In a down economy, it really ticks two boxes—boosts the bottom line and drives loyalty."

It's a common misconception that private label products are just the better known brand with a different coat of paint. Not true. There are dozens of small companies dedicated solely to developing store brands and they work directly with the retailer to develop the item, label and price points. Even when an item is made by a large well-known brand, it's not exactly the same. If a big brand like Heinz or Hunts decided to sell private label, it will make soup or pasta sauce, not ketchup. Companies want to expand their business, not destroy the existing one.

Perhaps most surprising is the number of house brands in the market that we don't even know are private label. Take White Cloud, for example. Once a widely available national brand of toilet paper, White Cloud is now sold exclusively at Walmart stores. Rock & Republic, a premium denim line available at luxury retailers like Neiman Marcus, will soon be a store brand (as of Spring 2012, it will be sold exclusively at Kohl's).

The bottom line is that store brands will save you money. A recent study from the Private Label Manufacturers Association found that consumers save an average of 33 percent on the total grocery bill by buying store brands. While most of us don't exclusively buy private label products, increasing the number of store brands in our shopping basket will have a noticeable impact at the cash register.

Not Just A Cheap Alternative

Store brands are not only the value option, they can be premium and specialty items. Private label organic options and ethnic foods are among the fastest growing product categories, representing value and high quality while offering something unique to the store.

Designer Private Labels

Those "exclusive partnerships" between a famous designer and retail chain are actually new store brands. Simply Vera by Vera Wang at Kohl's and Michael Graves kitchen accessories at Target are manufactured for, and sold exclusively at those stores.

Rising Above

Sometimes store brands transcend their limited availability and become national brands. Martha Stewart once had products only available at Kmart, but today sells a variety of lines at multiple retail outlets including her own web site. Sears Craftsman tools, Die Hard batteries and Kenmore appliances are store brands with arguably more cache and shopper loyalty than the store that started them. Store brands from Safeway like O Organics and the Eating Right labels are sold at other supermarkets, mostly in markets where Safeway doesn't have stores.

Inspiring Loyalty

Many shoppers express devotion to store brands above all others. Costco, Trader Joe's and Aldi, carry a higher proportion of store brands than other chains. And this is exactly why shoppers keep coming back.

Store Brand Camouflage

Using fancy packaging and strategic titling, retailers sometimes make it difficult to spot the store brand. Look at the label to see who the item is distributed by or for. Often the item will have the store's name or headquarters location--like Target's in Minneapolis.

Size Doesn't MatterIt's not just the big retail chains that carry store brands. All retailers have access to private label options and make sure to stock items in popular categories to remain competitive. Even online retailers are getting into the act. Amazon has the AmazonBasics line of consumer electronics, Denali tools and Pike Street bath and home products.

Inferiority Complex

Store brands aren't always just junk imported from China. Experts note that most food products are likely sourced domestically while all non-food items come from the same places, regardless of brand. All are subject to federal guidelines and safety standards.

Optimists might be less likely to suffer stroke, study suggests

A glass half full might have real health benefits -- a new study links optimism to lower risk of suffering a stroke. (Ballistik Coffee Boy via Flickr)

9:27 a.m. CDT, July 22, 2011

One more reason to keep your glass half full: Optimists might be less likely to have a stroke.

In new research, the more people believe good things will happen, the less likely they were to suffer a stroke within two years.

Psychology researchers from the University of Michigan examined data from 6,044 stroke-free adults from the Health and Retirement Study. The adults answered how much they agreed with statements like "In uncertain times, I usually expect the best," and two years later the researchers tracked which participants had suffered a stroke.

They found the more optimistic the person, the lower the stroke likelihood: On an optimism scale of 3 to 18, each point increase in optimism was associated with an approximate 10% decrease in the likelihood of having a stroke over the next two years.

Even when the researchers took into consideration a host of other variables related to outlook on life — anxiety, cynical hostility, depression, negative affect, neuroticism and pessimism — a smaller but still significant association between optimism and stroke remained. The results were published online Thursday in the journal Stroke.

Looking on the bright side of life has been linked to healthy outcomes in other research — in one study, optimists hospitalized with obstructive coronary artery disease were less likely to die within 15 years than those who were pessimistic about their recovery.

The authors of the most recent study suggest optimists might be more proactive about their health in general. They write in the discussion:

"People who have high optimism may engage in a healthy lifestyle that minimizes health risks and increases health and well-being. Perhaps, when people have a positive outlook on life, they undertake actions more likely to produce good outcomes."

