

AHWATUKEE FOOTHILLS NEWS

Work Longer to Boost Your Retirement Income Safely



July 10, 2019 by Dr. Harold Wong

From a mathematical perspective, there are only a few key variables to the retirement financial equation: Earn More; Save More; Work Longer; Earn a Higher Rate of Retirement Cash Flow; and Reduce Taxes. This article will be the first of a series that covers these issues, including real-world case studies.

By the time people attend my seminars, with typical ages being 55-75, they have already made their education and career choices. According to the Census, the median household income was \$61,372 in 2017. Note that median means half the households have income above that level and half below.

Case Study of Earning More Money: However, one can earn more simply by working more if that opportunity exists. One client of mine is Ruth, age 55, a single female nurse practitioner who works full-time. In addition, she works every other Saturday to earn an extra \$13,000 per year. If she does this for 15 years and earns an average 6%, she will have \$320,742 more for her retirement. At age 70, a private pension will give her \$20,523 every year as long as she lives. More importantly, the money is not invested in the stock market so she will not lose anything if the stock market crashes. Your rate of retirement cash flow on assets saved really does matter. In today's world of money, the average dividend rate in the S&P 500 Stock Market Index has been 1.98% from

January 1, 2000 to December 31, 2018, the first 19 years of this century. The average one can earn by lending to Uncle Sam by purchasing a 10-year Treasury bond has been about 2% for the last 10 years. Two of the largest banks in the Phoenix Metro area will give you \$50/year interest if you deposit \$100,000 in a jumbo 1-year CD.

Remember that after the 2008 Financial Crash, the Federal government reduced interest rates to the lowest level in history. On \$320,742, these alternatives would yield only \$6,414 of annual income from stock dividends or U.S. Treasury bond interest; or \$160.37 of annual interest from the bank. Everyone would prefer to receive a much higher \$20,523 of annual income.

Work Longer: When we look at data from the 2017 Survey of Household Economics and Decisionmaking from the Federal Reserve, the average retirement age among currently living retirees was 59.88 years. The median age at when living retirees left work was 62 years old, which is the earliest age one can draw Social Security benefits. A huge 63.1% retired between the ages of 57 and 66. The Impact on Your Social Security Benefits is Huge!: In my May 15, 2019 article in the Ahwatukee Foothills News "Unrealistic Baby Boomers Face a Retirement Crisis", I cited the Social Security Administration. "In 2017, retired workers received an

average of \$1,404 in monthly benefits ... and \$2,136 monthly for a married couple". From those who attended recent seminars, I have met a number who have high-paid jobs and have worked most their lives. If they retire at 70 and start their Social Security (SS) then to get the maximum, they will receive \$42,000/year. The lower-income spouse can get her own SS based on her earnings; Or half of the higher-income spouse's \$42,000, whichever is greater. She will get at least \$21,000/year if she waits until full retirement age (age 66 or 67, depending on age). The total is at least \$63,000/year.

Free Seminar: "How You Can Maximize Your Social Security & Other Retirement Income and Save Big with the New Tax Law will be held 9:30-11:30 am, Saturday August 17, 2019, at the Ahwatukee Event Center, 4700 E. Warner Road, NW corner of 48th Street.

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Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.