

January 28, 2014

# **PLANNING FOR RETIREMENT, PART II: MAKING THE MOST OF YOUR RETIREMENT INCOME**

**PRESENTERS:**

**AMY MATSUI**

**NATIONAL WOMEN'S LAW CENTER**

**JOAN ENTMACHER**

**NATIONAL WOMEN'S LAW CENTER**

**KATHY STOKES**

**WISER (WOMEN'S INSTITUTE FOR A SECURE RETIREMENT)**

# SPEAKERS FOR THIS SESSION



**Amy Matsui**  
Senior Counsel and Director of  
Women and the Courts  
National Women's Law Center  
[amatsui@nwlc.org](mailto:amatsui@nwlc.org)



**Joan Entmacher**  
Vice President,  
Family Economic Security  
National Women's Law Center  
[jentmacher@nwlc.org](mailto:jentmacher@nwlc.org)



**Kathy Stokes**  
Senior Fellow  
Women's Institute for a  
Secure Retirement  
[kstokes@ksmcom.com](mailto:kstokes@ksmcom.com)

# WOMEN NEED *MORE* RETIREMENT INCOME

## Women:

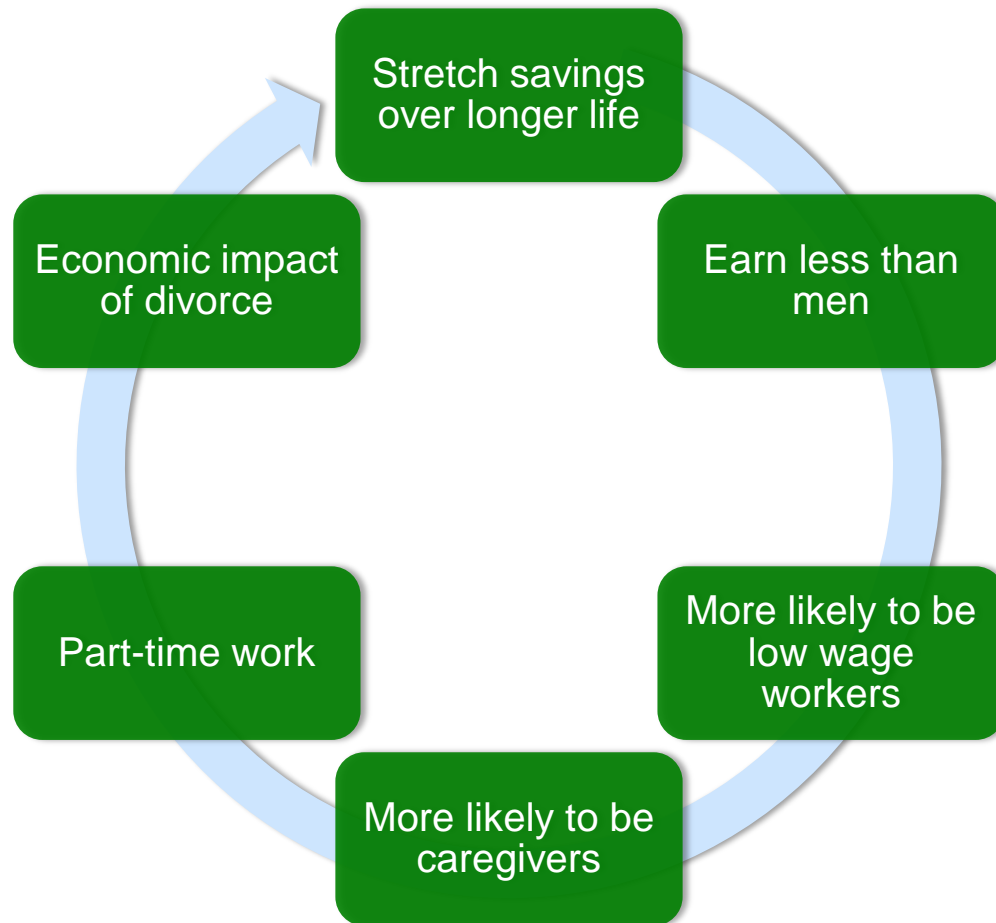
- Live longer
- More likely to have chronic illness and need long-term institutional care
- More likely to be single and not remarry