5 Used Cars to Avoid (and 5 Better Alternatives)

Buying a used car can still be a process fraught with anxiety. To help with that, MoneyWatch looked at owner surveys to see which cars look like trouble, focusing on five separate categories.

By *Jerry Edgerton* | *CBS MoneyWatch* – Wed, Jul 20, 2011 2:57 PM EDT

Even though auto manufacturers have greatly boosted quality and reliability, buying a used car can still be a process fraught with anxiety. In addition to worrying about the honesty of the seller, you also want to be sure to avoid vehicles with poor reliability records.

To help with that, MoneyWatch looked at owner surveys to see which cars look like trouble, focusing on five separate categories. We focused on 2008 models — the year ranked in the latest dependability study from J.D. Power and Associates. Buying a 3-year-old used car also lets you shop after the biggest new-car depreciation already has taken place: Because used car prices have risen so sharply this year, 1- and 2-year-old used models can make worse financial sense than buying new.

To make our list of used-car rejects, a model had to get the minimum two out of five in the J.D. Power "circle ratings" for dependability. It also had to be ranked below average as a used car by Consumer Reports in its annual April car issue and online car rankings.

Here are our recommendations for used cars to avoid — plus some better ideas in the same categories. Volkswagen and Chrysler Group, which also makes Dodge and Jeep, both have two entries on our avoidance list.

Small Car: Volkswagen Beetle

The Beetle's cute looks and all-around appeal don't save it from being on the least reliable list. Owners of the 2008 model told Consumer Reports that they had trouble with the climate control system and power equipment, both of which can lead to expensive repairs. The convertible model is selling for $19,350 on dealer's lots according to the Kelley Blue Book web site.

- **Alternative: Hyundai Elantra.** Hyundai has had a remarkably strong sales year for new cars this year. But even in 2008, the company was making quality cars backed by its 10-year, 100,000 mile powertrain warranty. The Elantra got the maximum five circles in the J.D. Power reliability ratings and is ranked an above-average used car by Consumer Reports, where survey respondents reported no major problems. This model Elantra is selling for $12,435.

Midsize Car: Volkswagen Passat

Volkswagen strikes out again. Despite being praised by reviewers when new, the Passat gets the minimum J.D. Power two circles and a below-average rating from Consumer Reports. Readers there report problems with the fuel, electrical and climate systems and the power equipment.

The 2008 Passat is selling at dealers for $18,515, according to kbb.com.

- **Alternative: Ford Fusion.** Ford's first real contender in years against mid-size leaders Toyota Camry and Honda Accord, the Fusion won the reliability award in this year's J.D. Power survey. Consumer Reports gives it a top Much Above Average used car rating. Readers there reported no major problems with their 2008 Fusions. Dealers are offering the Fusion for $17,365, according to kbb.com.

Midsize SUV: GMC Acadia

Though its quality has improved in recent models, the 2008 Acadia is a repeat loser in this category. With the minimum two circles in the J.D. Power survey, it gets a worse than average used car ranking from Consumer Reports. Readers there reported problems with the suspension and audio system. The Acadia SLE model is selling for about $25,000 at dealerships, according to kbb.com.

- **Alternative: Toyota 4 Runner.** This 2008 Toyota stalwart won the J.D. Power reliability award and is rated much better than average as a used car in the Consumer Reports ratings, where readers reported no serious problems. Reviewers praise its capability both on the highway and off-road. The 2008 4Runner SR5 version is selling at about $27,730.

Large SUV: Ford Expedition

Even if you need large-capacity hauling and can ignore the lame mileage numbers (the Expedition is rated at 12 mpg in city driving, 18 highway), look elsewhere. The big boy of the Ford SUV line (whose model names all start with the letter 'E') gets the minimum two circles from J.D. Power and a worse-than-average Consumer Reports rating, where readers report problems with the transmission and the audio system.

The used 2008 Expedition sells for $23,530 in the XLT version, according to kbb.com.

- **Alternative: Toyota Sequoia.** In a category with no clear winner, the Toyota entry again looks like the best bet. It gets four out of five circles in the J.D. Power rating and an above-average rating from Consumer Reports. Reviewers praise its roomy seating and comfortable ride for long highway trips. The 2008 Sequoia SR5 version is selling at $31,265 at dealerships.

