THE ROUND TABLE

Proxy Season Primer: Why Corporate Elections Matter to Investors

Investors who own shares of common stock have the right to vote in elections on certain corporate matters. Election outcomes can help determine the company's short- and long-term profitability, and ultimately the stock price.

The spring proxy season (generally April through June) is when many publicly traded corporations hold annual shareholder meetings. A smaller number of companies hold meetings during a "mini" proxy season in the second half of the calendar year. Special meetings may be held when there is an urgent matter for shareholders to consider.

Shareholders may attend meetings and cast their ballots in person, or they can vote by mail, phone, or in some cases over the Internet. In a fairly recent development, companies may hold a virtual meeting, allowing shareholders to ask questions and/or vote their shares online. These trends could make it more convenient for investors to participate in corporate elections and influence the outcomes of their investments.

Shareholder Input

The Securities and Exchange Commission (SEC) requires publicly traded companies to file proxy statements (which list and describe proposals that will be put to a vote) in advance of shareholder meetings. In the past, proxy statements were mailed with the annual report and the proxy card or voting instruction form to investors who owned shares on the record date. Today, these documents are often delivered electronically, unless paper copies are requested. Investors may be contacted through email and provided with a link to a website where they can find meeting information, proxy statements, and voting instructions.

The specific issues on which shareholders are entitled to vote vary by company. Typically, shareholders elect the board of directors and vote on proposed changes to corporate structure and goals. Many companies ask shareholders to approve executive compensation (say-on-pay) and the selected auditor. Some proposals could affect the price of an investor's existing shares more directly, such as the terms of a possible merger, acquisition, or stock split.

Proxy Power

When a friendly acquisition offer is rejected, the company may take a stake in the target and submit proposals directly to shareholders. The acquirer may nominate new board members or try to replace management in order to facilitate a "hostile takeover."

Management may adopt a shareholder rights plan, known as a "poison pill," which is a tactic designed to make the company a less attractive target. If an investor buys a block of shares big enough to trigger a response, existing shareholders are offered additional shares at a discount, diluting the acquiring company's potential equity.

Institutional investors, such as fund managers and pension plans, often use their large ownership positions to shape corporate policies. However, SEC rules allow any individual investor who has continuously held at least $2,000 worth of company stock for at least one year to submit proposals for a vote.

Special shareholder proposals are commonly used to advance specific environmental, social, and governance policies. In 2018, institutional investors pushed companies to report on the impact of climate change and the diversity of their boards of directors.[1] Activist investors may try to shake up company leadership and force decisions they believe will boost the value of their holdings.

A proxy fight occurs when groups of shareholders with opposing goals persuade other shareholders to allow them to vote their shares. Before taking a side, investors may want to carefully evaluate the specific proposals presented for a vote.

The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

[1] Broadridge/PwC 2018 Proxy Season Review

Quiz: How Much Have You Thought About Health-Care Costs in Retirement?

When planning for retirement, it's important to consider a wide variety of factors. One of the most important is health and its associated costs. Thinking about your future health and the rising cost of health care can help you better plan for retirement in terms of both your finances and overall well-being. This quiz can help you assess your current knowledge of health and health-care costs in retirement.

Questions

1. Health-care costs typically rise faster than the rate of inflation.

☐ True ☐ False

2. You could need more than $500,000 just to cover health-care costs in retirement.

☐ True ☐ False

3. Medicare covers the costs of long-term care, as well as most other medical costs.

☐ True ☐ False

4. The southern, warmer states are generally the healthiest places for seniors to live.

☐ True ☐ False

5. If you're concerned about health-care costs in retirement, you can just delay your retirement in order to maintain your employer-sponsored health benefits.

☐ True ☐ False

Answers

1. True. The average inflation rate from 2010 to 2017 was less than 2%, while the average spending on prescriptions, doctors, and hospitals grew between 4% and 5%. From 1970 to 2017, annual per-capita out-of-pocket spending on health care grew from about $600 to approximately $1,100 (in 2017 dollars).[1]

2. True. In 2017, America's Health Rankings projected that a 45-year-old couple retiring in 20 years could need about $600,000 to cover their health-care costs, excluding the cost of long-term care. The same report projected that about 70% of those age 65 and older will need some form of long-term care services. And according to the Department of Health and Human Services, the average cost of a one-year stay in a nursing home (semi-private room) was $82,000 in 2016.[2]

3. False. Original Medicare Parts A and B help cover inpatient hospital care, physicians' visits, preventive care, certain laboratory and rehabilitative services such as physical therapy, and skilled nursing care and home health care that are not long term. Medicare Part D helps cover the cost of prescriptions (within certain guidelines and limits). Medicare does not cover several other costs, including long-term care, dental care, eye exams related to eye glasses, and hearing aids. Seniors may need to purchase additional insurance to cover these and other services not covered by Medicare.[3]

4. False. Interestingly, America's Health Rankings found that the five healthiest states for seniors were (1) Utah, (2) Hawaii, (3) New Hampshire, (4) Minnesota, and (5) Colorado.[4]

5. Maybe true, maybe false. Many people believe they will work well into their traditional retirement years, both to accumulate as large a nest egg as possible and to take advantage of employer-sponsored health benefits (if offered beyond Medicare age). While this is an admirable goal, you may not be able to control when you actually retire. In a 2018 retirement survey, nearly 70% of workers said they planned to work beyond age 65; 31% said they would retire at age 70 or older. But the reality is that nearly 70% of current retirees retired before age 65. Many of those individuals retired earlier than planned due to a health problem, disability, or other unforeseen hardship.[5]

The bottom line is that while it's hard, if not impossible, to predict your future health needs and health-care costs, it's important to work these considerations into your overall retirement planning strategies. Take steps now to keep yourself healthy — eat right, exercise, get enough sleep, and manage stress. And be sure to account for health-care expenses in your savings and investment strategies.

