

Savvy Social Security Planning for Baby Boomers

"When should I file for Social Security benefits?"

That's the question every Baby Boomer needs to answer. Rich or poor. Whether they'll need Social Security to make ends meet or whether they intend to use it to fund an investment program for themselves or, say, their grandkids' education, or anything else in between.

The answer to that question can be complicated. The distribution phase of retirement is a lot more complicated than the accumulation phase. And the crash of 2008 makes Social Security income more important than ever.

Unfortunately, there are very few REAL rules of thumb that apply to everyone when it comes to Social Security. The decisions clients make at this stage in life depend on a multitude of factors including income, assets, health status, life expectancy, family dynamics, life goals, and a lot more.

Unlike a lot of other decisions clients made earlier in life, some decisions they will be forced to make now may be irreversible. For instance: starting Social Security at age 62 can cause a person to leave a lot of money on the table if they live well into their 90s. Some people might be better off waiting to collect benefits.

Failure to consider the impact of marriage, divorce, remarriage, and widowhood can severely pinch your lifetime stream of income. Failure to coordinate IRA RMDs with Social Security taxation results in needless reduction of income that could be put to better use for health care or just enjoying life. And those are just a few key points. For every rule of thumb, there are many exceptions.

Social Security is a lot more valuable than most people realize.

Here are a few things to consider. First, it is a lifetime income stream. Once you start getting it, it keeps coming until you die.

Second, it's inflation-protected. A nice benefit, thanks to annual cost-of-living adjustments (COLAs). With the power of compounding, these annual bumps can add up over the years.

Third, there is right of survivorship. So when one spouse dies, the other can continue to receive the higher of the two benefits until they die, too. Consider this example. In 2008, the maximum benefit for a person turning full retirement age is \$2,185 per month. If that person lives for 30 more years, assuming an annual cost-of-living adjustment of 2.8% (which is what Social Security trustees project under their intermediate-cost scenario), he or she will collect more than \$1.2 million in benefits.

As Elaine Floyd, Horseshoorn's Director of Retirement and Life Planning says, "Given the great potential of Social Security benefits over a person's lifetime, it makes sense to treat this resource as a significant asset and to make decisions that will maximize it to the greatest possible extent."

