

The Guide to Social Security

Higher Lifetime Benefits & Lower Lifetime Taxes

Should you start early? Should you delay until 70?

When you start is a major financial decision!

Pay lower taxes on your Social Security



Dr. Shelby Smith

The Guide to Social Security *...How to Pay Fewer Taxes*

For calendar year 2011 only, workers paying Social Security payroll taxes have been granted a reduction of two percentage points (2%). This “payroll tax holiday” may or may not die at year-end, as the Congress has not yet acted to extend. Due to the temporary reduction, we have not changed the employee payroll tax rate in this publication. The reader should be aware that the 2% reduction is for 2011 only unless extended.

For calendar year 2012, Social Security recipients will receive a 3.6% increase in benefits because of price inflation during 2010. The increased benefits will commence in January 2012.

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About the Author...

Shelby Smith has over three decades of hands-on experience working in financial and retirement services. Smith earned a Ph.D. in Economics from Iowa State University of Science and Technology in 1973 following Bachelors' and Masters' degrees in Economics from the University of Wyoming. During his professional careers Smith has been a college professor of finance, insurance and real estate; Chief Economist for a Federal Home Loan Bank; Chief Financial Officer of a large financial institution; Chairman & CEO of a large mortgage banking company; founder of a financial services company that specialized in serving banks; President of BHC Marketing LTD; and consultant to insurance and brokerage firms. Smith is currently the EVP and Chief Strategist of Futurity First Insurance Group which is involved in insurance marketing nationwide.

Smith has written extensively in the financial services trade journals as well as speaking frequently to industry groups. He has held several brokerage and insurance licenses and routinely advises and coaches financial planners. Smith is a regular contributor of articles and seminar videos to consumer web sites for the retirement-minded. Smith advocates a common sense approach to financial planning and encourages the retirement-minded to stay within their risk tolerances by increasing their financial literacy as much as they can on their own before working with a financial advisor. Smith resides in Houston, Texas.

Guide to Social Security Benefits

Introduction

Most individuals in or near retirement have three financial legs to support them in retirement: Social Security benefits; qualified retirement savings [401(k), IRA, 403(b), etc.] on which taxes have not yet been paid; non-qualified savings and investments on which taxes have been paid on the principal and possibly some or all of the earnings. By carefully coordinating the use of these three sources of money, the typical retirement-minded couple can add up to 20% to their after-tax income and afford a better retirement lifestyle. Unfortunately, most couples in or near retirement overlook the importance of coordinating the uses of their available money. The results are higher tax bills and lower lifestyles in retirement. Both can be avoided.

In what follows, you will be shown how the typical retired couple can add as much as 20% to their after-tax retirement income just by coordinating *when* to use the different categories of their money. There is nothing to buy, no risky investments to make or additional money needed: you just use what you have smarter. This is very important for a married couple because one spouse could spend as much as one-third of their lifetime in retirement.

Conventional wisdom says to delay the use of your qualified money as long as possible in retirement because it grows faster due to the tax deferral. Generally, the conventional wisdom is wrong. The millions who have heeded this inappropriate advice will have less after-tax money to support them in retirement. This Guide will show you that qualified money should generally be used first so you can delay taking Social Security benefits as long as possible. There are also tax advantages to using your non-qualified money last in retirement. This timing can give you more after-tax income in retirement and a better lifestyle. If you've already started Social Security you will still benefit from reading this publication.

Unless you have substantially more money than needed for retirement, it is foolish to pay taxes you can avoid by simply changing the timing of how your three categories of money are used in retirement. The typical retiree's greatest fear, and also the greatest challenge, is to not run out of money before they run out of breath. In a recent Bankrate retirement savings poll seven in 10 Americans (68 percent) said they are not able to reach their retirement savings goal because of other financial responsibilities. Many are in danger of losing this battle because the Center for Retirement Research is now reporting that almost half of U.S. households headed by workers ages 34-60 are in danger of having 90% or less of the money they'll need to maintain their lifestyle in retirement. According to one recent study: *"The average American family is on track to replace less than half of its annual*

pre-retirement income, critically short of the minimum 85% figure experts typically say retirees will need to live on in their golden years”.

By following the advice outlined in this *Guide to Social Security*, you can stretch your retirement money by up to 20%. Before we can discuss *when* and *how* to use the three categories, each needs to be identified and defined. You may receive other categories of money, e.g., inheritance, life insurance benefits, loans, reverse mortgage proceeds, trust income, lottery (dream on) and support from family members, but these will not be discussed in this Guide. Also, in the following discussion we've assumed the “average” retirement-minded couple; however, there are many exceptions, and we recommend you seek professional advice before taking action.

Social Security Benefits

Social Security benefits are an entitlement promised by the federal government if you or your spouse paid enough into the Social Security fund during your working years to qualify for benefits. While Social Security is not guaranteed by law, it is backed by the promise of the U.S. government and not fulfilling this promise would be political suicide for members of Congress. Contrary to lively debates about the future of Social Security, in all probability lifetime Social Security benefits will continue indefinitely. However, to keep the program solvent there may be measured changes in the taxation of benefits, adjustment for inflation, additional taxes on workers and other changes potentially detrimental to retirees. A statement of your expected Social Security benefits in retirement can be obtained on-line at: <https://secure.ssa.gov/apps6z/iss/main.html>. You can also calculate future benefits at: <http://ssa.gov/estimator/>. Social Security benefits are paid until death and in some cases paid to certain dependents after your death; therefore, the decisions made about Social Security will have an impact throughout your lifetime and possibly for the remainder of a loved one's life.

You're generally entitled to benefits if you have not paid into the fund but your spouse qualifies for and is receiving benefits. If a spouse receiving benefits dies, the surviving spouse will generally receive the greater of his/her own benefit or that of the deceased spouse. There are also other provisions that benefit spouses and dependent children of qualifying individuals. These provisions are discussed below in conjunction with *when* to start benefits.