Minivan: Chrysler Town & Country

Chrysler originated the minivan and in most years has sold more than other companies. But sometime around 2008, manufacturing quality began to lag.

This Chrysler van got the minimum two circles from J.D. Power and a much-worse-than-average used-car rating from Consumer Reports. Readers there reported problems with the suspension, brakes, climate system and power equipment. The 2008 Town & Country LX version is selling at about $16,000 from dealerships.

- **Alternative: Toyota Sienna.** As it did last year, the Sienna wins the reliability award for minivans from J.D. Power, and it gets a better-than-average rating from Consumer Reports. Reviewers praise its comfort and seating; it holds up to eight people. The Sienna CE version is selling for an average $20,130, according to kbb.com.

  Despite Toyota's recent recall problems and lagging sales this year, its dominance of numerous categories in three-year-old used cars is a reminder of what a strong record of reliability it has achieved. Domestic companies certainly should not count out Toyota as a strong competitor.

Is it safe to split pills or take old drugs?

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A simple pill-splitter could be a good investment. (Ricardo DeAratanha, Los Angeles Times / July 25, 2011)

July 25, 2011

Whether you're treating a chronic condition or trying to stock your medicine cabinet with the basics, medications can be pricey.

To cut costs, you may be considering splitting pills or taking a medication after it has expired (though staring down a bottle of Tylenol purchased during the Clinton administration can make even staunch stomachs uneasy). You may well be wondering if cutting pills or ignoring use-by dates is really safe.

As if often the case in medicine, that's a simple question with a long answer.

Pill Splitting

It's basic math: Cutting pills in half can make a bottle of medication last twice as long. And if you only need half a pill to get the job done, splitting seems to make sense.

Some medications lend themselves to being halved, but certain others should never be split, says Dr. Norman Tomaka, a clinical consultant pharmacist in Melbourne, Fla. Splitting extended-release capsules, for instance, would cause a dose that's intended to be administered over several hours to be ingested all at once. In some cases, that might result in nothing more than a stomachache. But with drugs such as anti-seizure medications that need to be constantly active in the body, a sudden dose that then tapers off quickly could pose serious health risks.

Liquid gelcaps and tablets that contain powder or granules should also remain intact, says Bill Soller, a professor of clinical pharmacy at UC San Francisco. In addition to being essentially impossible to halve, if broken these types of pills can create safety hazards. "A good part of this is common sense. I know someone who spilled the contents of a pill on the floor and the dog got it." (The dog in this case was fine.)

Cutting a pill in half also cuts the dose in half, and patients shouldn't reduce their dose of medication without consulting a doctor first, Soller says.

Pill splitting works best when a pill with double the dosage costs the same as one with half as much, says pharmacist Marilyn Stebbins, who runs an educational cost-saving clinic in Sacramento. She points to a common scenario: If a person taking 20 milligrams of a medication can get 40 mg pills for the same price, buying the higher dosage and splitting them will result in twice as many pills over time, without changing the person's prescription.

Though it seems counterintuitive from a business perspective, many companies do charge the same amount no matter the strength of the pill, in part because they don't want patients to get sticker shock every time their dose increases, Stebbins explains.

Anyone planning to cut pills in half should invest in a pill splitter, experts say. Pill splitters, available at most drugstores for about $5, reduce the likelihood of the tablet crumbling or splintering, which can happen when using knives and scissors. "Something like a steak knife, which can have a fairly sharp cutting edge, still puts so much pressure on top of that pill that you're crushing it at the same time that you're cutting it," Soller says.

Some pills are scored down the middle with a straight, indented line that makes them easier to split. But a pill doesn't need to be scored to be safely halved, Soller adds. Statin drugs for cholesterol and antidepressants such as Celexa can be split even though they aren't marked, he says. Because these medications are intended to build up slowly in the body, he explains, it doesn't matter if one half is slightly larger than the other.

Tomaka adds that pills should be split one at a time and that the remaining half should be taken the following day rather than splitting an entire bottle at once. This ensures that the inside of the tablets won't dry out or otherwise react with the air, he says.

Expiration dates

In 1979, the Food and Drug Administration began requiring manufacturing companies to label medication with an expiration date.

Some pills have expiration dates lasting two years, but most new medications are good for about one year. These dates are based on lab tests that measure how quickly a drug breaks down under the conditions in which it's meant to be stored.

