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Finding Unclaimed Pension Benefits

By KELLY KEARSLEY

The man was only 56 years old but was dying of liver failure from years of alcohol abuse. Shortly after he was admitted to a nursing home, his wife called her mother's financial adviser for help managing his short-term medical bills and developing a longer-term financial plan.


Anthony Saccaro

"Her husband was on his death bed. She had all these changes going on and she didn't know what to do," said Anthony Saccaro, president and founder of Woodland Hills, Calif., Providence Financial and Insurance Services, Inc., a registered investment adviser that manages $10 million in assets for 100 clients and provides financial planning and annuities for another 300 clients.

The woman, 60, was still working as a teacher, and her husband had been a computer programmer. The couple had saved little: The husband's 401(k), which had about $65,000, was the extent of their retirement savings.

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Realizing that the situation was critical, Mr. Saccaro worked to ensure that the couple's finances were in order and that the wife would be financially secure after her husband died. He first tackled their immediate needs by helping the couple sign up for California's Medicaid program, which covered 100% of their nursing-home costs. He also recommended that they draft the appropriate advance-care directives for the husband.

Next, the adviser addressed the wife's retirement needs. In questioning the couple, he learned that the husband had a pension from a previous employer that he wasn't yet receiving. Mr. Saccaro called the company and learned that the husband had to start collecting payments before he died in order for his wife to be eligible for spousal survivor benefits.

Mr. Saccaro reviewed the plan's payment options and recommended the husband take a monthly payment that reduced his benefit by about $500 a month, but provided the largest surviving spouse with a benefit. With their adviser's help, the pair filled out the paperwork for the husband to receive $1,200 a month, which would allow his wife to receive the same monthly payment after his death.

Seeking additional sources of potential retirement income for the wife, Mr. Saccaro suggested rolling the $65,000 from the husband's 401(k) into an individual retirement account and invest the money in an indexed annuity with a 10-year term.

(Mr. Saccaro notes that unlike life insurance policies, insurance companies at the time didn't ask about the health condition of annuity holders. However, new regulations require health disclosures for annuity purchases).

The annuity provided the couple with an immediate 9% bonus, boosting the account value to $71,000, and guaranteed the principal the couple had invested. But more important in this case: It came with a death benefit that allowed the surviving spouse to receive the total value of the account penalty free if the owner

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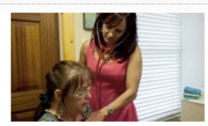

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died before the end of the 10-year term. "We could have left it in the 401(k), but there was no guarantee of investment performance," Mr. Saccaro said. "Plus, this offered the bonus."

When the husband died two years later, she received his pension as well as the full amount of the annuity, which had grown to $92,000. She used $20,000 of that money to cover the family's remaining medical bills and pay off her credit-card debt. Mr. Saccaro then advised her to invest the rest in another index annuity, which also offered a 9% bonus.

The woman is now retired with the annuity representing the bulk of her assets. She plans to begin drawing on it in about five years. But she is earning about $4,000 a month via her pension, her husband's pension and Social Security benefits.

The adviser's fast action regarding the dying husband's pension made the difference between his client struggling to make ends meet and sustaining her lifestyle in retirement. "It's critical to make sure nothing slips through the cracks," said Mr. Saccaro.

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