

How Single Women and Baby Boomer Couples Should Plan for Social Security & Other Retirement Income

9/2/2015 AZ Republic by Dr. Harold Wong

According to recent research (see, *“How Social Security Strategies Affect Your Retirement”*, May 23, 2014 AZ Republic by Dr. Harold Wong), the average Social Security check to retired workers in 2014 was \$1,294 per month. Clearly, this is not enough to live on for a single woman. If the amount is doubled for a couple, it’s still not enough to have a comfortable lifestyle.

How should a single woman prepare for retirement? She should work until age 70 to maximize SS benefits. Most take SS at age 62 and will get the minimum benefit for life. If one’s SS monthly benefits are \$1,294 at age 62, they would be \$1,725.33 at 66 and \$2,277.44 at age 70. That’s \$983/month more or a total of \$11,801.28 more each year.

This also gives her 8 more years to save as much as possible towards retirement. If she had a total \$300,000 of life savings at age 62, and could average a 5 percent annual return, it would become \$443,236 at age 70. If she could save \$12,000 annually and earn 5 percent, this would become \$120,319. Instead of having \$300,000 at age 62, she would have \$563,555 or \$263,555 more.

Combine SS with the Private Pension Option: If, at age 62, she deposited \$250,000 in a private pension, she would get \$23,211 of annual income, starting at age 70 and guaranteed for life. The money would not be in the stock market and so would not lose principal when the market crashes. Now, her total income would be \$27,329 of SS and \$23,211 of private pension, or a total of \$50,540. If she did not implement the private pension strategy, and took SS at age 62 (like most do), her annual income would be only \$15,528, or \$35,012 less guaranteed income.

If she did not use the private pension, she could derive income from the \$300,000 that she saved, but current rates of income are only: 2.20 percent on 10-year U.S. Treasury notes; 2.93 percent on 3-year U.S. Treasury bonds; and 3.47 percent effective yield for the Bloomberg Corporate Bond Index. She could risk her life savings in the stock market, but the average dividend yield is only about 2 percent and we are long overdue for a correction (as shown by recent dramatic price drops in the last few weeks).

How Should a Married Couple Prepare for Retirement? The higher income spouse, traditionally the man, should not take SS until he’s age 70. When he dies, the wife can take whichever is the highest SS benefit, his or hers. Suppose the higher-income spouse would have \$1,500 monthly SS at 62, \$2,000 SS at 66 or \$2,640 at 70. If the lower-income spouse has \$2,277 at age 70, their total SS income at 70 would be \$4,917 vs. only \$2,794 if both took SS at age 62. Suppose both are age 62 and deposit \$500,000 in a private pension plan. At age 70, their annual income would be \$42,326, guaranteed as long as both or only one was still alive. When one adds \$59,004 of combined SS income, their total guaranteed lifetime income is \$101,330. If they both took SS at age 62, their only guaranteed income would be \$33,528, or 33 percent of what it could be if they combined the private pension plan with SS maximization.

Free Seminars: Sat. 9/12/15, 10-12 noon, *“How to Maximize Social Security & Other Retirement Income”*, followed by a light lunch 12-1 pm. Tues. 9/15/15, 6:30-8:30 pm, *“How Baby Boomers Should Financially Prepare for a Happy Retirement”*, preceded by a light supper from 6-6:30 pm. Both seminars will be held at Keller Williams University, 2077 E. Warner Road, Tempe, AZ 85284. Please RSVP at (800) 955-1408 or email haroldwong1@yahoo.com.

Contact Dr. Wong for a private consultation at (480) 706-0177 or haroldwong1@yahoo.com. Click on www.doctorharoldwong.com or view his archived research at www.DrWongInvestorGuide.com.