CPS Investment Advisors
Steady as You Grow

2015 1st Quarter Public Sector Newsletter

Provided by: Michael L. Lawton, MPA/CPM

January 2015 Vol. 10.1

RETIREMENT ROADMAP

The January 2015 quarterly newsletter is part of a series of newsletters discussing your retirement roadmap.

Social Security Tips for Married Couples

Married couples have a bit of an edge with Social Security. Of course, the basic Social Security rules apply to everyone equally, but married couples can take advantage of some strategies that may help to significantly increase lifetime benefits. Some require short-term sacrifice. In other words, you'll have less Social Security income in the first few years of retirement, in order to get larger benefits later.

"Many Americans are underestimating how long they may lead enjoyable healthy lives," says Stephen J. Devaney, CFP®, CASL, and vice president in Fidelity Strategic Advisers. "Longer lives also increase the potential impact of Social Security strategies."

Strategy No. 1: Maximize the survivor benefit

Consider a hypothetical couple who are both about to turn age 62. Aaron is eligible to receive $2,000 a month from Social Security when he reaches his FRA of 66. He believes he has average longevity for a man his age, which means he could live to age 85. His wife, Elaine, will get $1,000 at her FRA of 66 and, based on her health and family history, anticipates living to an above-average age of 94. The couple was planning to retire at 62, when he would get $1,500 a month and she $750 from Social Security. Because they're claiming early, their monthly benefits are 25% lower than they would be at their FRA. Aaron also realizes taking payments at age 62 would reduce his wife's benefits during the nine years that they expect her to outlive him.

If Aaron waits until he's 66 to collect benefits, he'll get $2,000 a month. If he delays his claim until age 70, his benefit—and his wife's survivor benefit—will increase another 32%, to $2,640 a month. (Note: Social Security payout figures are in today's dollars and before tax; the actual benefit would be adjusted for inflation and possibly subject to income tax.) Waiting until age 70 will not only boost his own future cumulative benefits by 5%, it will have a dramatic impact on his wife's benefits. In this hypothetical example, her lifetime Social Security benefits would rise by about $68,000, or 27%. Even if it turns out Elaine is overly optimistic and she dies at age 88, her lifetime benefits will still increase 12% and, together, they would collect approximately $39,000 more in Social Security benefits than if they had claimed at 62. In order to do this, Aaron would either keep working or use savings to cover retirement expenses until he receives Social Security.

Strategy No. 2: Claim and suspend

Suppose Brooks has reached his FRA of 66 and is eligible to receive $2,000 a month. His wife Helen is 62 and will collect $750 a month when she reaches her FRA of age 66. If Helen retires at age 62, because she will be claiming benefits early, she will get only $563 a month based on her own work history. But if she claims spousal benefits based on Brooks' earnings, she'll get $700 a month.

Brooks claims benefits now, but suspends taking them for himself until he is age 70 so his wife can draw spousal payments right away. If he then lives to age 86 and she lives to age 88 (average expectancies, given their current ages), this strategy in our hypothetical example will add more than $26,000 to Helen's lifetime benefits, increasing the total value of her payments by about 12%.

CPS in the News

Events this quarter

"**CPS First Thursdays**:"

Florida Southern College, Hollis Room, 11:30 AM to 1:30 PM

February 5, 2015 : Adult and Graduate Education Opportunities at Florida Southern College by Maggie Kuhn

RSVP to:

CPS Investment Advisors
1509 S Florida Ave
Lakeland, FL 33803
863-688-1725 or
Esther@cpalliance.com
Lunch Provided

Contact us for more dates

CPS Investment Advisors

Steady as You Grow

Strategy No. 3: Claim now, claim more later

Say Carter is 66 and eligible for his FRA of $2,000 per month in Social Security now, while his wife, Caroline, is 62 and is due to collect $1,000 a month when she is 66, her FRA. If they both retire now and take benefits, he'll get $2,000 and she will receive $750, a 25% decrease since she is retiring before her FRA. The couple's monthly Social Security benefits would be $2,750 a month.

Suppose Carter claims a spousal benefit now instead, and delays taking his own benefits until age 70. That means, initially, the couple will get just $1,250 a month: her $750 plus his $500 spousal benefit. (Because he is at FRA he gets 50% of Caroline's $1,000 FRA benefit, not 50% of her reduced benefit at age 62.) But in four years, when Carter is 70, he can take his own Social Security benefit, which jumped to $2,640 because he waited, giving the couple a total of $3,390 a month until his death.

If he lives to age 86 and she lives to 94 (which is 25% longer than the average expectancy for a 62-year-old woman), his lifetime payments in our hypothetical example will increase by nearly $26,000, and hers will soar by more than $52,000, driving up their collective benefits by about 11%, or nearly $79,000. These calculations don't include any income Carter might earn between the ages of 66 and 70, if he can keep working (and contributing to Social Security) while his benefits grow. It's important to note, though, that because Caroline has not reached her FRA, she should be aware of the impact of his earnings on her benefit and Carter's spousal benefit. They will be subject to an earnings test, which could temporarily reduce their benefits.

Conclusion

As you can see, these strategies require waiting at least until you reach your full retirement age, generally age 66, to claim benefits. That means either you work longer or make do on less during that time. But for each year that you delay taking Social Security (up to age 70), you could receive up to 8% more in future monthly payments, which can add up over time. Proper Retirement/Financial Planning

So, the take away is simply this:

Retirement/financial planning should be an ongoing process throughout your lifetime. In particular, health care costs during one's retirement years are increasing at an alarming rate. Everyone should have a comprehensive retirement/financial plan to assist and guide them towards achieving their retirement/financial goals. You should take (or make) the time to contact your trusted Financial Advisor and discuss these critically important issues.

Learn more about these retirement/financial planning issues at www.cpsinvestmentadvisors.com and click on the Publication Library tab for additional information.

Everyone's economic and life circumstances are unique, and I always keep that foremost in mind when providing retirement/ financial planning advice. I firmly believe that personalized service is essential when matching individual clients with the appropriate retirement/financial planning strategies.

As a Financial Advisor, I am committed to learning about your personal retirement/ financial goals. Working together as a team, we will use your goals to build a retirement/ financial plan focused on your specific needs and help you achieve ***"financial security and peace of mind"*** during your lifetime.

I look forward to hearing from you. Please contact me at CPS Investment Advisors at 863-688-1725, mlawton@cpalliance.com

---

Source: https://www.fidelity.com/viewpoints/retirement/social-security-tips-for-couples

Thank you for the many kind referrals sent to us. Referrals are the truest measure of your confidence in our firm and we appreciate the loyalty of our clients.