

Maximizing the Efficiency of Your Retirement Planning

Overview: Life is all about balance. You want to enjoy life along the way, but it's also vital to set aside resources for days that lie ahead. Mistakes made as you near retirement can be particularly damaging, in that you might not have the necessary time horizon to correct them. This paper discusses numerous retirement-related issues to help you maximize the efficiency of your retirement planning.

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SECTION I: Planning and Saving

Develop a plan

To develop a well-thought-out plan, you should first determine how much you would need to spend to live the lifestyle you desire. You need to include in your estimates all of the costs that you might incur. And, you should plan for unforeseen events that could create demands on capital.

The next step is to integrate your investment plan into an overall estate and tax plan that also includes wills, financial durable powers of attorney and health care durable powers of attorney. Creating a carefully constructed plan is the most fundamental tip we can offer because all the other actions you take to ensure proper retirement planning derive from there.

Start saving at an early age

Probably because it seems relatively far in the future, many people fail to start saving/investing for retirement at an early age. However, the failure to do so makes the problem of accumulating sufficient capital far more difficult. The following examples of investors Sally, Sam, Jane and John will demonstrate the powerful effects of compounding.

Saving at an Early Age Helps Grow a Portfolio			
Age at Which Each Individual Began Saving	Number of Years Each Individual Saved	Dollars Saved Per Year	Portfolio Value at Age 65
Sally, age 25	10 years	\$5,000	\$563,000
Sam, age 35	30 years	\$5,000	\$505,000
Jane, age 45	20 years	\$12,825	\$563,000
John, age 55	10 years	\$38,100	\$563,000

If we assume that each individual earns 7 percent annualized return until age 65, Sally will have generated a portfolio of about \$563,000. Sam's portfolio will have grown to only \$505,000. If Jane waits until age 45 to begin saving for retirement, she must save \$12,825 annually for the next 20 years to achieve the same portfolio as Sally. Remember, Sally only had to put aside \$5,000 for 10 years. If John waits until age 55 to begin an investment program, he will have to save \$38,100 annually for 10 years to reach the same goal. These examples demonstrate the powerful roles played by time and compounding in investment outcomes.

Do not underestimate the need for income

A study about replacement ratios, conducted by AON Consulting and Georgia University, found that the average person needed to replace 75–89 percent of his or her pre-retirement income once he or she was in retirement.¹ Contrast these figures with the findings of a 2004 Retirement Confidence Survey that found that one in 10 people thought they would need less than 50 percent, almost three in 10 said they would need 50–70 percent, and another 7 percent admitted they had no idea.² Clearly many individuals are underestimating their need for income in retirement.

Even this percentage may be low in the face of increased medical insurance concerns. The reason is that many people have their medical insurance covered by their employers. Some individuals may also be counting on their employer to cover their medical insurance after they leave the workforce. Yet, there have been instances when employers have reneged on such promises because of financial

distress (or even bankruptcy). In addition, given the crisis in the Medicare program, it seems likely

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that the share of medical costs individuals will have to bear will increase. (And, it seems likely that the cost of Medicare's Part B premiums will continue to rise faster than the rate of inflation.) Thus, most individuals should remain conservative when estimating how much pre-retirement income will be needed upon retirement.

Be aware of the risks of inflation and other cost of living increases

While the impact of inflation can be significant, in general, you can expect wage increases during your working years to keep pace with the cost of living increases. However, once you retire, the risk of rising inflation increases because you can no longer count on rising wages to offset the negative effects. Some important inflation-related issues to consider include the following:

- Historically, medical care costs have risen at a faster pace than has overall inflation. In general, we can assume that many retirees will require additional medical services as they age.
- Not all pension plans are indexed to inflation.
- Buying longer-term bonds in an attempt to earn higher rates of returns, as well as to minimize reinvestment risk (the risk that when a bond matures the principal will have to be invested at a lower interest rate) is not a prudent strategy. The longer the term of the bond, the greater is the risk of inflation. We discuss an alternative to longer-term bonds in Section II: Focusing on Portfolios: Consider investing a portion of the portfolio in TIPS.

Minimize risk with the right tools (including long-term care coverage)

It is important to consider minimizing the “risk” of living longer than expected — potentially longer than your financial assets hold out. The longer you live, the more likely it is that you could experience health problems, which could lead to the need for long-term care.