[1]Consumer Price Index, Bureau of Labor Statistics, 2018, and Peterson-Kaiser Health System Tracker, 2018

[2]Preparing for Health Care Costs in Retirement, America's Health Rankings, 2017, and LongTermCare.gov, 2018

[3]Medicare.gov

[4]Senior Report, America's Health Rankings, 2018

[5]2018 Retirement Confidence Survey, Employee Benefit Research Institute

Four Reasons Your Parents Might Be in Financial Trouble

As your parents age, they will probably need more help from you. But it may be difficult to provide the help they need, especially if they're experiencing financial trouble.

Money can be a sensitive subject to discuss, but you'll need to talk to your parents about it in order to get to the root of their problems and come up with a solution. Before you start the conversation, consider the following four scenarios as signs that your parents might be experiencing financial challenges, and how you can make things easier for them.

1. They are dealing with debt

Perhaps your parents have fallen behind on their mortgage or credit card payments. Maybe they're dealing with the aftermath of a large, unexpected medical bill. Or it could be that years of generously supporting their children and grandchildren have left their finances in shambles.

Whatever the cause, debt among older Americans is a growing trend. In 2010, the average debt for a family in which the head of household was age 75 or older was $30,288. In 2016 (most recent data available), that number grew to $36,757.[1]

2. They are falling for fraud

According to a report by the Federal Trade Commission, older adults have been targeted or disproportionately affected by fraud. Moreover, older adults have reported much higher dollar losses to certain types of fraud than younger consumers.[2]

Why do scammers target older individuals? There are many explanations for this trend. Some older individuals lack an awareness about major financial issues. Others may be attractive targets for scammers because they have access to retirement account assets or have built up home equity. Additional factors that increase an older adult's vulnerability to scams include cognitive decline and isolation from family and friends.

3. They aren't used to managing finances

The loss of a spouse can create many challenges for the survivor, especially if the deceased spouse was in charge of finances. Many widows or widowers might find themselves keeping track of statements, paying bills, budgeting, and handling other financial matters for the first time, which can be a complicated reality to face.

4. They struggle with change

As financial institutions continue to innovate and increase online and mobile access to customer accounts, it can be difficult for older consumers to keep up. For example, some older adults may struggle with accessing their financial information online. Others might get frustrated or confused when financial institutions implement new policies and procedures, especially if they've had an account with an institution for decades.

One report described the most common issues that older consumers identified with bank accounts or services. The top three complaints involved account management (47%), deposits and withdrawals (27%), and problems caused by low funds (12%).[3]

Ways you can help

Regardless of the reasons why your parents might be having money problems, there are steps you can take to help them.

- **Set up a meeting with a financial professional.** Encourage your parents to meet with a professional to evaluate their financial situation.
- **Help them reduce spending**. Look for big and small ways that they can scale back on expenses, such as downsizing to a smaller home, cutting cable plans, or canceling unnecessary memberships/subscriptions.
- **Have them tested for dementia**. If you've noticed behavioral or memory changes in one or both of your parents, share your concerns with a medical professional. Cognitive decline can result in difficulty managing finances.
- **Lend money (using caution).** If you decide to help your parents monetarily, consider paying your parents' expenses directly rather than giving them cash so you can ensure that their bills are paid on time.
- **Help them apply for assistance.** The National Council on Aging has a website, BenefitsCheckUp.org, that can help you determine your parents' eligibility for federal, state, and private benefit programs.

[1] Debt of the Elderly and Near Elderly, 1992-2016, Employee Benefit Research Institute, 2018

[2] Protecting Older Consumers: 2017-2018, Federal Trade Commission, 2018

[3] Monthly Complaint Report, Vol. 23, Consumer Financial Protection Bureau, May 2017

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How Do I Replace My Social Security Card?

Chances are, you probably have your Social Security number memorized, so you may not have had to use your card in awhile. However, there are times when you may be required to show your actual card, such as when you start a new job or need to access certain government services. Fortunately, replacing a lost or stolen card is a relatively easy process.

In order to obtain a new card, you need to prove your citizenship or lawful noncitizen status, and your age and identity from a list of approved documentation (e.g., U.S. passport, driver's license, birth certificate). All documentation provided must be either original or in certified form (notarized copies or photocopies will not be accepted).

Next, you need to fill out an *Application for a Social Security Card* and bring or mail the application, along with the approved documentation, to your local Social Security office. Once the Social Security Administration (SSA) has your information and verified your documents, you should receive a replacement card within 10 to 14 business days.

In certain circumstances, you may be able to apply for a replacement card online using a my Social Security online account. You can apply online for a replacement card if you:

- Are a U.S. citizen age 18 or older with a U.S. mailing address (this includes APO, FPO, and DPO addresses)
- Are not requesting a name change or any other change to your card
- Have a driver's license or state-issued identification card from a participating state or the District of Columbia

Be wary of businesses that offer to replace your Social Security card for a fee. The SSA provides those services free of charge. Keep in mind that you are limited to three replacement cards in a year and 10 during your lifetime, although certain exceptions apply.

For more information on replacing a lost or stolen card, visit the Social Security Administration website at ssa.gov.