These tests, and the resulting dates stamped on bottles, represent the company's best estimate of how long a drug is guaranteed to be safe and effective. But medical and pharmaceutical experts agree that most medications aren't likely to stop working immediately after that date. "I don't know any particular instance where if you took a drug that was beyond the expiration date, there would be a safety problem the next day," Soller says.

The primary concern with expired medications is that they may have lost their potency, not that they may have turned toxic, Stebbins says. An exception, she notes, can be liquid medication or gelcaps, in which the product could potentially develop mold or become rancid, especially if left open or stored improperly.

Expiration dates are somewhat controversial. Some experts suspect that drug companies have used them as a way to sell more products; Soller notes that the staying power of some over-the-counter medications used to be a selling point for manufacturers. "The shelf life for Bayer aspirin was once 10 years," he says.

FDA tests of drugs stockpiled by the U.S. military have found that many were good for years past their expiration date — in a few cases, as long as 10 or even 15 years later. But Mansoor A. Khan, director of the FDA's division of product quality research, cautions that those results don't apply to the average consumer. He notes that the military keeps drugs in well-controlled conditions that are a far cry from a medicine cabinet in a steamy bathroom. "We cannot really ensure proper conditions for consumer products, which are stored differently, and opened and unopened," he says.

If you're concerned about pill splitting, expiration dates or any other medication issue, it's best to consult with a doctor or pharmacist on a case-by-case basis, Soller says. That way you can have "a reasonable assurance that you get what you paid for," he says. Without a dangerous surprise.

Medicare beneficiaries struggling with prescription drug coverage

By Julian Pecquet - 07/25/11 04:18 PM ET

Five years after the launch of Medicare prescription drug coverage, many beneficiaries are still struggling to sign up, according to a new **report** from the Medicare Rights Center.

The report highlights how hard it is for beneficiaries to choose among "a multitude of plans that have different benefit structures, pharmacy networks, formularies and rules for accessing benefits." It found that 43 percent of respondents to a recent survey chose to enroll in plans recommended by the Medicare agency's online Plan Finder tool, while 57 percent chose not to.

"This report reinforces what we hear time and again on our helpline," center President Joe Baker said in a statement. "The Part D plan selection process is enough to make many beneficiaries and their loved ones throw up their arms in surrender. People simply want to be able to find and enroll in the drug plan that is right for them, without getting stuck in a morass of indistinguishable plan options."

The report makes four primary recommendations for the Centers for Medicare and Medicaid Services: beneficiaries and their advocates should be able to identify the most comprehensive and affordable plan upon their initial Plan Finder search; the data should be reorganized and a decision tree created to help guide them; Medicare resources should provide consistent information; and CMS should consolidate plans that lack meaningful differences in order to give beneficiaries access to a manageable number of meaningfully distinct plan choices.

Social Security Tools Can Help Maximize Benefits

by Robert Powell

Tuesday, July 26, 2011 MarketWatch

New online tools can help retirees — with some caveats

One of the most critical decisions older Americans face is when to start their Social Security benefits.

People often claim their benefits at the earliest age possible — 62. But experts say it's best to wait until one's full retirement age, or even age 70, which is when one is eligible for the largest monthly benefit possible.

According to many experts, Social Security beneficiaries often leave a lot of money on the table by claiming early. It's prudent, therefore, to run the numbers to determine the best age to claim.

They are numbers worth crunching given what Social Security represents to the average American's balance sheet. Some estimate that the net present value of a stream of monthly Social Security checks over the course of retirement represents one-third of the average American's assets. It represents about 20% of total income for those Social Security beneficiaries in the highest income quintile, and 83% for those in the lowest income quintile.

New Online Tools

But trying to get a handle on when to take Social Security has been a chore, partly because there were few online resources save those offered on the Social Security Administration's website. Now, however, a growing number of organizations are launching tools, including two this month, designed to help Americans decide when to claim Social Security.

AARP, a lobbying group for older Americans, recently launched a free online calculator that is powered by a company called LifeTuner, and Social Security Solutions launched a suite of online and off-line for-fee services.

More than half of those claiming retired-worker benefits in 2009 chose to receive benefits as soon as they became eligible at age 62, according to AARP. "But that decision comes at a cost of lower monthly benefits, potentially decreasing one's lifetime retirement income by a significant amount," AARP said in a release.