Estimates indicate that there is nearly a 50 percent chance that a person will eventually require 24-hour skilled nursing care in a long-term care facility. Such care does not come without considerable and growing costs. By 2004, the average rate for a private room in a nursing home was rapidly approaching \$200 a day, or about \$70,000 a year.³

The process for determining whether you need long-term care can be complex. Thus, it is prudent to consult a financial advisor who can help assess if it is appropriate. When making the decision, be aware that if you require but do not have long-term care coverage, you might be forced to spend down assets originally meant for other purposes (such as, retirement or charitable giving) to pay for care.

Do not rely too heavily on Social Security

By now, everyone is aware of the major crisis in both the Social Security and Medicare programs. Given the severity of the problem, it seems likely that there will have to be some combination of higher taxes, reduced benefits and an increase in the age of eligibility. Therefore, it would be imprudent to count too heavily on Social Security as the main source of income in retirement.

SECTION II: Focusing on Portfolios

Do not assume constant rates of return

When planning for retirement, it is common to plan for the **average** return you hope to achieve. However, actual returns can significantly vary from one year to the next. Even if you still achieve your desired average return in the long run, nobody can predict which years the actual returns will be above or below the overall average.

For the period 1926–2004, a portfolio consisting of 75 percent U.S. large-cap stocks (as proxied by the S&P 500 Index) and 25 percent U.S. government bonds returned an average about 10 percent. During the same time period, the inflation rate was 3 percent. Therefore, the real (inflation adjusted) rate of return for this 75/25 portfolio was about 7 percent. Some might conclude that it would be possible to withdraw \$70,000 per year from a \$1 million portfolio and maintain the same real income over the long term, increasing the \$70,000 by the future rate of inflation.

The problem with this approach is that inflation rates and investment returns vary each year, and using averages may cause unpleasant surprises. If you retire before the start of a bull market, it is likely that you could withdraw 7 percent per year and maintain a portfolio in excess of \$1 million. However, retiring at the beginning of a bear market can produce very different results.

For example, an individual who retired in 1972 and withdrew 7 percent of his or her original principal and adjusted that figure each year for inflation, would have run out of funds within 10 years, by the end of 1981. This is because the S&P 500 Index declined by approximately 38 percent in the 1973–1974 bear market.

Systematic withdrawals during bear markets exacerbate the effects of the market's decline, causing portfolio values to fall to levels from which they may never recover. For instance, if you withdraw 7 percent plus 3 percent for inflation in a year when the portfolio declines by 20 percent, the result is a decline in the portfolio of 30 percent in that year. A 43 percent increase is then required the following year just to return to the previous value.

Given the possibility that a market decline might occur at a very early stage of your retirement (when it tends to cause the most damage to long-term portfolio outcomes), consider remaining conservative as you determine how much money you can withdraw annually and still minimize the risk that you might outlive your assets. We would suggest a figure perhaps in the range of 4–5 percent, rather than the 7 percent scenario described above.

For example, using a 4 percent withdrawal rate, we can calculate the portfolio size that you would need in this scenario. First, estimate the amount of pretax income desired (after subtracting any Social Security and pension income), and then multiply that figure by 25 (the inverse of 4 percent). For example, if you need \$50,000 annually in pretax income (after taking into account Social Security and so on), then you would need to achieve a portfolio of \$1.25 million (\$50,000 x 25). By knowing the portfolio size needed and the expected return of the portfolio, you can determine how much you need to save each year to achieve your objective.

Assume modest rates of returns on equities

The **historical** annualized rate of return (after discounting inflation) is right around 7 percent. The key to understanding how economists forecast returns is to understand the sources of equity returns: 1) dividends, 2) growth in dividends and 3) changes in the price-to-earnings (P/E) ratio (how much investors are willing to pay for a dollar of earnings). While it is logical to assume that the growth in dividends (which should be related to the growth in the economy) will be about the same as the historical average, we cannot make the same statement about the other two factors.

The dividend yield at the end of the first quarter of 2005 was 2 percent, or less than half the historical average. (Historically, dividends have provided almost 40 percent of the total return to equities.) In addition, the P/E ratio stood at 18 (excluding companies with negative earnings), significantly greater than the historical average of about 14. Thus, a part of the historical long-term return to equities came from an expansion of the P/E ratio. While we cannot accurately forecast what the future holds, we do know that the P/E ratio cannot continue to expand forever.