Retirement benefit calculations are based on your lifetime earnings from which Social Security payroll taxes were withheld. Social Security payroll taxes are collected under the authority of the Federal Insurance Contributions Act (“FICA”). The FICA taxes going to support Social Security are currently 12.4% (employee and employer pay 6.2% each) of the first \$110,100 (in 2012) of annual earnings. [NOTE: For tax year 2011 special legislation reduced the percentage paid by individuals from 6.2% to 4.2% and this

extended for 2012.] For most current and future retirees, the Social Security Administration uses the earnings from your 35 highest years to determine your benefits. The complex formula used to compute benefits gives additional weight to low-income years that helps boost benefits for the lowest wage earners. If you have a pension from work where you also paid Social Security taxes, the pension will not affect your Social Security benefits. However, pensions based on work that is not covered by Social Security (for example, the federal civil service and some state, local, or foreign government systems) will probably reduce the amount of your Social Security benefits. *[To review Government Pension Offset and Windfall Elimination Provision see SSA publications 05-10007 and 05-10045.]* If you're under the normal retirement age and want to continue working while receiving Social Security benefits, you'll want to consider the reduction in benefits due to your earned income. If benefits are reduced due to earned income, the lost benefits will be recovered as higher monthly benefits once normal retirement age is reached. Any time you work in a job that is covered by Social Security – even if you are already receiving Social Security benefits – you and your employer must pay the FICA taxes on your earnings. If you are self-employed, FICA taxes are paid on your net profit.

Qualified Retirement Money

Qualified retirement money is what you've set aside in a retirement plan during your working years. Many employers totally or partially match your contributions. Qualified retirement plans receive favorable tax treatment and, if affordable, you should maximize your contributions to such plans. Generally, the money put into your qualified retirement plan is not included in your taxable income base during the year it was contributed, and the earnings are not taxed until you start withdrawing the money. While the IRS provides substantial tax advantages for qualified retirement plans, they also impose penalties if you withdraw the money prematurely. While there are a number of qualified retirement programs allowed under the tax code, e.g., 401(k), IRA, Roth IRA, SEP, Keogh, SIMPLE, 457, 403(B), etc., we'll refer to these collectively as "IRA" and/or "qualified money". Generally, but not always, any qualified money can be rolled over into a traditional Individual Retirement Account, so the generic IRA nomenclature is appropriate.

Since the money you and/or your employer contributed to your qualified retirement plan was excluded from your income for income tax purposes, you'll pay income taxes on all earnings and pre-tax contributions at your regular income tax rate when you make withdrawals. Roth accounts are exceptions as contributions are generally in after-tax dollars. You can withdraw qualified money without penalty as rapidly as desired once you reach age 59½ but are required to start taking at least the minimum required distributions by the end of the year you turn 70½ or no later than April 1 of the following year, unless you have converted to a Roth IRA. In some cases qualified retirement accounts can be accessed prior to age 59½ without incurring early withdrawal penalties. You must continue to make at least minimum required withdrawals no later than December 31 every

year thereafter until your death or you exhaust your retirement accounts. In 2009 there was no penalty for not meeting the minimum withdrawal requirement but this provision was not extended for later years.

If your qualified retirement money is in a 401(k) or another employer-sponsored plan, you generally can, and should, roll it over into an IRA once you leave your ex-employer. In some cases you may have partial or complete roll over access to your 401(k) money before retirement. You can then place the money in any allowable investment. Some employer plans have an option that allows you to convert your qualified retirement money into a lifetime income for you and possibly for the lifetime of your spouse. In such cases, you're advised to *shop the market* to make sure you're getting the best lifetime income for your money. Far too many times the lifetime income option offered through your employer's plan is less than what you can get from another comparable source. If you find a better alternative, you can then roll over your qualified money tax-free into a traditional IRA and then purchase the better lifetime income benefit. You will most likely want to work with a financial planning professional if you follow this route. Also, you should consult with a financial advisor about the suitability of converting some or all of your qualified money to a Roth IRA.

The most common employer-sponsored retirement plans are ones where both the employee and employer make *defined contributions*; however, a few employers still provide plans to which the employee does not contribute but is entitled to a *defined benefit* provided by the employer. The defined benefit is for the remainder of the employee's life and possibly that of their spouse. Generally, defined benefit plans cannot be rolled over into an IRA; thus, you're limited to the options offered by the plan. However, if your defined benefit plan allows a lump sum payment option at retirement, you'll want to compare the lifetime income you can buy with the lump sum payment with that offered by your employer's plan. You can generally elect to take reduced lifetime payments to insure that your surviving spouse will receive the same or smaller payment for his/her remaining life. Which option you choose should also be analyzed by engaging the services of a professional financial planner that is qualified to give you solid advice on the best option to choose. Far too often the advice provided by your employer is either (a) biased because it comes from the firm managing the plan's money or (b) questionable because the human resource personnel relies on biased outside guidance and/or has no expertise in this area of retirement finance. After all, you're an ex-employee at that point!

If a spouse dies before all money is withdrawn from her/his IRA, the surviving spouse can convert the remainder to their personal IRA as well as exercise other options. Also, Congress has written into the tax code the ability of a non-spouse beneficiary to inherit IRA money which can then be withdrawn lump sum or in minimum required distributions during the remaining life of the beneficiary. The Pension Protection Act of 2006 made some important changes in the ways qualified retirement money can be passed to

beneficiaries; thus, you'll want to review these changes before you make final decisions. This *stretch provision* in the tax laws allows money not taken as income by the non-spouse beneficiary to continue growing tax-deferred. This little understood IRA stretch provision of the tax code can be an excellent estate planning tool, especially if you qualify for and can afford to convert to a Roth IRA. This topic is discussed later in the Guide.

Non-Qualified Money

Non-qualified money is in savings and investments on which you've probably already paid taxes on the principal. Generally, you'll put this money in bank CDs, money market accounts, stocks, bonds, mutual funds, annuities, REITS, UITs, investment real estate, primary and vacation homes, farms, ranches, collectibles, commodities, and various other safe and risky places. Income taxes will generally be paid annually on interest and earnings; however, there are exceptions including tax-free interest on municipal bonds, unrealized capital gains on investments, and annuity earnings that you've not withdrawn. There are no requirements that non-qualified money be used during your lifetime; however, for the average couple these assets are generally used to supplement retirement expenses and should be managed carefully to safeguard principal from loss. Additionally they should be coordinated with the use of Social Security benefits and IRA money. How you structure the maturity and where you invest your non-qualified money is conditioned upon your individual circumstances and needs. It is generally wise to obtain professional advice on how to position and manage your non-qualified money since there are numerous available options and generally only a select few are suitable for the average retiree.

