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Services to help boomers get the most out of Social Security

Baby Boomers might as well have the 1984 Twisted Sister song "We're not gonna take it" as the ringtone for their cell phones. Linda Stern, in a recent article for Reuters.com "New services help boomers max out Social Security" states that boomers "will focus attention on squeezing Social Security for all it is worth." Stern reports on some services designed to help new Social Security recipients do just that. (<http://www.reuters.com/assets/print?aid=USBRE89U1KL20121031>)

Baby Boomers are turning the decision about when to collect Social Security benefits into a major research and strategic planning opportunity. This generation spent significant time to map out careers and 401k plans, intensively researched car seats, and college admission processes (as well as financial aid strategies). William Meyer, chief executive officer of Social Security Solutions, Inc., told Stern that baby boomers demand more. "[They] are the first generation that isn't going to put up with crappy advice." Meyer's group is one of the companies that advises how clients on how they can optimize retirement benefits. Some other groups are MaximizeMySocialSecurity.com, and SocialSecurityChoices.com. AARP has a free version of this on their website www.aarp.com. These companies, with the exception of AARP, do a computerized analysis for a nominal fee (\$20 to \$40) to tell consumers what is the best strategy for them.

Why is there a new trend to optimize benefits, and why would Baby Boomers pay for advice? This is the first generation with dual income households for the majority of their working lives, giving spouses more options for coordinating benefits. Delaying drawing on benefits can increase the amount of benefits over an expected life expectancy that is now longer. Many people are working to an older age, while others are being forced into early retirement by the economy and not by their choice. Optimizing benefits can save tens or hundreds of thousand dollars over a retirement lifetime. The way Social Security benefits are calculated has many nuances, and it is worth paying someone to do the complicated calculations that will best serve each individual or couple.

There are basic strategies that the Boomers' parents did not even consider. Delaying collecting benefits (up to age 70) increases the monthly benefit. Married couples can "tag team" taking the spousal benefit (one half what the other spouse would get) to delay his or her own benefit until it reaches the maximum then switching. A delay in taking the full benefit insures a larger paycheck for the rest of his or her life, providing some longevity protection. Divorced couples married at least ten years can "double down" with each spouse claiming the other's benefits for a few years then switching to a larger benefit.

Life expectancy is an important component since the optimal strategy changes depending on how long someone will live. Many people will live past the average life expectancy, and planning for that can add almost 15 percent in benefits. However, other assets matter too. If you know you will not be able to work between 62 years and 70 years, how will you support yourself? Some additional planning is needed in that eventuality. You should also take into account taxes if you must withdraw living expenses from a tax deferred account. You may want to discuss optimizing your withdrawals also.

Stern suggests paying for the advice; since all of the services are not identical, perhaps one should purchase a plan from each of them. For less than \$100 you can potentially save thousands of dollars by doing what Boomers do best...researching and planning, and not just "taking it."