For example, at the end of December 2002, the P/E of the S&P 500 Index was 28 including companies with negative earnings, and 19 excluding companies with negative earnings.⁴ Both figures were dramatically higher than the historical average. Even if the current P/E ratio remains unchanged, it is unlikely that stock returns will approach their historical average return. And, if the P/E were to revert to its historical mean it would have a negative impact on future returns.

This is why we would suggest that you plan for the more conservative 4–5 percent figure described in the preceding discussion. If you plan for returns that are higher than what actually occur, this could result in falling short of your goal. If, when relying on a higher rate of return, you save less or adopt a lower equity allocation, the result could be lower returns on a smaller investment base.

Assess risk tolerance

As most of us enter retirement, we become more conservative in our investment strategies, shifting to “safer” asset classes. However, what appears to be safer may not be — in the context of the overall portfolio when all risks are considered. Historically, a long-term portfolio with an allocation of 20 percent equities/80 percent bonds has been less risky (volatile) than an all-bond portfolio. Including this type of allocation to equities increased returns with virtually no impact on the volatility of the portfolio. One reason is that there are periods when bonds perform poorly while equities provide better returns. In addition, while the real return of bond investments can be eroded by inflation, equities provide some protection against inflation eroding the real value of a portfolio. That’s why the risk of rising inflation is more significant once you retire, when you can no longer count on rising wages to offset the negative effects.

There are many variables to consider before arriving at the right mix for a portfolio once you enter retirement. For example, it may be prudent to hold more equities (U.S. and international); to hold a mixture of asset classes including value stocks and/or real estate funds; or to consider drawing income from sources such as capital gains or bond maturations (as opposed to strictly interest, dividends and annual fund distributions).

Do not assume tax rates will decrease in retirement

Do not assume that your tax rate will be lower in retirement; this may not be the case. Accurately estimating your tax rate in retirement is an important component in determining your overall cash flow needs.

Consider investing a portion of the portfolio in TIPS

If you are caught between needing higher returns and minimizing inflation risk, there is a good alternative. TIPS (Treasury Inflation Protected Securities) and I Bonds (another inflation protected security) provide a **guaranteed** real (as opposed to nominal) rate of return. This means that the fixed interest payment of TIPS and I Bonds are calculated on the inflated principal, eventually repaid at maturity. This fixed interest rate is in contrast to other fixed income instruments, whose coupon income and principal are not adjusted for inflation.

In addition to the benefit of inflation protection, these securities have negative correlation with equities. The degree to which one security or asset class (bonds) follows another security, asset class (stocks), or inflation is called “correlation.” For example, the negative correlation with equities is in contrast with nominal return bonds that have a positive correlation with equities. Even though the correlation of bonds to stocks is relatively low, the longer the maturity of a nominal return bond, the higher the correlation with equities. Thus, TIPS and I Bonds provide two benefits: 1) they reduce the risk of inflation and 2) they serve as a counterbalance against the risk of owning equities.

Remember the importance and need for diversification

You might assume diversification is only appropriate if your investment horizon is long. In fact, the shorter the investment horizon the more important diversification actually becomes. Let’s see why this is the case by comparing the returns of various U.S. asset classes from 1927–2004:

Asset Class	Annualized Returns from 1927–2004
Small-cap value	15.1%
Large-cap value	12.1%
Small-cap stocks (CRSP 6-10)	12.0%
Large-cap stocks (S&P 500)	10.4%
Small-cap growth	9.9%
Large-cap growth	9.6%

Source: Dimensional Fund Advisors Returns®

We can make two observations about the data in the chart above. First, risk and reward were related. Riskier small-cap and value stocks outperformed less risky large-cap and growth stocks. Second, the difference between the highest returning and lowest returning asset class was 5.5 percent per annum. Small differences in annual returns magnify when compounded over long periods.

Let’s look at a few more examples, beginning with the EAFE (international large-cap) and S&P 500 (U.S. large-cap) indices. Imagine a U.S. investor who in 1971 had only an 18-year horizon and therefore didn’t want to take the risk of owning international stocks. For the 18-year period 1971–1988, the S&P 500 Index underperformed the EAFE Index by 6.2 percent per annum (17.2 percent to 11.0 percent). Then, imagine a foreign investor in 1989 with just an 11-year horizon unwilling to take the risk of owning U.S. stocks. From 1989 through 2000, the S&P 500 Index outperformed the EAFE Index by 11.3 percent per annum (16.7 percent to 5.4 percent).

