Personal Finance: There Are No Shortcuts to Financial Security

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Editor's note: This article provides general answers to questions about personal finance. Readers should consider their individual circumstances and/or consult a professional when making decisions about financial matters.

Given the rigors of our profession, we perioperative nurses know how to work consistently and reliably through all types of situations. Qualities associated with perioperative nurses include keen skills in assessment, identification of desired outcomes, detailed planning and implementation, evaluation, and critical thinking. We are technologically knowledgeable and organized. Collectively, these traits lend themselves well to sound financial decision making and the ability to manage our money even in these unprecedented times.

The good news is that the Bureau of Labor Statistics within the US Department of Labor recently concluded that employment of RNs is expected to increase 23% through 2016; much faster than average job growth for all other occupations.[1] The Department of Labor projects the generation of 587,000 new RN positions during this same time period, partially as a result of advancing technology and expanding roles that require nurses' unique education and skills. Because of the high stress and demands of the perioperative environment, job turnover is greater there than in other hospital departments, resulting in more frequent job openings. Additional growth has already been seen in ambulatory surgical settings, and the trend toward outpatient procedures is expected to increase.[1] Despite a decline in part time and travel opportunities,[1] we can afford to be optimistic about remaining employed, and we should look to ways to secure our earnings. This column addresses some common personal finance questions.

Question 1: Retirement Savings

I am getting older and do not know how much longer I can realistically continue in such a physically demanding job. I am almost 50 and have saved for retirement, but my account value has dropped 39% in the last year. What should I do to recoup these losses so I can retire?

Answer: For many people, the current financial crisis has wiped out eight years of savings and has created a real hardship. Because the markets remain essentially down, it may seem that you will never be able to retire. However, there are steps you can take. For those of you in your 40s and 50s who can continue to work in some capacity for 15 to 20 more years, time is on your side.

ABSTRACT

Perioperative nurses have skills that lend themselves to sound financial decision-making, and during these difficult economic times, it is important to know how to secure earnings for the future.

Key strategies include saving for retirement, consulting a financial advisor, investing in reliable vehicles, holding investments until the market stabilizes, and controlling credit card debt.

Nurses can use the nursing process of assessment, diagnosis, planning, implementation, and evaluation to help them make sound financial decisions.

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Expecting to totally recoup your portfolio may be unrealistic, but a the possibility of a comfortable retirement is not unrealistic.

Save for retirement. To improve your odds in what will continue to be a volatile market for the foreseeable future, the general recommendation for people in their 40s and 50s is to save at least 15% of their gross salary each year just for retirement. If you have not been saving for retirement at 10% to 15% all along, it is time to increase the contribution to something more than 15%, up to as much as 30%. I know this sounds stringent, but consider what is at stake. Nurse's salaries are at an all time high, and even with family obligations and other looming expenses (eg, college tuition), saving is a wise choice, particularly since retirement contributions are taxed differently than other types of accounts.

Individual retirement accounts. Making maximum contributions to your retirement accomplishes key security goals. There are two basic categories of individual retirement accounts (IRAs): traditional and Roth. When you make payments to a traditional IRA, contributions are invested from your pretax salary so you do not pay taxes on the amount invested at that time. The effect is to reduce your taxable income, and this potentially may qualify you for a lower tax bracket. This allows you to decrease tax payments and, importantly, to allow your retirement money to grow tax-free until you are of retirement age. The savings will grow more rapidly than they would in a bank account because of the increasing investment value as well as compounding interest over time.[2]

When a retiree reaches the age at which he or she must withdraw payments from the fund, taxes must be paid. At retirement age, most retiree's income is lower than in previous years, placing the individual in a lower tax bracket. You will receive the increase in value of the fund over time instead of the government decreasing the contribution via earlier taxes.[2]

The Roth IRA is a different type of tax-advantaged account into which one makes contributions with post-tax dollars. The money then grows tax-free until the account holder receives payments at retirement. One does not pay taxes on the growth and earnings of the account and does not pay taxes on the retirement payments. To qualify for a Roth IRA, your income as a single payer in 2009 must be less than $105,000 or less than $166,000 for those married and filing jointly. Individuals who will be 50 years of age or older by the end of 2009 can contribute up to $22,000 to their 401(K) and up to $6,000 to a traditional or Roth IRA.[2]

The following sample calculation illustrates the benefits of a traditional 401K fund and of a Roth IRA:

- 401(K)—The maximum yearly allowable contribution set by the Internal Revenue Code at $15,500 each year for 20 years would yield an actual investment of $310,000. After the 20 years of growth and interest at a conservative interest rate of 6%, that sum would yield $604,387.
- Roth IRA—A yearly contribution of $5,000 for 20 years totaling $100,000 invested, again calculated at an interest rate of 6%, would yield $194,964. After 30 years the account would yield $419,008.[3]

To perform a customized calculation based on your individual financial data, you can access Financial Calculators at *http://www.dinkytown.net/java/RetirementPlan.html#calc.*[3]

Employer contributions. Some employers contribute to employee's retirement accounts. If you are negotiating your salary and benefits for a new job, be sure to include the employer's contribution to your retirement plan in the discussion. Although the organization may not be able to adjust the salary or hours offered, it may be able to escalate the contribution to your retirement fund.

