

When You Take Social Security Affects Your Retirement!



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The Social Security Press Office has published a Fact Sheet that gives some interesting numbers. In 2014, There 39 million retired workers who receive \$1,294 in average monthly benefits; 8.8 million disabled workers who receive \$1,146 per month; and 6.2 million Survivors who receive \$1,244 per month.

Social Security (SS) is the major source of income for most of the elderly. Nearly 90 percent of individuals age 65 and older receive SS benefits. This represents about 38 percent of elderly income. Among elderly SS beneficiaries, 52 percent of married couples and 74 percent of unmarried persons receive 50 percent or more of their income from SS. Among elderly SS beneficiaries, SS is 90 percent or more of the income for 22 percent of married couples and about 47 percent of unmarried persons.

Many workers take SS too early, given their retirement goals. An April 22, 2014 article by Mandi Woodruff found on www.yahooofinance.com, cites new data released by the SS Administration. For 2012, 37.2 percent of men and 42.4 percent of women took SS at age 62, the earliest age that non-disabled individuals can take SS. Only 5.2 percent of men and 11.4 percent of women waited until age 66 (considered your full retirement age for workers who were born 1943-54) to start taking SS benefits. Only 1.2 percent of men and 2 percent of women waited until age 70, when one gets 32 percent more than age 66.

Example: I met Helen about 5 years ago. She was a divorced real estate agent in Oregon, but the market fell apart. Luckily, she was able to move to the Phoenix area and got a job at a hospital where she earned about \$50,000 annually until age 70 and then took SS. Her benefits were \$2,400 a month, instead of only \$1,250 a month had she taken SS at age 62. Note: in virtually all incomes that I have seen, one gets almost double the SS benefits at age 70 compared to age 62.

She owned her home free and clear, but had to pay \$600/month to the community park owner for the land rent, given that she owned the manufactured home but not the land. If we add all utilities, including cable TV, high-speed internet, and phone, it was another \$250 per month. If she had taken SS at age 62, she would only have \$400 per month to cover all other expenses, including food, healthcare, car, and fun. Life would be very grim. Because she was receiving \$2,400 a month SS, she was able to lead a normal life, such as buying the groceries she wanted and going out to lunch with her girlfriends.

Private Pension Plan Offsets Future Inflation: Helen had only \$150,000 in her IRA and about \$30,000 of cash in the bank. She understood that with only 4 percent annual inflation, what cost \$25,000 today will cost \$37,006 in 10 years when she is 80. She deposited \$100,000 of her IRA in a private pension at age 70 and it will generate \$10,256 of annual income, starting at age 77, for the rest of her life. The 10.256 percent of annual cash flow is guaranteed and her principal is not at risk in the stock market. This is substantially more than what her IRA was generating.

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