Social Security is America?s pension.

Without Social Security included as part of a retirement income plan, even disciplined savers may experience financial vulnerability in retirement.

With the inclusion of Social Security or an inflation-adjusted income annuity that lasts a lifetime, a retiree may depend less on•*variable* assets like stocks to create a predictable retirement income, especially during market cycles characterized by poor sequence of returns risk. Investors in distribution mode must now pay attention to the imminent headwind in stock market returns.

When investment assets perform poorly over a series of years perhaps decades, guaranteed income sources like Social Security can decrease the burden on a portfolio alone to shoulder the distribution burden. In other words, there?s less pressure to withdraw from variable assets that may require time to appreciate or recover if there are guaranteed income options considered.

We witness the fortunate few who have pensions AND• are smart with Social Security decisions, retire earlier than 65 and comfortably compared to their non-pension brethren. According to Willis Towers Watson, only 16% of Fortune 500 companies offer defined benefits plans (pensions) to new hires (2017), compared to 59% in 1998.

According to surveys conducted by the Social Security Administration,•roughly half the aged population live in households that receive at least **50% of total family income** from Social Security. About a quarter of senior households receive at least **90% of household income from Social Security**; a bad benefits enrollment• decision can result in thousands of lost lifetime income for recipients, spouses and possibly survivors.

Many brokers are replete with incorrect information about Social Security. Their organon is based on political affiliation, anecdotal headline fodder and perhaps something perused on the internet. After all, Social Security analysis takes time and there are big sales quotas to meet! You as a future retiree, cannot afford to be so casual about the decision - A wrong move can lead to a diminished quality of life throughout retirement.

At our Retirement Right Lane Classes and Wednesday Lunch & Learn events, Social Security is a hot topic.

Here are several Social Security concepts your broker will ignore. Oh, we know they ignore them.

We listen to the stories from attendees.

Social Security ?blanket information? can be dangerous.

Blanket information about Social Security is pervasive which makes the topic treacherous to navigate. *Take benefits early at 62 because it's going away; wait until full retirement age or* *postpone benefits until age 70 to capture delayed retirement credits.*

What to do?

The proper advice depends on several personal factors including overall health of the recipient and a spouse,• additional household retirement income resources including pensions and investments, and the intent to preserve investment assets for heirs or spend them down. At RIA, we also incorporate our firm?s expected future returns on variable investments like stocks and the probability of sequence of returns risk to determine whether a future Social Security recipient should enroll for benefits at full retirement age (full retirement age is older than age 66 if born after 1954) or postpone until age 70.

Social Security is a family decision.

The ripple effect of a poor Social Security claiming decision can affect a family for decades. Non-working spouses, women in particular, can suffer from poor decisions made by husbands who claim Social Security early at age 62, thus permanently cutting spousal and survivor benefits by• roughly 25%.

Given the fact that women live longer and second marriages may result in additional children, claiming Social Security before full retirement age can be a narrow-minded decision when spouses and families are involved. Often, the decision is driven by emotion and false narratives such as *? ?I need to live long enough to breakeven,?* or the ever-popular *?I want to take it early when I can spend it, not when I?m 80 and don?t need it.?* I can?t even wrap my head around rationale for the latter.

Unfortunately, we hear of brokers who support or communicate similar bonehead (thank you for the word, President Trump!) commentary. I understand why people aspire to breakeven or get out of the system what they put in however, this is flawed logic.

There is much more to a claiming decision, as I mentioned previously. For the most part, Social security is ?actuarial agnostic,? which means most recipients receive their entitled benefits in full. Retirees who maintain healthy lifestyle habits and have loved ones to consider have better reasons to wait until age 70.

There are people who express how upset they are with Social Security. They believe in their own investment acumen over the U.S. government guarantee to provide lifetime income. It doesn?t appear that individual investors are as good as they believe they are. It?s called overconfidence bias and it?s an emotional plague.

Based on Dalbar?s annual Quantitative Analysis of Investor Behavior study, investors consistently do poorly relative to market benchmarks.

The key findings of the 2017 Dalbar study include:

- ***In 2016, the average equity mutual fund investor•underperformed•the S&P 500 by a margin of•-4.70%•****While the broader market made gains of 11.96%, the average equity investor earned only 7.26%.*
- ***In 2016, the average fixed income mutual fund investor•underperformed•the Bloomberg Barclays Aggregate Bond Index by a margin of•-1.42%•****The broader bond market realized*

a return of 2.65% while the average fixed income fund investor earned 1.23%.

- ***Equity fund retention rates decreased materially•*** *in 2016* ***from 4.10 years to 3.80 years.•*** *(This is directly related to psychology and behavior.)*
- ***In 2016, the 20-year annualized S&P return was 7.68% while the 20-year annualized return for•the Average Equity Fund Investor was only 4.79%, a gap of -2.89% annualized.***

In 2018, Dalbar discovered that most investors lost 9.42%; the S&P 500 was down 4.38%.

To compare Social Security benefits to returns from stocks is like looking for similarities between apples and squirrels. A suitable evaluation would have one researching returns for guaranteed investments such as long-term U.S. Treasury bonds.

Also, if retail investors were so disciplined, the median 401(k) balance for those 65 and older would be a heck of a lot greater than $58,035. Yes, you read that correctly. •Yet, roughly one-third of Americans claim Social Security at 62 and cut by 25% quite possibly, the only• guaranteed lifetime income they?re going to receive.

Claiming a Social Security widow?s benefit early is almost always a mistake.

A Retirement Right Lane Class attendee explained how a financial professional advised her to take her Social Security widow?s benefit at age 60 even though she didn?t need the money, is gainfully employed full time and not planning to retire until age 65. •

Her husband enrolled in Social Security early at age 62 which ultimately reduced the survivor benefit to 82.5% of the amount his widow would have received had he waited to claim benefits at full retirement age.

If our attendee had listened to the professional advice and claimed her survivor benefit at age 60, she would have received 71.5% of an already reduced benefit. Based on our Social Security maximization analysis using a life expectancy of 88 years old (from www.livingto100.com), we counseled this widow to wait until full retirement age to claim her survivor benefit, postpone her benefit and claim on her own record at age 70. This strategy will result in an increase of $288,284 in lifetime benefits if she lives to age 88.

Social Security planning should be included in your holistic financial planning process. To ignore or minimize its positive financial impact to a retiree or survivor?s bottom line is shortsighted.

Part 5 ? Your pending tax bombshell in retirement ? Courtesy of your broker and the financial services industry.