Investment guidelines. Make sure you are following the investment guidelines specific to your age. Guidelines are widely available.[4,5] Specifically, workers in their 40s should have 80% of their retirement savings in stocks and 20% in bonds. Workers in their 50s should have 60% invested in stocks and 40% in bonds. A wise recommendation is to reallocate these percentages on your birthday each year after age 50, decreasing the stock contribution by 1% each year and transferring it to the less risky bond category. So, on one's 51st birthday, he or she would reallocate 59% to stocks and 41% to bonds and continue the pattern each year.[4]

Investigate new job opportunities. The unfortunate truth is that most of us are faced with working five years longer than we had planned, and if you are concerned about the physical rigors of working in the OR, you may want to explore new roles within health care or education. A recent wave of grants in the last year has gone specifically to fund new faculty positions in an effort to educate the large number of students applying for admission to nursing programs.

Question 2: Investments

All the investments seem to be decreasing in value. Where is it safe to put my money?

Answer: It is hard to know which institutions to trust with the money we work to earn. Experts predict lower than average returns on any investment for the next 10 years. The number of investment instruments marketed to us is overwhelming, and even with expert advice, we still need to do our own research and make investments based on our best interest. There is help in the form of a special group of financial planners who work on a not-for-profit basis, the National Association of Personal Financial Advisors (NAPFA).[6] These professionals work with individuals on a comprehensive financial plan; they charge no commissions and require a fee for their time only. They are a highly screened and selective group of experts.

Choosing an advisor. When choosing a financial advisor, you may consider asking the following questions:

- What certifications do you hold? The answer will speak to the advisor's competence and dedication to the field and should demonstrate his or her understanding of financial strategies, risks, goals, and objectives.
- How long have you been a financial advisor? This will give you an idea of the advisor's experience. The most important factor is to have a trusting working relationship with the advisor you choose, however, so you do not necessarily have to rule out a professional with less experience, particularly if you can ascertain that he or she has an experienced and successful mentor within the firm.

The number of investment instruments marketed to us is overwhelming, and even with expert advice, we still need to do our own research and make investments based on our best interest.

- Are you a registered investment advisor (RIA) or an investment advisor representative (IAR)? Both of these certifications lend credibility because they require passing professional examinations and membership in a professional organization, which sets the advisor apart from those less qualified. An RIA is registered with the Securities and Exchange Commission (SEC) because he or she has more than $25 million under management. Such registration is not an endorsement from the SEC; it means the advisor is regulated by that organization. To participate, the advisor has passed a series of examinations sponsored by the North American Securities Administrators Association.[7]
- How do you make money? This is an awkward question but an essential one. The advisor is in the business of making money, and it is your money at stake. If the advisor makes money via commissions (as NAPFA advisors should not) then a conflict of interest may exist. The advisor may recommend that you purchase a security that pays him or her a higher commission over one that is beneficial to you. Ask about hourly fees or flat rate fees for services.

Buy and hold. In the meantime, most advisors agree that the prudent step at this volatile time is to hold your current assets. Now is not the time to look for that great financial investment to end your worries; it does not exist. The buy and hold strategy is valid until the monetary

Until new investment vehicles become available, it is wise to continue contributing the maximum amount to your retirement account, invest in certificates of deposit, buy bonds, and reduce credit card debt.

climate changes. As the recovery builds, more actively managed investment tools will become available, taking a form similar to managed mutual funds.

Mutual funds are pools of investments managed by the investment company. The funds contain a mix of stocks, bonds, and companies in their holdings and are therefore diverse and complex. To invest in a mutual fund, you buy shares in the fund with an initial sum of money transferred to the investment company. In return, you receive a set number of shares, representing a fraction of ownership in all of the mutual fund's holdings to be managed by the employees of the fund.[8] The new instruments will be designed to respond immediately to fluctuations in the currency, commodity, stock, and bond markets by employing leaders and regulations that are more nimble and able to counter real time changes in the markets.

The money market is a global financial market for short-term borrowing and lending. It consists of financial institutions borrowing and lending mostly to each other; a money market fund is a mutual fund that invests only in short-term securities and is open to individual investors but is not federally insured.

What to do now. Although "buy and hold" is the way to go presently, look for new offerings in the coming two years. Until then, there are four things you can do.

1. Contribute to your retirement account at the highest level possible.
2. Invest in certificates of deposit (CDs), also known as time deposits, that are offered by banks or investment companies. The certificate is issued in exchange for a fixed sum of cash deposited for a specific amount of time, for example, a six-, 12-, or 18-month term. In exchange, the bank guarantees that the sum will earn a specific unchangeable interest rate until the maturity date at the agreed upon term. The benefit to you is that the interest rate cannot decrease and the rates offered on CDs are customarily higher than for other investments. Certificates of deposit are federally insured up to a certain amount. Money-rates.com compares current CD rates from 200 banks.[9]
3. Buy bonds. Bonds are certificates that represent money the government or agency has borrowed from private citizens. The bond issuer (ie, government or agency) owes the purchaser/bondholder a debt and is obliged to pay back the principle (ie, original investment) with interest on an agreed upon future date (ie, the date of maturity). Bonds are recommended because even in bankruptcy, bondholders are paid off before stockholders. Buying municipal bonds is a win-win because they typically have high ratings and the money will be reinvested to benefit your community. Bond ratings can be found at *http://standardandpoors.com.*[10]
4. Decrease spending and minimize your credit card debt. This may be one of the hardest things to do. To assess your situation and get reorganized, visit *http://www.mint.com*[11] for free personal finance downloads.

