

# Common-Sense Ways to Maximizing Social Security & Other Retirement Income

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For decades, many have underestimated the crucial importance of maximizing your Social Security and other retirement income. In 2014, the average Social Security (SS) retirement benefit was \$1,294 per month. “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.” Source: *“How Social Security Strategies Affect Your Retirement”*, by Dr. Harold Wong, published 5/23/2014 in The AZ Republic.

**Example: if you are an older Baby Boomer, your Full Retirement Age (FRA) is 66 and suppose your SS benefit is \$2,000/month.** If you took SS at age 62, you’re hit with a 25 percent penalty and your SS benefit is \$1,500/month. If you wait until age 70 to maximize your SS benefit, you get 32 percent more, or \$2,640/month. Only 5.2% of men and 11.4% of women waited until age 66. Only 1.2% of men and 2% of women waited until age 70.

In today’s world of money, you are looking at 2% returns from intermediate bonds or 10-year Treasury notes and 3% returns from 30-year Treasury bonds. Let’s look at SS differently and consider it to be one of our investment asset classes. For you to receive \$1,500/month, you would have had to save \$720,000 if you earned 2.5% interest. To earn \$2,000/month, your savings would have to be \$960,000; to earn \$2,640/month, your savings would have to be \$1,267,200. In addition, SS benefits historically do receive a modest cost of living increase (COL), even though 2016 will be the 3<sup>rd</sup> year out of the last 6 where there was zero COL.

**By waiting 4 years from age 62 to 66 to take your SS benefits, it’s like you saved an extra \$240,000.** If you wait 8 years until age 70 to take your SS benefits, it’s like you saved an extra \$547,200. Even if you believe that you can earn a net (after mutual funds and brokerage fees) of 5% annually in the stock market, you would need to save about \$54,650/year for 8 years to accumulate an extra \$547,200. Given that the U.S. average savings rate was 5.50% in November, 2015, you would need total earnings of \$9,949,091 during the 8-year period from age 62 to 70 to save an extra \$547,200 (if there were no earnings at all). We assume that very few readers earn \$1,243,636 annually.

**A private pension plan is mathematically one of the most efficient ways to increase your retirement income.** Example: If you want to take SS at age 62 and receive \$1,500/month, how much would a 62-year-old male have to deposit so that he would have an extra \$1,140 monthly (\$2,640 at age 70 vs. \$1,500 at age 62) at age 70.? He would have to deposit \$150,000 and let it grow for 8 years. At age 70, he could receive \$1,140/month every year from age 70 until death. Note that \$150,000 is only 27.41% of the extra \$547,200 of savings required in the previous

example, if earning 2.5% annually, to generate this extra income. Even better, this private pension income is guaranteed to never go down for the rest of your life. For many, it's possible to save

**Conclusion:** Almost everyone is better off waiting until age 70 to take SS benefits and to rely on a private pension instead of just the bank, bonds, and stock market dividends to fund your retirement income. Most could save \$150,000 after a lifetime of work but many cannot save \$547,200.

**Free Seminars at Desert Foothills Library:** On Sat. 1/16/2016, 10:30 am-12:30 pm, ***“How to Maximize Your Social Security & Other Retirement Income”*** will be given. On Weds. 1/20/2016, 2-4 pm, ***“Common-Sense Financial Strategies”*** will be given. Both are at 38443 N. Schoolhouse Road, Cave Creek, AZ 85331. **Please RSVP at (800) 955-1408.**

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