When you use the money in these various categories is very important if your objective is to obtain the maximum possible lifestyle in retirement by lowering the amount you pay in taxes to boost your after-tax income. If you have more money than needed for retirement, the careful coordination in using these income categories is less important, unless you're concerned about the money you'll leave for your legacy. On the other hand, if money will be short or tight in retirement, the careful phasing of *when* you use these various money categories can be the difference in a stressful retirement and an enjoyable one. Since you can't be certain how long retirement will last for you and your spouse, or the emergencies that may occur, it is always best to err on the side of being conservative and cautious. Parenthetically, most retirees substantially underestimate the amount of money they'll need to support their retirement.

As was true during your working years, in retirement you should pay your share of taxes but take advantage of every tax break that Congress has authorized. You should be aware of the marginal tax brackets and if possible manage your adjusted gross income accordingly. For example, for tax year 2012 the 15% marginal tax bracket for a married couple filing jointly stopped at \$69,000 and the 25% bracket stopped at \$139,500; thus, if possible, you'll want to manage your income to stay below the next higher threshold. In what follows we will dwell on getting the most mileage from your available money by

minimizing the amount of taxes you will pay. This is accomplished by timing when you use the three categories of money you have for retirement. Every retiree will benefit by following the plan outlined in this Guide: some more than others.

The Importance of Timing

You have a choice when you take Social Security. The earliest age if not disabled or widowed is 62 and the latest is 70. Between these two end points you can select when benefits will commence. If you start your benefits at age 62, benefits will be less than the amount at normal retirement age and if you postpone until age 70 they will be more. The ideal starting time for you depends on how much you have in your qualified and non-qualified savings/investments as well as other considerations such as the age difference between you and your spouse and your tax bracket. It may be an economic necessity that you start Social Security as early as possible. If you are single you may also want to start your benefits early. Also, if you or your spouse is not healthy, you may also want to start benefits early. If there is an age difference between the spouses, and especially if the primary breadwinner is the oldest, you'll want to plan carefully when each starts their Social Security benefits because the spousal benefits are very important in such cases. You should take into consideration that your Social Security benefits will receive favorable tax treatment because generally only one-half is included in calculating your provisional income that determines how much of your Social Security will be taxed.

You also have choices when you take your qualified retirement money. In exchange for allowing you to accumulate money tax-deferred in retirement accounts, the IRS mandates a penalty if this money is taken before age 59½ (some plans allow starting at earlier ages and there are ways to take withdrawals without penalties prior to age 59½) and requires you to start taking minimum distributions at age 70½. Regardless of when you take your qualified retirement money, you will pay taxes on 100% of the withdrawals since neither the initial contributions nor the earnings have been taxed. You do have the option of converting to a tax-free Roth IRA if your circumstances are suitable. While you will still pay taxes on 100% of the amount converted, the principal and earnings in your Roth will be available tax-free thereafter and also can be stretched by your spouse or non-spouse beneficiaries. Roth 401(k) plans can also be sponsored by employers.

The non-qualified money is yours to take whenever you desire as there is no mandatory requirement that it be used for retirement. Most likely, you've already paid the income taxes on the principal amount saved or invested, leaving only the earnings or capital gains yet to be taxed. Special tax treatment of certain non-qualified money, e.g., capital gains and dividends, can complicate when these assets should be used. Relative to the earnings on your non-qualified money, there are safe money investments that defer taxes and yield the benefits of triple compounding. This is covered later as part of when you should take IRA money.

You'll not be the only one using your savings during retirement because the tax man will also be taking a percentage. Therefore, to get the most from your hard-earned money you must think in *after-tax* terms. Since the categories of money are taxed differently, it does make a difference *when* each is used. The conventional wisdom has been: use your traditional IRA assets and other qualified money last. It's unfortunate that many have relied on this rule of thumb because *the conventional wisdom is not always right for the average retiree*. The traditional reasoning has been that deferring taxes as long as possible leads to greater growth. While this is correct as far as it goes and is true for non-qualified money, important tax considerations and their impact have been overlooked when the conventional wisdom is applied to qualified money.

As will be demonstrated in what follows, the correct timing for the use of the three categories of money by the average retirees is: *use IRA money first, delay Social Security as long as possible, and position your non-qualified money correctly and use it last or to supplement your retirement income*. There are notable exceptions to this new wisdom because dividends, long-term capital gains, municipal bonds, Roth IRA and other investments may enjoy favorable tax treatment. Plus, your health, economic conditions and other income sources could have a bearing. Nonetheless, the average retiree generally does not have money in these places or these special circumstances. If you are among the fortunate few retirees who have more assets than needed for retirement, you can still benefit from the new wisdom we'll develop below but you'll also have a more complicated planning task. Let's now turn to the analysis of timing the use of your three categories of retirement money.

When Should You Start Social Security Benefits?

The rules that govern Social Security benefits are presented in the usual bureaucratic fashion that makes it hard to be informed and easy to become misinformed. We'll attempt to wipe away the cobwebs of confusion and give you the easy-to-understand rules that will allow you to make good decisions. Since Social Security provides lifetime benefits, the decision you make regarding when to start benefits has profound implications. The lifetime benefits you'll receive are determined by when you start them and the annual adjustment made for inflation.

Benefits grow each year they're deferred up until age 70 and the inflation adjustment is also applied. If you start at age 62, the earliest possible time, your monthly benefits will be permanently reduced by about 25% compared to those at normal retirement age of 66. If you start at the latest permitted time, age 70, your permanent benefits will be about 75% higher than if started at age 62 and 36% higher than starting at normal retirement age. These differences continue for the remainder of your lifetime and that of your surviving spouse. The normal retirement age is determined by your year of birth: if you were born from 1943 to 1954 the normal retirement age is 66; normal retirement age increases two

months per birth year from 1955 through 1960 when it peaks at age 67. There are occasionally discussions in Congress to raise the normal retirement age but no change has yet been approved.

Your annual benefits are also linked to and adjusted annually for the cost of living as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers (referred to as “CPI-W”). Since the inflation adjustment is linked to the general change in prices rather than the basket of goods that is purchased by the typical retiree, the Cost of Living Adjustment (COLA) applied to your benefits may come up short because medical care expenses are a larger portion of retirees’ budgets. Over the past two decades the average annual increase in medical care costs has been over 8% whereas overall inflation has averaged slightly over 3%. Of course if the CPI-W is zero or negative for a year there is no COLA adjustment to benefits, even if medical costs have skyrocketed. While the Social Security COLA may not be keeping pace with “your” inflation, remember that most income you’ll have access to in retirement has no automatic adjustment for inflation. If you start your SS benefits before normal retirement age and continue to work, you will lose benefits if you earn more than \$14,640 per year [2012] except during the year you reach normal retirement when you can earn \$38,800 without being penalized. However the benefit reductions caused by earned income prior to normal retirement age will result in higher monthly benefits once normal retirement age is reached. Unfortunately, if you die prematurely the penalties incurred while working may never be recovered.