These examples are related to the relative performance of U.S. equity asset classes. While large-cap growth stocks have underperformed small-cap growth stocks by just 0.3 percent per annum over the long term, there have been fairly long periods of great divergence in performance. For example, for the nine-year period 1975–1983, small-cap growth stocks outperformed large-cap growth stocks by 14.5 percent per annum (28.0 percent to 13.5 percent). Here is another dramatic example. For the 23-year period 1966–1988, small-cap value stocks outperformed large-cap growth stocks by 9.6 percent per annum (17.3 percent to 7.7 percent).

Diversification across non-highly correlating asset classes is the winning strategy no matter what the investment horizon. Still more critical — diversification across equity asset classes as an investment horizon shortens. This is because any asset class can underperform by a very large amount even over long horizons, and especially over relatively short ones.

SECTION III: Investment Horizons during Retirement

Plan for potential early retirement

It is prudent for you to plan for the possibility that you might retire earlier than planned. For example, your investment returns or earned income may be greater than anticipated. Perhaps your home has appreciated greatly in value, and you decide to sell and move to an area with lower housing costs and living expenses. Perhaps, you have inherited a large sum of money.

But there's also the chance of undesired early retirement, such as from job loss or health concerns. Plan for outcomes that could include one or both of the following: 1) planning to gradually reduce your participation in the workforce or 2) supplanting your Social Security, pension benefits and other investment-related income with part-time employment.

Plan on living longer than life expectancy indicates

Your investment horizon is **not** the number of years to retirement. For example, if a 55-year old planning to retire at age 65 assumes his or her investment horizon is only 10 years, this would imply that the individual would die on his or her 65th birthday. At a minimum, the appropriate investment horizon is the length of time your financial assets will be needed to support your desired lifestyle — the remainder of your life. In addition, if you wish to leave an estate to a family or a charity, the investment horizon may extend even beyond your own life span, at least for some portion of the portfolio.

In general, people are now living longer. For example, life expectancy at birth in 1950 was 66 for males and 71 for females. By 2001, those figures had increased to 74 and 80, respectively.⁵ With continued advances in medical science, it is likely that life expectancy will continue to increase. And, by definition, half of us will live longer than our life expectancy.

In addition, life expectancy increases as we age. For example, life expectancy for adults age 65 is 16 years for males and 19 years for females. This means that, at birth males have a life expectancy of 74. However, if they reach the age of 65, their life expectancy changes to 81, an increase of seven years. For females, the comparable figures are 80 and 84, an increase of four years.⁶

Although this information can be useful, you should not use life expectancy data as a guide when calculating how long you will need your assets to last in retirement. The reason this is a mistake is that the odds of living longer than expected are much greater than most people assume. By definition, half of individuals will live longer than expected, meaning that many retirees will outlive their savings if they planned using life expectancy data.

What options are available if you are at risk of consuming all the assets you have set aside for retirement? Some options include the following: 1) returning to the workforce, 2) downsizing your home and taking out equity, 3) withdrawing equity from an existing home (via a reverse mortgage), 4) moving to a region with a lower cost of living or 5) cutting non-essential expenses.

Couples planning for retirement should not view their life expectancies independently. Instead, they need to consider the life expectancy of the second-to-die — which is greater than it is for either spouse. For example, survival probabilities data from the University of California, Berkeley and the Max Planck Institute for Demographic Research suggested that “there is an 82 percent chance that one member of a 65-year old couple will survive to or beyond the male’s life expectancy of age 81 and a 71 percent chance of outliving the female’s life expectancy of age 84.”⁷

The following table uses data from a 2004 report from the Centers for Disease Control and Prevention to show the approximate number of additional years that 20 percent of individuals who survived to age 55–70 are expected to live. A probability of only a 20 percent chance of living to the expected time frame is a more prudent benchmark than a general life expectancy table (in which half the individuals will live longer than indicated).

For example, as described above, current life expectancy for a 65-year-old male is 81 (65 plus 16 years), but by definition, he has a 50 percent chance of living longer than his expected 81 years. In contrast, referring to the table below, he has only a 20 percent chance of living to age 89 (65 plus 24 years). Therefore, the safer bet is to plan for assets to last to age 89 rather than only to age 81. And, again, in the case of a couple, the data regarding the second-to-die is even more important, and thus should be the determining factor.