***DID YOU KNOW ?***

***Nearly 1 out of 5  
women 65+ living alone  
are poor.***

# BUT WOMEN HAVE *LESS* RETIREMENT INCOME



# **TODAY'S WEBINAR**

**We'll cover:**

- 1. How to make the most of your Social Security**
- 2. How to make your retirement savings last**

# WOMEN ESPECIALLY NEED TO PLAN FOR LIFETIME INCOME

- On average, women 65 today will live to 86½, men to 84.
- Many will live longer: nearly 4 in 10 women and 3 in 10 men will live past 90.
- For couples age 65, the chances that one will live past 90 are 57%.
- You—and your spouse if you are married—need to be prepared!

# MAKING THE MOST OF YOUR RETIREMENT INCOME STARTS WITH SOCIAL SECURITY

- Social Security provides over 60% of the family income of women 65+ on average
- Even more important as women get older
  - At ages 65-69, about 2 in 10 women rely on Social Security for virtually all their income.
  - At age 80 and older, about 4 in 10 women do.



# WHY SOCIAL SECURITY IS ESPECIALLY IMPORTANT IN YOUR RETIREMENT PLAN



- Benefits last as long as you live
- Do not fluctuate with the stock market
- Adjusted annually for inflation
- Provides retirement benefits for spouses, surviving spouses, divorced spouses

# DECIDING WHEN TO CLAIM SOCIAL SECURITY IS A MAJOR FINANCIAL DECISION

- If you need Social Security to make ends meet, claim it!
- But if you can afford to wait, you'll increase the most secure part of your retirement income.
- Think about how you or your spouse will manage if you live to 90, 95—or longer.
- Do consider your overall financial and personal circumstances. But don't claim early because you're worried that Social Security won't be there.

# QUESTIONS THIS SECTION OF THE WEBINAR WILL ANSWER

- When can you claim Social Security and how does that affect your benefits?
- What if you continue to work?
- What if you change your mind after claiming benefits?
- What benefits are available to spouses, surviving spouses, and divorced spouses? And what about same-sex couples?
- What claiming options are available to spouses?
- What if you also get a pension from work not covered by Social Security
- Where can I get more information?

# WHEN CAN YOU CLAIM SOCIAL SECURITY RETIREMENT BENEFITS?

- Any time between ages 62 and 70
- But if you claim before your Full Retirement Age (FRA), your worker benefits will be reduced
- And, if you claim after your FRA, your worker benefits will increase



# WHAT'S YOUR FULL RETIREMENT AGE (FRA)?

- It depends on the year you were born.
- Born 1943-1954, FRA is 66
- Born 1955-1959, FRA increases by 2 months each year
  - Eg, born in 1957, FRA is 66 and 6 months
- Born 1960 or later, FRA is 67