According to the Social Security Administration, 72% of current Social Security recipients receive reduced payments because benefits were started before normal retirement age. This trend has worsened in response to uncertain economic times as individuals have been forced to take early retirement or start benefits, because they could not find employment. This has resulted because many have needed their benefits early to sustain their lifestyle. Sadly, many others started taking benefits before normal retirement age simply because the benefits were available, not because they were needed: little thought was given to the impact on total benefits during their lifetime and that of their spouse. Many opting for early benefits thought, or were convinced by their broker, that the money could be invested and earn more than the benefits typically grow each year when deferred. The go-go markets of the late 1990’s have not continued and many early recipients hoping to realize higher earnings have actually incurred losses as a result of the market meltdowns of 2000-02 and again in 2007-09. Not only have the realized benefits been smaller but the taxes have been higher than if they would have deferred taking Social Security benefits.

In recent years if you started Social Security benefits early and subsequently thought this was a mistake, you could have changed your mind and started over at higher benefits. Congress closed this loophole in December 2010. This change was necessitated by the excessive costs incurred by the SS Administration as recipients took advantage of this provision to get interest-free loans. This is probably the leading edge of other changes that

will be made in the coming years to assure the continued solvency of the Social Security Trust Fund.

The cardinal rule of investing says: *never take a risk if you can't afford the worse-case outcome*. Make sure you understand this rule before taking your Social Security benefit early so you can make investments. The average expense ratio for a mutual fund (the most preferred investment place for retirees) is about 1.5% and *hidden fees* from trading and other brokerage costs are about 1%. Add to these the not unusual 1% fee that many financial planners charge, and you have a 3.5% earnings rate just to break even. That's before adjustment for inflation. If you add the 3.15% average annual inflation, you have a sizeable 6.65% return just to break-even in real terms before taxes and you can't generate this level today without taking risks. In fact, safe investments are currently paying interest rates barely above zero percent. Before you step out on the risk curve to earn the needed 6% or 7% after tax to cover inflation and costs, remember 2000-02, 2007-09 and before that 1973-74, when the market indexes declined by as much as 50% and practically everyone who owned stocks, mutual funds and other securities lost heavily. At the same time, Social Security benefits were rising 8% for every year delayed over the normal retirement age and receiving cost of living adjustments on top of that. Can you think of a 100% safe investment for your money that realizes 8% annual return plus is adjusted for inflation annually and get preferential tax treatment? Granted, the money foregone by deferring your Social Security benefits will have to be made up but you'll find the breakeven age, especially for a healthy couple, is well below the expected joint lifetime of the typical couple. As indicated earlier, if the primary breadwinner is the oldest, the benefits of delaying are increased.

The fact is that postponing benefits beyond normal retirement to age 70 can substantially boost benefits and lessen your taxes – neither of which is possible by taking benefits early and speculating in the market. The traditional focus on *when* to take Social Security benefits has been breakeven, i.e., how long will it take for the higher benefits to offset the later start. For the record this breakeven age for most is around age 78-79, but that's not the issue because there can be benefits that exceed your lifetime. This breakeven short sightedness discounts the value of an annual COLA, the tax preferences, spouse's benefits, potential widow's benefit and a proper consideration of the normal life expectancy.

Too often the conventional thinking has been: "I'd better take my Social Security benefits as soon as I'm eligible because I might not live very long and waiting could mean I'll get fewer or no benefits". This may be justified if you're in poor health and don't have to worry about spousal benefits. By the way, the "breakeven analysis" shows that starting later with higher benefits is best for normal life expectancy. Parenthetically, life expectancy is a "median" age and means that, for a group of individuals of the same age and gender, one-half will still be alive when life expectancy is reached. For a couple both aged 65, at least one is expected to be alive at age 91 – generally it will be the female.

How does the decision of one spouse to take or defer Social Security benefits affect the other spouse? Here's the rule: a spouse is entitled to receive the greater of (a) their own Social Security benefits, or (b) 50% of their spouse's benefits capped at the amount available to the non-dependent spouse at normal retirement age. This is important if one spouse worked only inside the home and did not pay into Social Security or if one spouse has qualified for more than twice that of the other. The dependent spouse can start benefits as early as age 62 if the other spouse has started benefits or filed for benefits but suspended. Since 2000, a spouse wishing to delay benefits beyond normal retirement age can "file for and then suspend" benefits so the lower-benefit spouse can qualify for one-half of the higher qualifying spouse's benefits. The lifetime differences can be profound, especially in the case of premature death of the higher qualifying spouse. If the breadwinner is the older of the spouses, he or she may want to file and suspend so their lower qualifying spouse can receive benefits at age 62 or later. If affordable, the older breadwinner spouse should consider postponing their benefits as late as possible so that upon their death (which will likely be earlier than the younger spouse) the dependent spouse will get the higher amount associated with delaying. Of course, the health of each must be taken into consideration when choosing this strategy. If a dependent spouse waits until normal retirement age to start benefits, they can also realize the growth of delaying since they can later change their status from dependent and collect the higher delayed benefits based on their own work record. This is sometimes overlooked by males. Bear in mind that husbands who have reached normal retirement age can be the dependent of their wife and qualify for 50% benefits while they are postponing their own benefits. The husband can later start benefits based on his own work record by dropping his dependent status. He will then be eligible for the higher benefits created by postponing. This is another "loophole" that may be changed if the SS Administration determines it is costing them money.

The *second stage rule* says that a *surviving spouse will receive the greater of* (a) his/her own benefits plus COLA or (b) the deceased spouse's benefits plus COLA. Accordingly, if financially possible it may make sense for the lower-qualifying spouse, even if the same age as the other spouse, to start taking benefits as early as possible and the higher-qualifying spouse to delay as long as possible. At the death of the higher-qualifying spouse, the benefits to the surviving spouse will be stepped up to the higher level of benefits. A married couple should consider joint longevity when deciding the time to take Social Security benefits. If the husband is the primary bread winner and also is older or has a shorter life expectancy, he should delay benefits as long as economically feasible whereas the wife should start benefits at age 62 or as soon thereafter as possible. This snow ball lives on and could go a long way in helping widows and widowers have a better retirement. By arbitrarily taking Social Security benefits when first eligible at age 62, the spousal benefits are totally discounted. The resulting financial cost is very high in cases when the lower qualifying spouse substantially outlives the higher qualifying spouse.