According to AARP, its calculator helps people weigh the variables and make an informed decision for their individual circumstances. The calculator walks users through a question-and-answer format and provides estimates for both monthly and lifetime benefits across a range of ages. It also allows users to customize their experience by calculating spousal benefits and taking into account the impact of continuing to work while collecting benefits. Also, it gives users the opportunity to compare estimated monthly benefits to expected expenses in retirement, and to print a personalized summary report. Try the new AARP calculator here.

We asked various Social Security experts to review the new AARP calculator and provide us with objective (and, given that a few experts offer competitive tools, some subjective) feedback. Here's what they had to say.

A Good Start

In general, experts who evaluated AARP's tool largely praised the calculator as a good start, but they also said there's room for improvement.

"I applaud AARP for providing the public with this useful online tool... and [for] emphasizing the positive financial benefits associated with delaying claiming past age 62 and even past the FRA [full retirement age] or what some also call the normal retirement age, which is now 66," said Jason J. Fichtner, a senior research fellow at the Mercatus Center at George Mason University.

"Far too often people choose to begin Social Security retirement benefits at age 62, not realizing that there's a 6% reduction in benefits for each year below the full retirement age," he said.

With the FRA now at age 66, Fichtner said someone taking benefits at age 62 would receive a 30% reduction in monthly benefits. "If that same person waited until age 70 to begin benefits, the monthly payment would be 76% higher than that age 62 initial benefit and 32% higher than initial benefit if they claimed at age 66," he said.

Elaine Floyd, a certified financial planner and director of retirement and life planning at Horsesmouth LLC, found the calculator to be "surprisingly accurate." Horsesmouth, a website for financial advisers, offers for-fee Social Security benefit claiming tools.

Others, however, said AARP's focus on how "it pays to delay" is not the proper emphasis. William Meyer of Retiree Inc. and Social Security Solutions, which offers a suite of fee-based benefit-claiming tools and services, praised AARP for building awareness for this topic. But he said the key difference between his firm's message and AARP's can be summarized in the marketing tag lines: "AARP promotes 'it pays to wait.' Our tagline [is] 'We get you more.'"

It's Personalized

The AARP tool starts off by gathering details about your situation, including annual earnings and whether you are single, married, or divorced.

You have the option of entering either your projected Social Security benefit based on your current salary or your actual benefit based on your actual earnings history. To do the latter, you must visit Social Security's website or review your paper-based benefits statement, which we should note won't be mailed this year.

The experts said it's best to use your actual earnings history from SSA. Using your current earnings could overstate your benefit because your earnings today are likely higher than in previous years; you also might understate benefits because you underestimate future salary increases

Laurence J. Kotlikoff, a professor at Boston University and president of Economic Security Planning Inc., said AARP's calculator is providing a low-ball estimate of one's future benefits because it ignores projected future growth in economy-wide average annual earnings. Economic Security Planning offers a benefits-claiming calculator called Maximize My Social Security for $40 per year.

Kotlikoff said his firm's calculator takes into account the person's entire earnings history and then projects using the Social Security Trustees' assumptions of future real wage growth. "This last issue is, potentially, a big problem," he said.

For the record, the AARP calculator does let you change two default assumptions: the discount rate or rate of inflation, which is set at 3%, and your annual salary raise rate, which is also set at 2.5%. But you could either overstate or understate the future rate of your salary increases.

Fichtner also praised the tool because it asks users whether they are a current or former government employee. Those workers are subject to what's called Windfall Elimination Provision and Government Pension Offset, which could result in a person getting a lower benefit amount than both the AARP and SSA benefit tools will estimate.

"The WEP/GPO offset has been a nasty surprise and financial shock to many former government workers when they start receiving Social Security retirement benefits," said Fichtner. "The more we can highlight the existence of the WEP and GPO so that people are better informed and can plan appropriately, the better."

Married or Divorced?

The calculator, in asking whether you are married or divorced, helps users sort through some of the lesser known facts and strategies about claiming Social Security. As some know, there are at least two strategies that "marrieds" can use to maximize their household's benefits, and the calculator does that, according to Dana Anspach, a certified financial planner and principal and financial adviser with Sensible Money LLC. "It provides clear instructions on how to maximize benefits for 'marrieds,' and tells you exactly when each spouse should file," she said.

For married couples, for instance, it recommends either the file-and-suspend or claim-now-claim-more-later strategies as appropriate, depending on the ages of the spouses, said Floyd of Horsesmouth.

