The Henderson Press $0.50
Winner of ten 2013 Nevada Press Association awards for reporting and photography Vol. 4, No. 41

Social Security: five things you should know

Financial advisor helps locals maximize benefits in the face of uncertainty

File photo

Optimizing Social Security benefits is tricky. Make sure to do your homework in order to enjoy the most comfortable retirement possible.

By Bradley Zucker, guest columnist

Aug. 14 marked the 78th anniversary of Social Security, the government benefit that millions of Americans across the country are counting on for retirement income. Over the years, Social Security has faced many changes, but some of the most recent challenges have retirees and the soon-to-retire worried about the long-term stability of the program.

In 2010, Social Security started paying more in benefits and expenses than it received in tax and other noninterest income. The 2013 Social Security Board of Trustees Report states that beginning in 2021, annual costs will exceed total income received from both taxes and interest, and trust fund assets will begin to decline. Trust fund reserves will be completely exhausted by 2033. Once this happens, Social Security will only be able to pay 77 percent of its benefits through continuing tax income. This negative outlook is despite a 2 percent Social Security payroll tax increase that occurred at the beginning of the year.

"Social Security was already complicated, and now Americans have to worry about the program's solvency," says Henderson financial advisor Brad Zucker. "Retirees may not be in control of the Social Security trust fund, but there are still many variables that can have a big effect on the size of their Social Security checks." In light of the program's anniversary, Zucker is sharing what Henderson residents in or approaching retirement can do to make sure they get the most out of their federal benefit.

1. Consider when to claim. If you are quickly approaching retirement and you want to maximize your benefit amount, consider your options before claiming. You can start claiming Social Security any time between ages 62 and 70, but the longer you wait, the more your monthly benefit amount grows. This could add up to thousands of dollars more in the long run. However, delaying your claim isn't the best choice for everyone, so you need to understand the details of your financial situation before you make the decision to delay or claim early.

2. Remember your spouse. Married couples have lots of considerations when it comes to Social Security planning. The first concern is the variety of ways they can claim their benefits. A single person has nine different claiming options, but for a couple that jumps to 81. And the difference between the best and worse strategies could be tens of thousands of dollars or more, so it's important to ensure your Social Security plan makes the most sense for you. Another concern when planning Social Security is how

—*continued on* **PAGE 5**

SOCIAL —
continued from **PAGE 4**

a spouse's benefit will change after one spouse passes away. You'll want to be sure the surviving spouse has a stable income they can rely on.

3. Don't forget taxes. Many retirees consider tax planning with their investments and retirement accounts, but forget about income taxes on Social Security. Up to 85 percent of Social Security benefits can be taxed, which could take a chunk out of your retirement income. Like other sources of income in retirement, Social Security benefits should be evaluated with the goal of minimizing tax liabilities. Working with a qualified tax professional can help you avoid paying unnecessary taxes on your Social Security benefit.

4. Keep an eye on cost of living adjustments (COLA). One of the few changes to Social Security that's under consideration by the White House is a change in how COLA are calculated. By calculating inflation using "chained Consumer Price Index," better known as "chained CPI," the government would be able to pay less in future COLA to Social Security beneficiaries. For example, the Social Security COLA increase for 2009 was 5.8 percent. Had chained CPI been used, retirees would have only received a 2.5 percent increase. Even without the change, the 2013 COLA was a meager 1.7 percent. This is why it's good idea to have other financial accounts structured to keep up with inflation, such as Treasury Inflation-Protected Securities (TIPS) or annuities with an inflation rider, so you can retain your purchasing power throughout retirement.

5. Plan other retirement income. It's important to remember that Social Security was intended to supplement retirement income, not replace it. Currently, the average monthly benefit for a single person is only $1,269, or about $15,144 a year. Yet for 46 percent of single beneficiaries and 23 percent of married beneficiaries, Social Security represents at least 90 percent of their income. In order to protect your quality of life as you age, Social Security needs to be just one of many income sources for the retirement years, including pensions, retirement accounts, insurance products and other savings and investments.

Zucker encourages locals approaching retirement to become educated about

Zucker encourages locals approaching retirement to become educated about their Social Security situation as well as what they can do today to maximize their retirement income in the future. "While a financially stable retirement requires forethought and planning, the benefits are well worth the effort." He adds, "For those who still have ten or more years until retirement, continue putting as much away now as possible so that any further changes or reductions in Social Security benefits do not have a significant impact on your quality of life as you age."

Bradley Zucker, financial educator, president, and chief financial advisor of Safe Money Advisors, Inc. a Las Vegas-based independent financial advisory firm, specializes in comprehensive financial and retirement planning including conservation of capital, preservation of principal, tax-advantageous distribution of a life-saving and competitive asset growth with little or no downside risk. For more information about Zucker and Safe Money Advisors, Inc., visit safemoneyadvisorsnv.com.