Spouses should take age differences and the relative size of early, normal and delayed benefits into account in timing when to commence Social Security benefits.

Taxation of Social Security Benefits

All the money that went into your qualified retirement plan will eventually be taken out and taxed. The taxable income resulting from taking your IRA money could also trigger taxes on Social Security benefits. At a Provisional Income level [defined below] of \$34,000 for a single individual and \$44,000 for a married couple filing jointly, every additional dollar of non-Social Security income can cause as much as 85% of the Social Security benefits to be taxable as well. This marginal tax bite is the driving force behind the importance of the timing when to take each category of your available money.

If you're not thinking in after-tax terms you're likely to be hit head-on by a tax bullet. If, as many experts anticipate, the emerging baby boomer surge and bad economic times puts pressure on the federal budget, politicians will resort to higher taxes as the cure. If we add to these pressures the needed resources to stem the budget deficit, pay for the war on terrorism, tackle environment problems and address other national issues, we have a growing certainty that taxes are more likely to rise than they are to stay put or fall. Here's what Dallas Salisbury, CEO of Employee Benefit Research Institute in Washington, DC said in March 2005 about taxes in the future: "I am absolutely personally convinced that income tax rates are going to go through the ceiling over the next 10 to 20 years". In light of the Great Recession these words of Mr. Salisbury are even truer today. If these expectations materialize, then taking steps now to reduce future taxes makes a great deal of sense.

Social Security benefits are not taxed as heavily as IRA income, and your non-qualified money, less the earnings, has generally been taxed already. In most cases, you can reduce your taxes and realize more after-tax income in retirement with higher Social Security payments through deferment, using more higher-taxed IRA money first while waiting to start Social Security benefits and managing your non-qualified money for last or supplemental use. Since you have the power, within limits, to decide when to take these three sources of income, you can schedule their use for maximum tax efficiency. The discussion of when to use non-qualified money will be presented last. Let's now turn to the best time to start Social Security benefits and *when* to use qualified money.

The taxation of your Social Security benefits is determined by the amount of your Provisional Income (sometimes called Combined Income). *Provisional Income (PI) is defined as adjusted gross income plus tax-exempt interest plus one-half of Social Security benefits [there are other minor items included as well].* Your Social Security benefits are subject to taxation only if your Provisional Income is above the stipulated levels discussed below; however, IRA money is taxable from first dollar. Since 100% of your IRA income

is included in the Provisional Income formula and only 50% of your Social Security benefits are included, it is to your benefit to boost the relative size and absolute amount of the lower taxed Social Security benefits by delaying when you start them. Also notice, tax-free income from municipal bonds is included; but tax-deferred income from safe money investments, like fixed annuities, is not nor is tax-free withdrawals from Roth IRAs.

When to Take Your IRA Money

To see the tax implication of delaying Social Security benefits and taking IRA money first, we need to interpret the confusing IRS Provisional Income formula: please bear with me as this gets tedious. Only 50% of the Social Security benefits are included in the formula but all your traditional IRA money is included; therefore, in the worse case you pay the same taxes on \$1 of IRA money as you do on \$2 in Social Security benefits. There are two levels of income thresholds to be considered: tier-one and tier-two.

Here's the basic rule for the tier-one threshold: up to 50% of Social Security benefits are taxable if total Provisional Income (adjusted gross income + tax-exempt income + one-half of Social Security benefits) exceeds the base amount. The base amount is \$25,000 for single individuals and \$32,000 for married taxpayers filing jointly. These base amounts are not indexed to inflation. The taxes on Provisional Income above tier-one are payable on the *lesser* of (a) 50% of the Social Security benefits, or (b) one-half of the difference between Provisional Income and the applicable base amount. Notice that in condition (b) only one half of Social Security benefits are included in Provisional Income and in condition (a) only 50% of the benefits are taxable; thus, at most only one-half of your Social Security benefits will be taxed under tier one. The taxation of benefits rules also apply to Social Security disability and survivor benefits.

Up to 85% of Social Security benefits are subject to income taxes when Provisional Income reaches the tier-two income threshold of \$34,000 for single taxpayers and \$44,000 for married taxpayers filing jointly. Contrary to what you may have read or heard, this doesn't mean that 85% of your total Social Security benefits will be taxable when you exceed the tier-two base amounts: it means that taxes reaching up to a maximum of 85% will be imposed on the amount over the threshold. Parenthetically, married taxpayers who file separately while living together do not get exemptions, and Social Security benefits may be taxable from dollar one.

At Provisional Incomes above tier-two, taxes are payable on the lesser of (a) 85% of Social Security benefits or (b) the total of (i) 85% of the difference between Provisional Income and the applicable base amount plus (ii) the lesser of (x) one-half the benefits or (y) \$4,500 for singles and \$6,000 for married filing jointly. The dollar amounts are equal to 50% of the difference in tier-two and tier-one. The IRS went out of their way to make this confusing and complicated. Since most retirees who can afford to defer their Social

Security benefits will fall within the bounds of tier-two income, let's devise simple *tests* to make the tax implication of the tier-two provisions understandable.

Here are the tests to determine how much of your Social Security benefits are taxable once Provisional Income reaches the tier-two level. *The taxable amount is the lesser determined by these two tests.*

Test #1: 85% of the Social Security benefits; or

Test #2: Lesser of 50% of the SS benefits or \$6,000, plus 85% of amount over tier-two.

Let's now consider two couples and see what difference postponing Social Security makes. In Case #1, a married couple filing jointly decided to take Social Security at age 62 so they would not have to use as much of their IRA money in early retirement. We'll call them couple #1. Couple #1 has enough retirement money to postpone taking Social Security but they believed, as do the majority of current Social Security recipients, that taking benefits early is the wise course.

In Case #2, another married couple filing jointly decided to postpone taking their Social Security benefits until age 70 and pay for their early retirement years by drawing down more of their IRA money. We'll call them couple #2. Couple #2 believed that the higher benefits combined with the lower taxes on Social Security benefits would lead to higher lifetime income because of lower lifetime taxes. Let's see which couple is right!