"For myself, it suggested that I claim my divorced-spouse benefit at 66 and claim my own benefit at 70," she said. "This is something I might not have thought to do if I'd had little knowledge of how Social Security works. Many people will be surprised by the strategies concerning spousal benefits, but they are absolutely legitimate and provide extra income to couples and to divorced women and men while they are delaying their own benefit to age 70.

When to Claim?

One of the best features of the AARP calculator is that shows users in a personalized manner their monthly Social Security payout based on the age at which they might claim. In my test drive of the calculator, for instance, the monthly benefit when claiming at age 61 is $1,672 verus $2,946 at age 70.

Fichtner praised this feature of the calculator, but said the tool could be improved by adding the percentage increase in benefits that accrue from delaying. "While the dollar numbers really do drive home the benefits of delayed filing, also seeing that your age 70 monthly benefit would be more than 75% higher than your age 62 initial monthly benefit says a lot as well," he said.

Meyer, of Retiree Inc., said this about AARP showing monthly versus cumulative benefits: "The logic in the AARP tool strives to maximize monthly benefits," he said. "This is an interesting approach, but not as smart as strategies that maximize the cumulative value of all the benefits over the person's life. The claiming strategy to optimize for the most monthly benefits is not always the strategy for maximizing lifetime cumulative benefits. Our motto is 'don't leave money on the table' so we get you the most over your lifetime."

Others agreed that showing monthly versus cumulative doesn't reveal the whole picture. "It's not clear what is being maximized," said Kotlikoff. He said his firm's calculator focuses on the simple present value of benefits. "The AARP tool claims to maximize monthly benefits," he said. "But for married people it's recommending filing-and-suspending strategies, which clearly don't maximize immediate monthly benefits. The AARP tool can't be getting the right result for someone with a very short maximum age of life."

How Much of my Expenses are Covered?

In creating a retirement-income plan, experts often recommend that retirees use their fixed sources of income, such as Social Security and defined-benefit pension plans, to pay for their fixed (and sometimes their discretionary) expenses.

Another positive feature of the AARP calculator is that it shows what percent of basic living expenses Social Security benefits will cover at different ages. In my test drive of the software, for instance, the calculator suggested by waiting to claim Social Security at age 70, the benefit would cover 95% of basic monthly living expenses (food, housing and utilities, clothes, transportation, health care, insurance and other expenses). By contrast, the benefit would cover only 54% of monthly expenses by claiming at age 62, and 75% of monthly expenses by claiming at age 66.

One negative about the tool: The calculator allows you to change the overall rate of inflation for basic living expenses, but not the inflation rate for various monthly expenses, such as health care, which tends to inflate at a faster rate than other types of expenses, especially in retirement.

Another negative note: AARP's expense ratio calculation seems a bit high when compared to other research that suggests Social Security benefits cover much less than 54% of basic expense for the population at large.

Claim and Keep on Working?

One positive about the calculator is that it recognizes that many older Americans are earning income while collecting Social Security benefits. In fact, depending on one's race, earned income might represent anywhere from 35% to 48% of total income for those age 65 and older. AARP wrote a report on the subject (PDF).

Collecting Social Security while earning income can complicate the retirement-income planning process. Beneficiaries have to consider the effects of taxes, benefit reductions, and the like. The AARP tool does that.

"One advantage it has over every other tool I have seen is the ease with which it incorporates the effects of working before FRA," said Anspach.

How Long Will I Need Guaranteed Income?

If you knew your date of death, you'd know exactly how long you needed guaranteed income. Given that there's no answer to this question, the AARP does the best it can do by showing users the average life expectancy for the person using the tool.

So, for instance, those age 65 have an average life expectancy of an additional 18.6 years (19.9 years for females and 17.2 years for males). But as we all know, very few Americans die at average life expectancy. In fact, half die prior and half die later than the average.

The AARP calculator does address this very real issue. Users learn that a person born in 1955, for instance, has a 95% chance of living to age 75, 85% chance of living to age 80, a 65% chance of living to age 85; a 45% chance of living to age 90; and a 15% chance of living to age 95.

But many experts said AARP's tool could benefit from incorporating longevity risk into the program. For instance, Anspach said, "The tool may be missing one key component that SocialSecuritySolutions.com does well, which is balancing the goal of maximizing benefits with the goal of protecting against longevity risk.