Question 3: Emergency Fund

If I am working, why do I need an emergency fund?

Answer: Ideally, you will never lose your job, but the key reason to be prepared, no matter how old you are, is to keep you out of debt. Unforeseen medical events, injuries, or costly home or car repairs can exceed most people's monthly cash flow. To maintain a budget and spend less during a crisis, we need to have a sum of money set aside for such unpredictable expenses. If a personal sentinel event occurs, you can use the emergency savings account instead of putting associated charges on your credit card, which will accrue interest payments. The most conservative advisors suggest keeping enough cash or liquid assets (eg, money markets, mutual funds) available to get through one year of living expenses, but most of us cannot do that. Three to six months' reserve will do, but you should start putting away $20 to $100 each month in a separate account that is absolutely off limits for anything except emergencies, and then hope that you will never need it.

Credit card debt. Limiting your use of credit cards is imperative since the terms of credit are changing daily. Credit card companies are adding fees and changing terms and interest rates (up to 32%) without much warning.[11] It is a number one priority to minimize your credit card debt and prevent its accumulation. If you have debt on more than one card, a good strategy is to pay off the account with the highest interest rate first.

An increasing number of Americans are using their credit cards to get through this financial crisis.[13] In an attempt to protect consumers with poor credit from unfair practices by credit card companies, Congress approved and President Barack Obama signed into law the Credit Card Accountability Responsibility and Disclosure Act of 2009.[14] Key points of the legislation include that

- credit card bills must be sent to the customer a minimum of 21 days before the bill's due date,
- customers must receive 45-day notice and an explanation before a higher interest rate will be assigned to their account debt,
- the highest interest-bearing portion of credit card debt is settled first,
- card fees cannot be imposed unless a customer is 60 days late with a payment, and
- no consumer under age 21 can be a primary cardholder.[15]

Together, these protections for the consumer spell dollars lost to the credit card companies. The credit industry's reaction has been directed toward recouping concomitant losses by charging more and giving less.[16] Eliminate the credit card company's power over your money by paying down your credit card debt, decreasing spending, and paying off your card balance every month. An emergency fund can keep you out of debt. You take safety precautions at work; you can do the same with your personal finances.

Using the Nursing Process

Although, as nurses, our training may not be in finance, we can use the nursing process of assessment, diagnosis, planning, implementation, and evaluation to make sound financial decisions. When reviewing your household finances, it is helpful to:

- Assess—What are the household needs at this time (eg, monthly budget, retirement savings, college savings, emergency fund)? What is the household income after taxes?
- Diagnose—What evidence do you possess to make a judgment? What is the performance history of each of your current investments? Are the current investments insured and at a level of risk of loss that the household can tolerate? How are other options (ie, similar competing investments) performing? Can you make a better choice?
- Plan—Consider the strategy as a whole by prioritizing needs and deciding how long you have to save for a particular goal. Plan a proportion of investments for long-term growth, and then after deciding how much risk you will accept, plan a proportion for more aggressive growth or income. These investments can be distributed among diverse vehicles including retirement funds, CDs, bonds, and stocks depending on your goals.
- Implement—After you have asked these questions of yourself, it is time to consult an advisor and make decisions about your savings and investments.
- Evaluate—Although you may want to monitor your investments on an ongoing basis, plan to perform a formal evaluation at three months, six months, and 12 months to compare the actual performance of the instrument and your goals. An advisor may be helpful at this time, but your active role in your finances is vital.

By using sound financial strategies, we can begin building security for ourselves and for our families. – AORN –

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Superobese Patients Have Higher Postoperative Mortality

Patients who are "superobese" (ie, have a body mass index [BMI] higher than 50) are at a greater risk of mortality after bariatric surgery than patients with lower BMIs, according to a study in the October 2009 *Archives of Surgery*. Researchers conducted a prospective study using data from the Veterans Affairs National Surgical Quality Improvement Program that included 856 veterans who underwent bariatric surgery from January 1, 2000, through December 31, 2006.

The study demographics indicated that 73% of participants were men, 83.9% were white, and 7% had an American Society of Anesthesiologists physical status classification of 4. In addition, the participants' mean BMI was 48.7, mean age was 54 years, and mean diagnostic cost group (DCG) score was 0.76.

By the end of 2006, 54 patients (6.3%) died. After a Cox proportional hazard analysis, the researchers found that in addition to having a BMI greater than 50, a DCG score greater than or equal to 2 and a greater burden of chronic disease also increased the risk of postoperative mortality.

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