Let's assume both couples want an annual income of \$90,000, are eligible for the same Social Security benefits at their normal retirement age, and have the same amount of qualified IRA retirement money. Couple #1 will start their Social Security early and as a result will take relatively less of their IRA money in early retirement than will couple #2 who will postpone Social Security until age 70. Since couple #2 will have no Social Security until age 70, they will take relatively more of their IRA money early in retirement. During the eight year period from age 62 to age 70, couple #1 will pay fewer taxes than will couple #2; however, during the 20 plus years after age 70, couple #2 will have the advantage. Note: couple #1 would have to earn 8% plus inflation after tax with zero risk to match delaying Social Security. How likely has that been in the past decade?

As mentioned previously, Social Security has lifetime spousal and survivor benefits; and for a couple aged 70, there is a 50% probability that at least one of them is alive at age 91. It is this longer period after age 70 that we'll analyze to see the difference in lifetime income. While we've confined our analysis to married couples, the arithmetic works for single as well as married taxpayers and for different levels of income and Social Security. If a married couple is of different ages, the analysis gets a bit more complicated and might indicate that one of the couple should start Social Security before normal retirement age. If you have a complicated situation, get professional help.

Let's now fast-forward to age 70 and see what happens. We have assumed that each couple desires to have an annual gross income of \$90,000. Couple #1 will receive \$45,000 in annual Social Security benefits because they started early whereas couple #2 will receive \$83,291 because they postponed until age 70. This is possible because \$45,000 growing at 8% annually will be \$83,291 in eight years. No provision is made for inflation but if it were Couple #2 would benefit more because their SS benefits are larger. For example, let's say there is 3% inflation and both Couples' benefits are adjusted. Since Couple #1 is receiving \$45,000 they would get \$1,350 more; however, Couple #2 would get \$2,498.

Couple #2 can reduce the amount they take from their IRA account when their Social Security benefits start at age 70; thus, they will need to take only \$6,709 annually at age 70 because of the higher Social Security benefits. Couple #1 will not be able to reduce the draw-down of their IRA account because of the lower Social Security benefits which are based on age 62.

PROVISIONAL INCOME		
	Couple #1	Couple #2
IRA Income	\$45,000	\$ 6,709
SS Income	\$45,000	\$83,291
Total Pre-Tax Income	\$90,000	\$90,000
Provisional Income (IRA + 50% of SS)*	\$67,500	\$48,355

**We assumed there is no tax-free or other income which would have to be included. Tier-one base amount is \$32,000 and tier two is \$44,000 for a married couple filing jointly. While we have simplified the analysis, the results will not be affected.*

Notice that each couple has a total pre-tax annual income of \$90,000 but their Provisional Incomes are different. The Provisional Income of couple #2 is computed as 100% of their IRA money (\$6,709) plus one-half of their Social Security benefits ($\$83,291/2 = \$41,646$), and is \$48,355. Couple #1 has Provisional Income of \$67,500 ($\$45,000 + \$22,500$ [50% of Social Security]). We've assumed neither couple had any tax-free income to be included in Provisional Income. Couple #2 has a Provisional Income that is approximately 39% less than couple #1. This lower Provisional Income means that less of the Social Security benefits of couple #2 will be subject to federal income taxes.

The point is that by delaying Social Security benefits you can manage your Provisional Income. Since Provisional Income determines how much of your Social Security benefits are subject to federal income taxes, you can boost your after-tax income if you can manage your Provisional Income. Let's look at how the difference in Social Security benefits of our two couples affects their taxable incomes.

TAXABLE PORTION OF SS BENEFITS

(Lesser of amounts from Test #1 or Test #2)

	Couple #1	Couple #2
Test #1: (85% of SS)	\$38,250	\$70,797
OR		
Test #2: \$6000 PLUS	\$ 6,000	\$ 6,000
(85% of PI over tier-two)	\$19,975	\$ 3,702
SS Benefits Taxable:	\$25,975	\$ 9,702
	<i>Lesser is from Test #2</i>	

To determine how much of the Social Security benefits are taxable we must apply the two tests and take the lesser amount. As is shown above, Test #2 gives the lower amounts which are computed as: \$6,000 (50% of the difference in the lower [\$32,000] and higher [\$44,000] thresholds for a married couple filing jointly) plus 85% of the amount over the higher threshold. For couple #1 we see that 58% of their Social Security benefits, or \$25,975, will be taxable whereas only 12%, or \$9,702, of the benefits of couple #2 is taxable. The lower amount for couple #2 is because of the lower Provisional Income resulting from relatively more of their total income coming from Social Security. You'll recall that Provisional Income is 100% of IRA money plus 50% of the Social Security benefits. Let's now see how total taxable incomes for the two couples compare.

TAXABLE INCOME

	Couple #1	Couple #2
Lesser Amount from Test #2	\$25,975	\$ 9,720
100% of IRA income	\$45,000	\$ 6,709
Taxable Income	\$70,975	\$16,429
Taxable Income reduced by:		81%
Taxes Paid	\$10,106*	\$ 1,643**
Tax Savings		\$ 8,463

*25% tax bracket starts at \$70,700 in 2012

**10% tax bracket ends at \$17,400 in 2012

As you can see from the above table, couple #1 will have taxable income of \$70,975, whereas couple #2 will report taxable income of only \$16,429. This represents a drop in taxable income of 81% for couple #2. Couple #1 will pay \$10,106 in federal income taxes, whereas couple #2 will pay only \$1,643 – an annual savings of \$8,463. This \$8,463 in saved taxes can be invested for later retirement, used currently to enjoy a better lifestyle, or passed on to loved ones as a legacy. If compounded at only 5% annually, the annual tax savings would amount to about \$279,837 in 20 years and \$403,914 in 25 years. The lower taxes are the direct result of delaying Social Security benefits and using more IRA money early in retirement. This lower taxable income, and annual tax savings, will continue for

the remaining joint lifetime of couple #2. Let's now look at the taxes that will be paid in both cases and the amount that our couples will have to live on in retirement.