# CLAIMING BEFORE FRA REDUCES YOUR BENEFIT PERMANENTLY

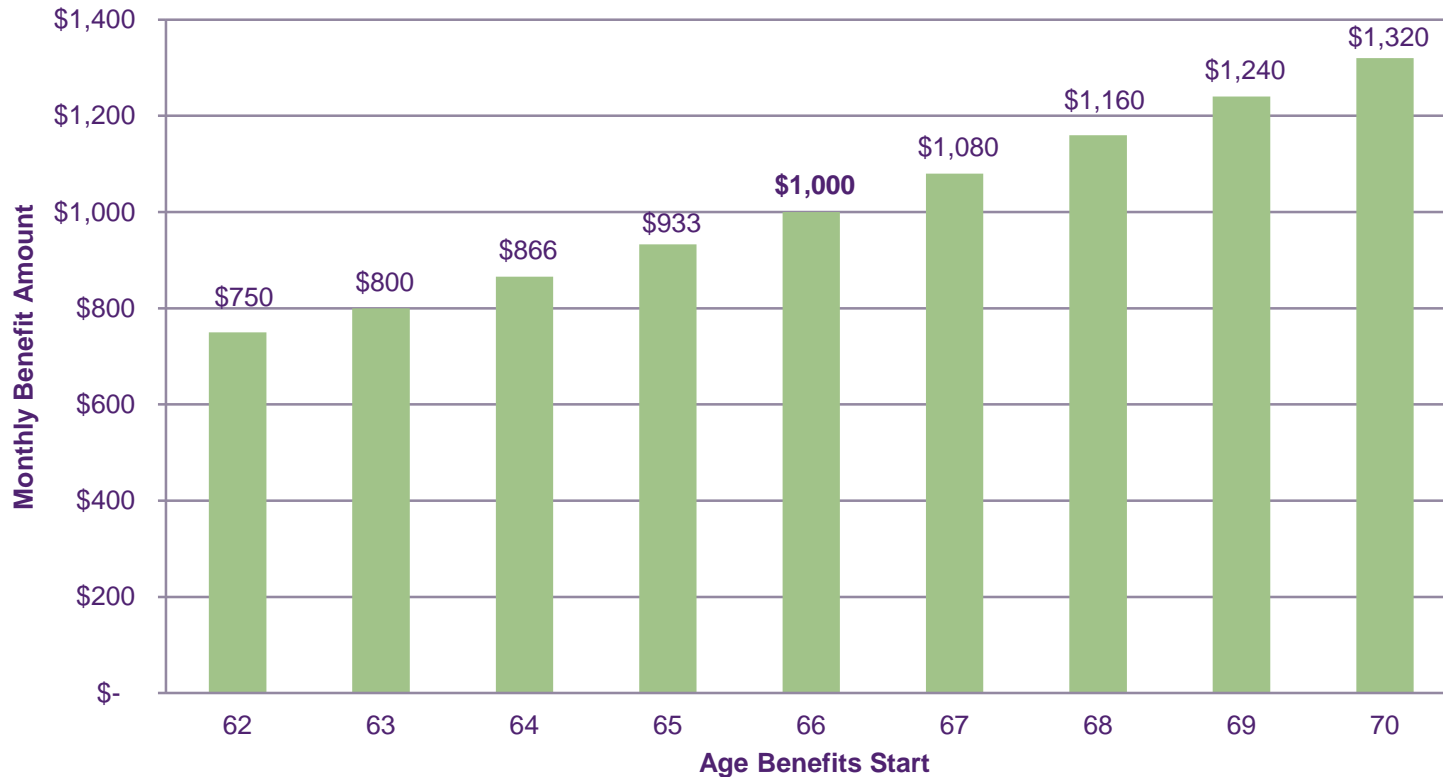
- **Example:** Your FRA is 66 and your benefit at 66 would be \$1,000/month.
  - Claim at 62, benefit 25% less--\$750/month.  
Claim at 63, 20% less--\$800/month.
  - This reduction does not go away when you reach 66.
- **Note:** If you qualify for disability benefits, your retirement benefits will not be reduced for claiming before your FRA.

# CLAIMING AFTER FRA INCREASES YOUR MONTHLY BENEFIT FOR LIFE

- **Benefits go up 8% plus inflation every year you wait.**
  - If your FRA is 66, your benefit at 66 would be \$1,000/month, and you claim at 68, benefit would be 16% higher--\$1,160/month.
  - If you claim at 70, your benefit would be 32% higher--\$1,320—and 76% higher than at 62.
- **That's hard to beat!**

# HOW WAITING INCREASES YOUR MONTHLY BENEFITS

Monthly benefit amounts for a worker who earns a \$1,000 benefit at a full retirement age of 66 and claims at different ages





# WHAT IF YOU CONTINUE TO WORK?

- Working longer can enable you to wait.
- It will further increase your benefits if it increases your average earnings over 35 years.
- But, if you start collecting benefits before your FRA and earn more than a certain amount (\$15,500 in 2014), part of your benefit will be withheld.
  - Your withheld benefits are repaid when you reach FRA. But your basic monthly benefit is reduced permanently. So if you expect to earn more than \$15,500, filing before your FRA may not be a good choice.
- After FRA, whatever you earn, your full benefit is paid. (But by waiting, you can earn delayed retirement credits of 8% a year.)

