FOCUS ON RETIREMENT PLANNING

Maximizing payout in the complex realm of Social Security

By SARAH CAINE
Special for Lehigh Valley Business

Whether you are approaching retirement age or not, it is always a good idea to have a firm understanding of your future Social Security income, a key component of retirement planning.

Caine

With more than 2,500 rules governing it, Social Security is an extremely complex system.

To start, it is important to grasp these key terms and ages:

■ **Full retirement age:** Your FRA falls between 65 and 67, depending upon the year of your birth. If you wait to claim benefits until you reach your FRA, you will receive your full primary insurance amount.

■ **Primary Insurance Amount:** This is the monthly benefit you receive if you file for Social Security benefits exactly at your full retirement age. All early or delayed benefits are calculated as a percentage of your primary insurance amount.

■ **62:** The earliest age that you can claim Social Security benefits is 62. If you claim at 62, you receive a reduced benefit of between 70 and 75 percent of your primary insurance amount (since you will be receiving payments for a longer period of time).

If you file between 62 and your full retirement age, your reduction is calculated as a fraction of a percent for every month remaining before you reach your FRA.

■ **70:** For every month you delay claiming benefits beyond your FRA, you receive delayed retirement credits. These credits are calculated as a fraction of a percent for every month you delay after reaching your FRA.

Delayed retirement credits can amount to as much as an 8 percent benefit increase annually. And one more thing – since you reach your maximum benefit at 70, there's no reason to delay benefits past then.

WHEN TO FILE

The decision about when to file for Social Security benefits should be based on health and life expectancy.

If you live longer than the Social Security Administration expects, you will receive more benefits; if you die earlier, you will receive fewer.

Delaying Social Security benefits can be viewed as a longevity hedge; that is, the longer you live beyond your life expectancy, the more you'll benefit from delaying.

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HOW MUCH WILL YOU EARN?

To estimate future Social Security benefits, visit the Social Security Administration website at **www.ssa.gov/myaccount** and open a "my Social Security account." The account enables users to track and verify earnings.

STRATEGIES FOR COUPLES

Delaying benefits can be especially advantageous for couples. If the spouse with the highest benefit delays claiming until 70 and, thereby, maximizes his or her Social Security benefit, it provides cash flow protection for both spouses.

If a husband dies prematurely, for example, his wife generally will be eligible for a widow's benefit equal to the higher of her benefit or the deceased husband's benefit.

If the deceased husband had not yet begun collecting benefits, then his deceased spouse benefit is calculated as if he filed for benefits on the date of his death.

For couples who have been married at least a year, the basic spousal benefit is 50 percent of the working spouse's primary insurance amount if one begins collecting at full retirement age.

A spousal benefit will not accrue delayed retirement credits if one files after FRA, so there is no advantage to delaying spousal benefits after full retirement age.

FUTURE PROJECTIONS

The future of Social Security is unknown. People now collecting benefits most likely will see their benefits remain intact.

However, those who have not yet filed should run two financial independence projections: one with full Social Security benefits and another with benefits reduced to 77 percent of the projected benefit beginning Jan. 1, 2034.

(This is based on the Social Security Board of Trustee's report released in July 2017 which predicts SSA's ability to pay projected benefits.)

In so doing, people can plan for best and worst case scenarios.

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Incapacitation: Proper planning can ease a delicate subject

By JEFFREY C. DELOGLOS
Special for Lehigh Valley Business

We often take more time planning our vacations than we do our future.

While it may not be a fun topic of discussion, it is important to have plans in place should you become physically or mentally unable to manage your affairs. Doing so in advance ensures that you can provide input on how things should be handled in the future.

Deloglos

Statistics show that as we age, the likelihood that we will require help in making decisions increases. While friends or family may be able to help with things such as buying groceries and paying bills, advance planning is required for more complex tasks such as selling real estate, gifting assets to your children or making critical medical decisions.

Without a plan in place, decisions will be made for you. Your decisions may even be appointed in a guardianship proceeding – a court-supervised process that names a person or entity to manage the affairs of an incapacitated person.

Most people prefer to be part of the decision-making process, but this can only happen with planning. Depending on the needs of the person or family, incapacity planning may include an array of legal documents and planning techniques such as an advanced health care directive, living will, property powers of attorney and health care powers of attorney.

AVOIDING THE COURTS

Part of the process of partnering with a Certified Trust and Financial Advisor is to review your will with the general power of attorney and to reaffirm all beneficiary designations.

Beneficiaries should be reviewed periodically for all bank accounts, retirement plans, pension plans, life insurance policies and annuities.

You also will determine whether or not accounts should have a payable-on-death designation, meaning that funds would not be subject to probate. Instead, funds would pass directly to the named beneficiary, providing quicker access to liquid assets by avoiding the perusal of the court.

No one wants loved ones to have to wrangle through the courts while dealing with loss, yet if the funds are not in a trust and do not have the payable-on-death or beneficiary designations, the estate must be probated through the court, which can take several months.

IMPORTANCE OF A WILL

While it might not be pleasant to think about or discuss with family members, there are major ramifications of not having a will.

'Destiny is no matter of chance. It is a matter of choice. It is not a thing to be waited for; it is a thing to be achieved.'

— **William Jennings Bryan, American politician**

If you die without a will, the court will probate your estate, which means the court may decide how your estate should be distributed; also adding expenses to the estate.

It also may be worthwhile to consider a trust, which creates a legal entity that holds your assets for you, eliminating the need for probate when you die.

One type of trust, a revocable living trust, helps to prepare for possible incapacity, as you are able to appoint a disability trustee. This individual or corporate trustee would be empowered to administer the trust should you become incapacitated.

STORE IN A SAFE PLACE

After planning and creating the necessary documents, determine a central, safe place to store important papers such as wills, trusts, powers of attorney, etc.

Often in times of a family emergency or a tragic event, we become overwhelmed. The stress and confusion may lessen our ability to think clearly or remember where our items may be. Determining a location in advance and sharing it with those closest to you will help unburden the state of affairs.

START EARLY

To avoid undue stress on your family and loved ones in the event of unforeseen circumstances, start the planning process early.

Partner with a Certified Trust and Financial Advisor to make the process as smooth as possible, considering the sensitive nature of the conversation.

Later, your loved ones will appreciate it.

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