AFTER-TAX INCOME		
	Couple #1	Couple #2
Gross income before taxes	\$90,000	\$90,000
Federal income taxes	(\$10,106)	(\$ 1,643)
After-Tax Income	\$79,894	\$88,357
After-Tax Income advantage of couple #2:		\$ 8,463

Both couples started with \$90,000 in annual gross income derived from IRAs and Social Security benefits. Since couple #2 delayed their Social Security benefits until age 70, they now enjoy a higher after-tax income than couple #1 who started their Social Security benefits at age 62. The \$8,463 annual difference is money that couple #2 can use to enhance their retirement lifestyle, invest for their legacy or save for later in retirement. This higher after-tax income will continue for couple #2 as long as one of them lives, and this could be a very long time. If you look at the mortality table on the inside back cover, you'll see that there is a 50% probability that at least one of them will be alive at age 91, and for every year they live beyond age 70, their joint life expectancy increases.

As the numbers show, using IRA money early and deferring Social Security benefits will lower taxable income and increase the amount of after-tax money you'll have for retirement. The more Social Security benefits deferred, the higher the increase in after-tax income when you start Social Security and lower the amount of IRA money being used. A higher income without making new investments and without re-arranging current investments; however, you'll want to make sure your Social Security benefits are fully integrated with your IRA money so that your lifestyle can be exactly right. Also, you'll want to review the positioning of your non-qualified savings and investments to make sure the risk levels are appropriate and that you're receiving the full benefits of tax-deferral that Congress has authorized. You can now protect yourself from living too long by obtaining a guaranteed lifetime income from an insurance company. This protection is called Longevity Insurance and your financial advisor can give you the details.

This timing advantage is possible because there is no penalty for taking more than the minimum required distribution from your IRA if you're over age 59½. If financially able, you can delay Social Security benefits until you're age 70. For most retirees, the 10½ year window to start IRA distributions provides ample time to take full advantage of the different tax treatments. The result will be more after-tax income to enjoy a better retirement, because you'll pay far fewer income taxes. Also, by deferring Social Security, the spousal and widow/widower benefits may be increased. If taxes rise in future years as

is widely anticipated, the income advantage of timing when you use your IRA money and Social Security will increase further.

What arguments are generally offered to refute the above analysis? First, some argue that IRA money can be passed to future generations and thereby deliver very long-term tax benefits, whereas Social Security benefits die with the recipient. Granted, stretching the IRA can be a great tax-planning vehicle for future generations and should be used as such if the retiree doesn't need to use their IRA money; however, this is not the typical situation as is evidenced by the greatest fear voiced by most retirees: outliving their money. The Social Security benefits may not die with the recipient, because there can be continuing benefits to the surviving spouse and dependents. What's more, timing your Social Security benefits appropriately means you'll have more lifetime income after taxes and, in turn, this means you can leave more, not less, as your legacy or enjoy a better retirement.

Second, future tax rates may change and alter the outcome of the analysis. A lower future tax rate could lessen the benefits, but higher future taxes would increase the benefits. Which direction seems to be the most likely? The experts all point toward higher taxes in the future, not lower. Third, the tax bracket during the IRA-only phase may be substantially higher than later when the Social Security is integrated. Again, the analysis indicates that this will only lessen your lifetime benefits because you'll be deferring Social Security for a much shorter period than you'll be receiving the higher payments. The advantage of deferring Social Security as long as possible will not be negated. If possible, you should actively manage your taxable adjusted gross income to stay under the dividing lines of the various marginal income tax brackets. This could mean taking more IRA in some years than others, which is possible since you only have to meet the minimum withdrawal amounts.

Fourth, the base amounts against which Provisional Income is compared are not indexed for inflation which will cause more of the Social Security benefits to be taxed later. The test for determining how much of the Social Security benefits will be taxable can be complex; however, only 50% of the benefits are included in Provisional Income. The Test #2 results above show that only \$6,709, or 8%, of the \$83,291 in Social Security benefits for couple #2 were subject to income taxes. Granted, the formula for Provisional Income might be changed in the future, but if so, there is a high probability such will be part of an upward ratchet in all taxes. The new wisdom is logical, sound and refutes the conventional wisdom of taking IRA money last in retirement unless your objective is to pass your qualified money forward to a later generation.

The above analysis highlights *when* you choose to take your IRA money and *when* you choose to start your Social Security benefits can make a big difference in your income and retirement lifestyle. Substituting IRA money for Social Security money means you'll also benefit on several other fronts: (a) your spouse may qualify for a higher amount if you can

delay since she/he gets the greater of the amount they qualify for or 50% of yours, (b) if the higher qualifying spouse dies first, the surviving spouse's benefits will be stepped up to the higher amount for the remainder of his/her lifetime, (c) a greater proportion of your total retirement money will come from Social Security benefits which are indexed to inflation plus receive preferential tax treatment, and (d) if you have minor children, they stand to receive higher benefits in the event of your death. Since almost three-fourths of current Social Security recipients have taken benefits early they (a) wished to pass their IRA money to future generations, (b) can't afford to delay benefits, or (c) have followed the conventional wisdom that we've shown is not sound. If you still have the choice and can afford delaying Social Security by taking larger withdrawals from your qualified retirement money, you can lock-in sizeable tax benefits now that are likely to be even more important later in your retirement.

When to Take Your Non-Qualified Money

What about the non-qualified money that you have in savings, investments, real estate, etc? Bear in mind that much, if not all, of your non-qualified money is after-tax and will not be included in your taxable income or it will qualify for preferential tax treatment as capital gains, dividends, or be tax-free from municipal bonds and Roth IRAs, or be tax-deferred from annuities if not withdrawn. This means it will have the least impact on your taxable income and only the earnings will have a bearing on the taxes levied on your Social Security. The IRS rules were specifically designed to collect the taxes on the IRA money you use during your lifetime, and the minimum withdrawal requirements force you to start using it.

What will happen if you use your non-qualified money rather than your IRA money to support your retirement while you're waiting to qualify for or delaying your Social Security benefits? Since only the interest or earnings will be taxable (some could receive favorable tax treatment), most of the money you take will be a return of principal and tax favored. This will result in a low taxable income. Assume you have delayed taking your IRA money, as is the conventional wisdom, and have now arrived at the time to start taking Social Security benefits. What is going to happen? Since you've used your non-qualified money and all your IRA money is taxable along with 50% of your Social Security benefits, your Provisional Income will increase. The result will be far higher taxes than if you had taken your IRA first and delayed using your non-qualified money. This is clearly shown in the above illustration when comparing couple #1 to couple #2. There may be circumstances when you want to use some of your non-qualified money during the early stages of retirement, e.g., to keep your taxable income under the next higher marginal income tax bracket.