# WHAT IF YOU CHANGE YOUR MIND AFTER YOU'VE CLAIMED BENEFITS?

- If your application hasn't been approved, you can withdraw it.
- If it has been approved, you can withdraw it if you apply within 12 months, repay all benefits received, and get consent from anyone entitled on your record.
- After your FRA, you can suspend future benefits without repayment and earn delayed retirement credits.

# WHAT RETIREMENT BENEFITS ARE AVAILABLE TO SPOUSES, SURVIVING SPOUSES, AND DIVORCED SPOUSES?

- As a spouse, you can get up to 50% of your spouse's benefit or your own worker benefit, whichever is higher.
- As a surviving spouse, you can get up to 100% of your deceased spouse's benefit or your own worker benefit, whichever is higher.
- If you're divorced, and your marriage lasted for 10 years, you are eligible for the same benefits as a current spouse or widow.

# ARE SAME-SEX COUPLES ELIGIBLE FOR SPOUSAL BENEFITS?



- The Supreme Court ruled that the “Defense of Marriage Act” was unconstitutional.
- Same-sex couples are eligible for spousal benefits if:
  - Married in a state that recognizes same-sex marriage and
  - Live in a state that recognizes their marriage when they apply.
- What about
  - Legally married same sex-couples who live in a state that does not recognize same sex-marriage when they apply?
  - Couples joined in a civil union or domestic partnership?
  - Eligibility under review. You can go ahead and file for benefits, and if you are later determined to be eligible, you will get benefits from the date of application.

# WHEN CAN YOU CLAIM A BENEFIT AS A SPOUSE?

- **As early as 62, if your spouse has claimed benefits (if divorced, if your spouse is at least 62)**
  - Filing before your FRA reduces your benefit as a spouse.
  - If you are also eligible for a worker benefit and file before your FRA, you will be deemed to have filed for both benefits. You'll get the higher benefit, but your worker benefit will also be reduced for filing early.
- **If you wait until your FRA—and only if you wait--you can claim just your benefit as a spouse and let your worker benefit grow. (You can't increase your spouse benefit by waiting beyond your FRA.)**
- **Option: At your spouse's FRA, your spouse can file and suspend benefits (not collect them). This enables you to receive benefits as a spouse while your spouse earns delayed retirement credits, increasing your potential survivor benefit.**

# WHEN CAN YOU CLAIM A RETIREMENT BENEFIT AS A SURVIVING SPOUSE?

- As early as 60 (50 if disabled)—but claiming before your FRA can reduce it.
- Unlike your worker benefit (but like your spouse benefit), you can't increase your benefit as a surviving spouse by waiting past your FRA to claim it.



# **BENEFITS FOR A SURVIVING SPOUSE DEPEND ON WHEN THE HIGHER-EARNING SPOUSE TAKES BENEFITS**

- **If the higher earner takes benefits before FRA, the survivor's benefit also will be reduced.**
- **If the higher earner waits until after FRA, the survivor's benefit also will be increased.**
- **A higher-earning spouse can provide more lifetime income protection for a surviving spouse by waiting to claim benefits!**

# WHAT IF YOU'RE ELIGIBLE FOR A BENEFIT AS A SURVIVING SPOUSE AND A WORKER?

- You can't get both benefits, but you can choose which to claim first, even before your FRA.
- Your choice can increase your income later in life.
- If your full survivor benefit at your FRA would be larger than your worker benefit at age 70 would be, you could take your worker benefit early and wait until your FRA to claim your survivor benefit.
- If your worker benefit at age 70 is larger than your survivor benefit at your FRA, you could take your survivor benefit first and let your worker benefit earn delayed retirement credits.