Additional Years that 20 Percent of Adults 55–70 Will Survive⁸		
Age	Additional Years (Female)	Additional Years (Male)
55	37	34
60	32	29
65	27	24
70	23	20

Maximize Social Security benefits

Should you wait until full retirement age to take Social Security benefits? Should you instead take early benefits at age 62? What impact, if any, does your birth year have on the decision? Under which circumstances is it appropriate to wait until after full retirement (or perhaps until age 70), to take advantage of increased benefit payouts?

When addressing these questions, some of the factors to consider include: 1) life expectancy, discussed in the previous section, 2) year of birth, 3) the level of benefits, 4) whether or not wages will continue to be earned, 5) the discount rate applied to future benefits and 6) issues related to a

spouse. Therefore, the decision is often a complex one. For a more in-depth discussion on related issues, see the Appendix.

SECTION IV: Retirement is a Family Affair

Ensure that assets are available for a surviving spouse

A few issues to consider include the following:

- A couple should be aware Social Security benefits decrease upon the death of the first spouse. While some living expenses will also decrease, there will also be a reduction in income.
- Employees who work for companies with defined benefit plans should consider the surviving spouse when deciding on payment options. “Less than half of married retirees with a defined benefit plan ... choose to take their payout as a series of guaranteed payments for life, with additional payments if the spouse outlives them.”⁹
- A couple should ensure that there is sufficient life insurance to replace the anticipated earned income of a spouse who might die before planned retirement.
- It is prudent to ensure that a surviving spouse has the information he or she needs to manage the family assets and carry out carefully established plans. In many households, one spouse manages the investments. Because of this, a surviving spouse is often unprepared to assume control of the family assets. It is prudent to ensure that both spouses are aware of and have met all advisors with whom the household’s primary money manager has established a trusted relationship, so that a surviving spouse knows whom they can contact in times of crisis.
- Consider the cost and timing of obtaining regular and supplemental health insurance, particularly if there is an age gap between spouses. For example, if the primary wage earner (whose health insurance is provided by his or her employer), plans to retire at 65 and has a younger spouse, the couple should be aware that only one spouse will be covered by Medicare. The cost of health insurance for the spouse, as well as individual supplemental health insurance, must be taken into consideration. (COBRA coverage is available for 18–36 months depending on certain qualifying events and relatively expensive.) Many people will find that they cannot retire until their spouse reaches the age of Medicare eligibility (or the time at which they would begin using COBRA coverage to carry them until they become eligible for Medicare).

Consider setting up IRAs to benefit beneficiaries

If you intend to leave as much as possible for your family to inherit, you should generally take steps to ensure that your IRA grows tax-deferred for as long as possible after your death. This provides the dual benefits of easing your family’s tax-burden and allowing them to build more wealth.

Children who are designated as beneficiaries are permitted to stretch their required distributions from the inherited IRA over their life expectancies (which is determined by the IRS). Since a child with an inherited IRA will have a longer period than a spouse over which to stretch the distributions, the family’s wealth will continue growing tax-deferred for a much longer time period.

Summary

Taking all of the steps described herein may seem daunting. As this paper conveys, there are many challenges to developing a prudent retirement plan. There are also many opportunities to make mistakes, some of which can be very costly. Given the complexity of the issues, retirement planning is an area where a good financial planner/investment advisor can serve as a constant ally. We close with this suggestion: Remain conservative when considering estimates on life expectancy, rates of return, withdrawal rates, ability to work in retirement and the need for long-term care. By doing so, you may ultimately design a more realistic retirement plan, one that you can adhere to throughout your retirement.

