



## Memorandum

To: Clients, Friends, Family & Associates of Pro@ctive CPA  
From: Cindy Freking, CPA Tax Manager  
Date: October 30, 2012  
Re: Are Social Security Benefits a Part of Your Retirement Planning?

### **The Social Security Bankruptcy Debate**

The Social Security Act passed in 1935 is still alive, but how well? According to some, the program is fully funded for the next 40 years. According to others, it will be broke by the time some of us are ready to retire. We are not predictors of the future, however social security options that are currently available and knowledge surrounding social security facts, would be a good place to start.

Ten years ago, most folks who had healthy retirement plans would never have conceived that the financial crisis of 2007-2008 was going to occur and actually be the worst economic crisis since the Great Depression. No one would have imagined that 5 years later many investment accounts have still not fully recovered. Directly affected in 2007-2008 were those who were on the verge of retirement, many of whom have now postponed that decision. Those same folks are still most directly affected today because their time frame for investment recovery is shorter than those who have 20 years or more until they retire.

Amidst this market uncertainty, retirees that had counted on 401(k) Plan Assets and Individual Retirement Plan Assets providing the largest stream of cash flow during their retirement years are now finding they can't retire on what they once thought they "could".

For many, social security benefits are not their sole source of retirement income. But, these once almost all but forgotten benefits are becoming a more important part of retirement planning. As the market continues to create future uncertainties with regard to available cash flow, social security benefits provide a constant stream of monthly cash flow. Cash flow is vital to retirees.

While this article is not intended as a replacement of good solid investment advice from professional planners, it serves to point out that properly planning for and utilizing social security monthly benefits should not be overlooked.



## **Some Social Security Facts**

Did you know?

- If the older member of a married couple is the higher wage earner, or the older member's earnings record is at least 80% of the younger spouse's, it is likely that the economic value of the couple's lifetime Social Security payments will be greater if the older member defers receiving benefits to age 70. The younger member should start receiving benefits at age 66 (full retirement age) and the older spouse would receive a spousal benefit until age 70.
- Divorced ex-spouses may draw spousal benefits if they were married for at least 10 years and the ex-spouse is eligible to draw. The law does not require the ex-spouse to be drawing. Remarriage terminates the divorced ex-spouse status. The point is to draw on your ex-spouse's social security if it will provide a greater benefit to you.
- A critical exception to the remarriage rule exists if the surviving divorced ex-spouse remarries after the age 60. In this case the social security rules disregard the remarriage and the ex-spouse draws the social security benefits which provide the largest benefit.
- During the first 12 months of receiving Social Security benefits a taxpayer can repay the amount received without interest. This allows the taxpayer the option of choosing a new plan, or deferring social security benefits that may better suit his or her future needs.
- A retired worker's children qualify for social security benefits if they are, under 18, a full-time student under the age of 19, or were disabled before they reach the age of 22.
- Social Security Disability requires that if disabled after the age of 31, a worker needs to have credit for 20 of the most recent 40 quarters at the time of disability onset. Thus a parent who stays out of the work force for 10 years (to care for small children) who has not paid into social security, would not be eligible for disability benefits. Unlike social security retirement benefits, social security disability benefits must be made on the worker's own record.

## **Conclusion**

Please contact your Pro@ctive CPA team should you have any questions or would like to discuss social security benefits and how could fit into your cash flow needs in retirement. My direct line is (770) 664-8583, extension 561.

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