# WHAT IF YOU'RE ENTITLED TO SOCIAL SECURITY BENEFITS AND ALSO GET A PENSION FROM WORK NOT COVERED BY SOCIAL SECURITY?

- The Windfall Elimination Provision (WEP) reduces the Social Security benefit of a worker who also receives a pension from a job where they did not pay into Social Security, such as some public employment. It also reduces benefits for that worker's spouse and surviving spouse.
- The Government Pension Offset (GPO) reduces the Social Security spouse and widow's benefit of an individual who also receives a pension from a job where they did not pay into Social Security. The reduction equals 2/3 of the government pension.
- The rules are complicated! Go to [www.ssa.gov](http://www.ssa.gov) and use Social Security's WEP and GPO calculators to find out how these special rules may affect you.

# KEY POINTS:

- You can claim Social Security at 62—it's there for you if you need it.
- But the longer you can delay claiming Social Security benefits, the higher your benefits generally will be.
- Making the most of your Social Security benefit is especially important because that's the part of your retirement income that lasts as long as you live--and is adjusted for inflation.
- Discuss with your spouse when you each will claim Social Security. A higher-earning spouse who delays claiming Social Security benefits increases the benefit for a surviving spouse.
- More information and on-line calculators are available at [ssa.gov](http://ssa.gov), [aarp.org](http://aarp.org), and other sources.



# **MAKING RETIREMENT SAVINGS LAST**

Kathy Stokes

Women's Institute for a Secure Retirement

# NATIONAL EDUCATION AND RESOURCE CENTER ON WOMEN AND RETIREMENT PLANNING

- Operated by WISER in partnership with the Administration on Aging
- Gateway to basic retirement information and resources
- Provides fact sheets, booklets, worksheets, etc., on key retirement planning topics

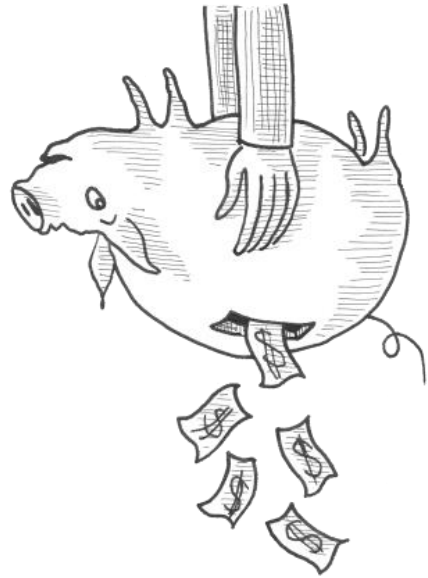
[www.wiserwomen.org](http://www.wiserwomen.org)

# WOMEN NEED TO STRETCH INCOME

- 55,000 reasons to expect a long life
- Cost of long-term care
- Inflation
- Threat of living alone
- Nearly 85% of married women outlive spouse



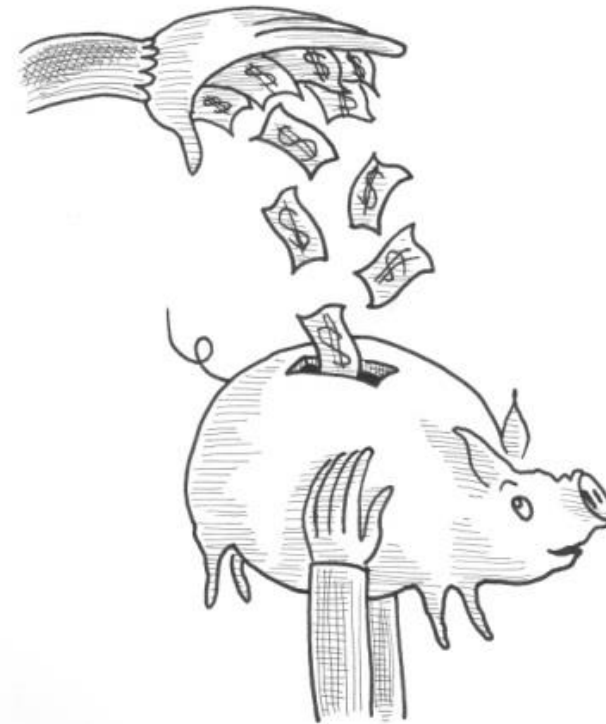
# WITHDRAWAL STRATEGY



- Estimate what you can withdraw and spend from your savings so it will last as long as you do
- Invest the balance until needed