"AARP's tool seems focused on maximizing based on a long life; sometimes there is a hybrid strategy that provides substantial benefits in case of a long life, while also hedging against the risk of one or the other dying young," she said.

In the test case Anspach ran, if either spouse died young (between the husband's ages of 69 and 80) they would be missing out on significant benefits with the AARP claiming strategy, and they would only regain those if both spouses lived long. (The SocialSecuritySolutions.com tool, although not free, delivers this hybrid recommendation, Anspach said.)

Meyer, not surprisingly, agreed. "The AARP calculator uses average life expectancies and assumes you are healthy," he said. "Overall, we feel mortality assumptions are one of the largest inputs. It needs to be personalized, and the user of a tool should evaluate different outcomes since consumers typically underestimate how long they live. We call this longevity risk and show claiming strategies that both maximize benefits, but are also a hedge if you live longer than you expect."

Room for Improvement

No online calculator is perfect. The simpler the tool, the less personalized and precise the results are likely to be. The more complex the tool, the less likely an average person will use it.

With its calculator, AARP has largely struck that fine balance between precision and usability.

But there is room for improvement, experts said. Meyer, for instance, said the AARP calculator is not flexible from his perspective. For instance, it does not allow the user to change the primary claiming strategy they deliver. "You can change inflation and some other general inputs, but the drivers such as the start date or spousal switching is not part of the calculator that the user can vary or change to see the impacts," he said.

The calculator from Meyer's firm, he said, delivers a recommended solution but individuals can and do change and personalize it to their situation, varying mortality, start dates, and the like.

Other experts also had ideas to improve the AARP tool. "I would recommend the AARP tool, and only wish it offered a bit more in the way of being able to compare one claiming choice to another," said Anspach. Then the consumer can evaluate and analyze the merits of different approaches.

For her part, Floyd said, "If I could add one thing to the tool, it would be to show benefit amounts in the future based on claiming decisions made today. For example, if the husband claims Social Security at 62, his surviving spouse will have an income of $X when she is 85. But if he delays to age 70, her age-85 income will be $X." She said the Horsesmouth Savvy Social Security calculators do show this, and it's a powerful illustration.

Fichtner said AARP's calculator does provide pop-ups with further information, including some links to the SSA website. But it's missing what Fichtner said is a useful SSA two-pager: When to Start Receiving Retirement Benefits. See it on SSA's site (PDF).

Make Up the Difference

For many would-be Social Security beneficiaries, the decision to claim or not rests largely on whether they can generate adequate income from other sources to make up the difference between what they would collect and what they need for living expenses.

For instance, in my test drive of the software, I would collect $1,822 in Social Security by claiming at age 62. All else being equal, a would-be beneficiary would need to generate at least that much from other sources, such as earned income and assets and accounts earmarked for retirement such as an IRA or 401(k). The tool doesn't quite address how a would-be beneficiary could make up the difference, or what the best strategies to employ might be. It simply suggests that waiting to collect will result in a larger benefit later.

It would be useful to provide users with tools, strategies and techniques to make up the difference, be it from earned income or other assets, such as IRAs and the cash value in a life insurance policy.

Other tools

There are several other calculators and resources online. Financial advisers might consider using Horsesmouth's suite of tools and books at this website.

For free tools, try the following sites:

The Social Security Administration's website

AnalyzeNow.com

The Social Security Claiming Guide, offered by the Center for Retirement Research at Boston College

Tools are available for a fee on these sites:

Social Security Solutions

Maximize My Social Security

Will it Work?

At the end of the day, the real question is not so much whether AARP's calculator is good or not, but whether anyone will use it and, more importantly, whether it will change people's claiming behavior.

"Despite overwhelming evidence that delaying benefits is the optimal strategy, my conversations with advisers and pre-retirees suggest that people still want to grab their 'free money' at 62," said Floyd. "Reasons range from 'I need the income now' to 'I'd better grab what I can before Social Security runs out of money,' which is not a valid reason."

The fact that the AARP tool personalizes the claiming question and shows the consequence in terms of how much of your monthly expenses will be met by Social Security may or may not affect people's actual behavior, said Floyd.

"I sincerely hope it does," she said. "Otherwise the baby boomer retirement crisis could end up being just that: 20 to 30 years from now people living on reduced incomes because they were too shortsighted about when to claim Social Security benefits back when they were in their 60s." (The above was drawn from an article that appeared in a recent issue of Retirement Weekly.)

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