- ¹ **Replacement Ratio Study: A Measurement Tool for Retirement Planning.** AON Consulting, May 6, 2004.
- ² Eric T. Sondergeld and Mathew Greenwald, PhD, **Public Misperceptions About Retirement Security.** LIMRA International, Inc., the Society of Actuaries, and Mathew Greenwald & Associates, 2005.
- ³ **The MetLife Market Survey of Nursing Home & Home Care Costs.** MetLife, September 1, 2004.
- ⁴ Barra.com, Research & Indexes. Available at <http://www.barra.com>. Accessed August 23, 2005.
- ⁵ **Life Expectancy at Birth, at 65 Years of Age, and at 75 Years of Age, According to Race and Sex: United States, Selected Years 1900–2001.** *Health, United States, 2003*, Centers for Disease Control and Prevention, 2003.
- ⁶ Ibid.
- ⁷ Survival rates are based on 1999 U.S. population experience. Sondergeld and Greenwald.
- ⁸ Elizabeth Arias, PhD, **United States Life Tables, 2002.** *National Vital Statistics Reports*, Volume 53, Number 6. Centers for Disease Control and Prevention, November 10, 2004.
- ⁹ Sondergeld and Greenwald.

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APPENDIX: Social Security Benefits

The question regarding the optimal age to begin receiving Social Security payments involves many considerations. The primary factors to consider include:

- σ Life expectancy
- σ Year of birth
- σ Level of benefits
- σ Whether you will continue to earn wages
- σ The discount rate applied to future benefits
- σ Issues related to the benefits received by a spouse

Taking Benefits Early

We begin the discussion with this conclusion: In general, individuals who plan to work beyond age 62 and generate significant earnings from their labor should not take early Social Security benefits. The reason is that the penalty associated with taking early benefits is quite severe. For every two dollars earned over \$11,250, benefits are reduced by one dollar.

An Important Factor: Year of Birth

The next factor to consider is your year of birth. Before 2000, individuals who selected early benefits at age 62 took a 20 percent permanent reduction from the amount of full retirement benefit that they would have received at age 65. Today, the benefits reduction and full retirement age are dependent on your year of birth. Table I shows the different percentages that you would receive (depending on your year of birth) and the age that full benefits become available.

Year of Birth	Percentage of Full Benefits Received at Age 62	Full Benefit Age
Before 1938	80.0	65
1938	79.1	65 and 2 months
1939	78.3	65 and 4 months
1940	77.5	65 and 6 months
1941	76.6	65 and 8 months
1942	75.8	65 and 10 months
1943-1954	75.0	66
1955	74.1	66 and 2 months
1956	73.3	66 and 4 months
1957	72.5	66 and 6 months
1958	71.6	66 and 8 months
1959	70.8	66 and 10 months
1960 or Later	70.0	67

Source: 2003 Guide to Social Security and Medicare, 31st Edition. Mercer Human Resource Consulting, November 2002.

Analysis of the Data from Table I

It appears that it is generally slightly favorable to delay benefits for both males and females. The current joint life expectancy for males and females age 65 is approximately age 94, according to a 2003 TIAA-CREF mortality table. For those individuals with a family history of shorter life spans, taking the early benefit may be preferred. Even if the primary wage earner were to die shortly after

taking full benefits (or after age 70), the surviving spouse would not lose all benefits. The spouse would be eligible for the deceased's full benefit but would lose his or her own benefit.

Delaying benefits past full benefit ages is another option. By delaying your benefits past full retirement, you would receive payment increases above the level of full retirement benefits. The exact increase in payments received depends upon when you begin taking benefits and your year of birth. Therefore, delaying benefits past full retirement age might merit consideration only for individuals with long life expectancies.

Other Considerations

Working until full retirement age could improve your level of Social Security benefits. If you have years in your work history when your income was very low or even zero, these years may be factored into the level of benefits you would receive and could lower your benefits considerably. By working past age 62, or even up to full retirement age, you might significantly improve the level of benefits received.

When to take Social Security benefits may also depend on the age of a spouse. For a primary wage earner with a younger spouse, delaying benefits may be advantageous. For a spouse who is younger with a long life expectancy, delaying benefits could pay off in the long run. As mentioned earlier, after the death of the primary wage earner, the spouse receives the deceased's full benefit payment while his or her own benefit payment ceases.

Another issue of note: How should you treat Social Security benefits in terms of determining the appropriate asset allocation? The answer is to treat Social Security benefits as an income stream, which reduces the need to take risk required to achieve a financial goal. Thus, by reducing the need to take risk (by the amount of the benefit received), the allocation to less risky fixed-income assets can be increased while reducing the required allocation to riskier equity asset classes.

Summary

There are many issues to consider when making the election of when to receive benefits. Some of them are quite complex, including what rate at which benefits should be discounted. Given the importance of the issue, it is worthwhile to consider consulting with an accountant or other financial advisor prior to making any election.