# ESTIMATED AMOUNT YOU CAN WITHDRAW

Age	Percent of Assets
50s	3-5%
60s	4-6%
70s	5-7%
80s	6-8%
90s	8-10%



# PAYMENTS FOR LIFE STRATEGY

- Turn part of your savings into monthly income for life
- Fixed immediate annuity
- Variable immediate annuity



# HOW THEY WORK

- Use assets from 401(k) or IRA, life insurance payouts, proceeds from home sale
- Select an insurance company
- In return for your lump sum, the insurer will pay you monthly, quarterly, semi-annually or annually

# DIFFERENCES

- Fixed immediate annuity pays a fixed rate and will lose purchasing power as inflation rises
- Variable immediate annuity payments will vary based on underlying investments

# HOW MUCH CAN YOU GET?

Depends on your lump sum amount, plus:

- Age
- Gender
- Income option you select
- Interest rates at the time of purchase

# HOW MUCH DO YOU NEED?



- Estimate your income needs to meet your expenses
- Subtract Social Security, pension and other monthly income you expect to receive
- Your annuity should cover the gap between your needs and your income

# HOW TO SHOP FOR ANNUITY

## Focus on price and safety

- Use a strong insurance company
- Be aware of current interest rates
- Check with your state guaranty association

# RATINGS AGENCIES

- AM Best ([ambest.com](http://ambest.com))
- Standard & Poor's ([standardpoor.com](http://standardpoor.com))
- Moody's ([moody.com](http://moody.com))



# USEFUL WEBSITES

- [Annuity.com](http://Annuity.com)
- [Immediateannuities.com](http://Immediateannuities.com)

# CONSIDERATIONS

- Understand the terms, because they generally aren't subject to change after your purchase
- What's your health status?
- Do you like managing your investments, or would you like to hand it off to professionals?

# EXAMPLES FOR IMMEDIATE FIXED ANNUITY

- Female, no spouse, \$50,000

Estimated monthly income:

At age 70: \$311

At age 75: \$364

# EXAMPLES FOR IMMEDIATE FIXED ANNUITY

- Female, no spouse, \$100,000

Estimated monthly income:

At age 70: \$622

At age 75: \$728

# IF YOU NEED MORE INCOME

- **Work longer if possible**
- **Spend less**
  - Downsize
  - Move to lower cost area
- **Share your home**
- **Consider (carefully) a reverse mortgage**

# WWW.BENEFITSCHECKUP.ORG



We have helped **3,753,223** people find over **\$13.8 billion** worth of benefits.

Home

Find Help

About Us

Our Sponsors

News

Donate



## Can I Get Help?

**It's easy to find out.**

Answer some questions to find benefit programs that can help you pay for medications, health care, food, utilities and more. All from a reliable and trusted source. [About Us](#).

**GET STARTED NOW**



### Stay Connected

Get updates on important changes in benefits.

*Enter Email Address*

# MORE RESOURCES

- Social Security Administration for women: [www.ssa.gov/women](http://www.ssa.gov/women)
- NASI factsheet on delaying Social Security: <http://www.nasi.org/discuss/2012/04/world%E2%80%99s-best-investment-delaying-social-security>
- National Committee to Preserve Social Security and Medicare: [www.ncpssm.org](http://www.ncpssm.org)
- Ask Mary Jane
- Free downloads at [www.wiserwomen.org](http://www.wiserwomen.org)
  - Don't Run with Your Retirement Money: Understanding Your Resources and How Best to Use Them
  - Making Your Money Last for A Lifetime
- NWLC, Social Security and Retirement: <http://www.nwlc.org/our-issues/social-security-%2526-retirement>
- AARP, Work & Retirement: [www.aarp.org/work](http://www.aarp.org/work)

# THANK YOU!