Since you now know the best time to use your different categories of money, let's see how you can squeeze further benefits from the last-to-be-used non-qualified money if you can afford to employ the ideal timing. Since the taxes have already been paid on the principal

amounts of your non-qualified money, only the interest and earnings are taxable, and this is the part that we need to anchor in a safe harbor sheltered from income taxes. You don't have a lot of options unless you want to take market risks. One safe money option that deserves investigation is tax-deferred fixed annuities. Annuities come in two forms: variable annuities which are nothing more than high-fee mutual funds that offer tax deferral and involve market risk, and fixed annuities which guarantee you a positive rate of return if held to maturity and are safe from loss of principal if held to term. Of course, there are several forms of fixed annuities, e.g., fixed rate like bank CDs, rates linked to market indexes, guaranteed lifetime income payments, etc. Both fixed and variable annuities are offered by insurance companies and all annuities offer tax-deferred growth.

Rather than going into the pros and cons of annuities, suffice it to say that for your last-to-be-used retirement money fixed annuities make a great deal of sense for many retirees because they offer safety, the opportunity for a good rate of return and are tax-deferred. Unlike the tax-free income from some bonds, tax-deferred annuity earnings are not included in Provisional Income until it is withdrawn. Unfortunately, annuities are an option that is largely unknown by the majority of the retirees who can benefit the most. What's more, they are often maligned by brokerage firms since brokers generally don't offer fixed annuities. Brokerage firms specialize in stocks, bonds, mutual funds, variable annuities and general securities; thus, their recommendations are likely to be securities they can sell you. Fixed annuities are not well understood by the financial press and, accordingly, are either not mentioned at all or the information provided is inaccurate.

As you position your money for retirement using the new wisdom provided in this Guide, you're encouraged to learn more about annuities because they are generally a suitable safe place for retirement money earmarked for use in 5 to 15 years. Their most attractive feature is tax deferral that helps keep your Provisional Income lower and the taxes on your Social Security benefits less. While annuities are not right for everyone, they do offer many advantages that can benefit retirees.

The Roth IRA

If you have more money than you'll need for retirement or you expect higher future taxes, converting some or all of your qualified money to a Roth IRA may be a suitable move. If you have qualified retirement money you control (IRA, 401(k), 403(b), 457, etc.) you'll want to investigate the Roth IRA regardless of your age. There are limited provisions for withdrawing from the Roth prior to five years, so be sure and check the exceptions. You can continue to contribute to a Roth IRA at any age if the contributions are from earned wages and salary. If you convert your qualified money to a Roth IRA, you'll pay the taxes lump-sum at the time of the conversion and then the principal and earnings thereafter will not be subject to income taxation. Also, the income you take from a Roth IRA will not count as Provisional Income in determining the taxes on your Social Security benefits. If at all possible, you should use non-qualified money to pay the taxes associated with a Roth

IRA conversion. This allows you to get the maximum tax-free benefits from the conversion to use during your lifetime or pass forward to others for use during their lifetime. You can convert part or all of your qualified money to a Roth IRA and do more than one conversion over several years. The Roth IRA is not suitable for everyone, but everyone, regardless of age, should find out if it is suitable for them.

The tax-free access to the principal and earnings of the Roth IRA is a substantial benefit if you can wait long enough to allow the tax-free growth to recover taxes paid at conversion. There are no minimum required distributions from a Roth IRA during your lifetime so it is possible to pass forward the tax-free benefits to a surviving spouse or even a non-spouse. If passed to a surviving spouse, there are no distribution requirements during her/his remaining lifetime. A Roth IRA passed forward directly by you or indirectly through a surviving spouse as a legacy can provide tax-free income over the remaining lifetime of the non-spousal beneficiaries. For example, when a tax-free Roth IRA is bequeathed to a young grandchild, the tax free growth substantially exceeds the required annual distributions: the result is an astounding amount of tax-free money to support your grandchild for an entire lifetime. If the primary non-spousal beneficiary dies before all the Roth IRA is taken, the succeeding beneficiary can continue the payments over the remaining expected lifetime of the first beneficiary. You can combine the tax-free benefits of Roth IRAs with the guaranteed lifetime income now offered by insurance companies to secure a lifetime of tax-free income you cannot outlive.

Conclusion

By following the principles provided in this Guide you can manage *when* to use your different categories of money for a better retirement lifestyle. Almost three-fourths of retirees now taking Social Security benefits started early and for most this was an unwise choice. The result is likely to be a lower after-tax income and a diminished lifestyle in retirement. As shown above, the typical retired couple can have much more after-tax income by planning when to take benefits. The correct positioning of non-qualified money and timing can boost these benefits even further. It's never too late to investigate the options, and it's never too late to reduce taxes. If you feel unqualified or have insufficient time, turn to professional help. The greatest risk that most retirees take is going it alone without professional help. Don't let that be you.

The Retirement Pros
January 2012

Mortality Table***

Find your age on the left and your gender across the top.
(This is the remaining median* life expectancy for your age/gender.)

AGE	FEMALE	MALE	JOINT**
55	27.8	24.3	35.6
56	26.9	23.5	34.7
57	26.1	22.7	33.7
58	25.2	21.9	32.8
59	24.4	21.1	31.8
60	23.5	20.4	30.9
61	22.7	19.6	29.9
62	21.9	18.9	29.0
63	21.1	18.1	28.1
64	20.3	17.4	27.1
65	19.5	16.7	26.2
66	18.7	16.0	25.3
67	18.0	15.3	24.4
68	17.2	14.6	23.5
69	16.5	13.9	22.6
70	15.7	13.3	21.8
71	15.0	12.6	20.9
72	14.3	12.0	20.0
73	13.6	11.4	19.2
74	13.0	10.8	18.4
75	12.3	10.2	17.6

*Source: Social Security Administration, updated July, 2007. 50% expected to live this long.

**Source: IRS Publication 560 (2007). At least one spouse expected to live this long.

***Source: www.socialsecurity.gov Period Life Table 2004

REVIEW

Dr. Smith shows you how to save taxes and get more lifetime benefits. Learn the smart ways to manage Social Security. Dr. Smith's advice applies to everyone worried about outliving their money.

*Rick Alford
Frisco, TX*

The government has made Social Security confusing and most retirees get it wrong. Dr. Smith makes it simple to understand so you'll have more money for retirement.

*Richard Unger
Wabash, IN*

My wife and I followed Dr. Smith's advice on Social Security and it was the best retirement decision we've made. We'll have lots more money for our leisure years.

*W. Frank
Houston, TX*

