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An Obvious Solution to Sustainable Retirement Income

Finding the source of stability in retirement might not be as complicated or far-afield as many advisors think. Our research shows why

By **William Meyer**, co-author of *Social Security Strategies: How to Optimize Retirement Benefits.*

And food doesn't impact hunger.

Our recent two-part post, Top 10 Social Security Myths, had "Social Security doesn't impact the overall retirement portfolio" as No. 10. We rated them in no particular order of importance, but this particularly damaging misconception would have placed much higher had we done so.

"This could constitute an entire post," we wrote at the time, so we decided to do just that.

According to the Social Security Administration, over 59 million Americans will receive almost $863 billion in Social Security benefits in 2014. Among elderly Social Security beneficiaries, 22% of married couples and about 47% of unmarried persons rely on Social Security for 90% or more of their income.

That means almost half of the population of single recipients rely on Social Security for almost all of their income in retirement. As baby boomers continue their retirement trek, that number is only expected to increase. This means their other accumulated assets must last as long as possible to ensure and affordable quality of life in retirement.

And this is why the coordination of Social Security with the overall retirement plan and portfolio is critical. Our research, published in the Journal of Financial Planning, shows that by doing so, the portfolio's longevity can be extended by anywhere from two to 10 years.

The widely-debated "4% rule" has been a standard retirement spending benchmark since first introduced in the mid-1990s. Yet it doesn't take the duel impact of Social Security and taxes into account. How accurate can it therefore be? In order to get a more accurate picture of a retiree's income potential, we included both in our calculations. What we found was striking; a strategy that includes delaying the start of benefits to age 70 combined with a tax-efficient withdrawal strategy predicated on asset location and a proper drawdown sequence can result in a portfolio lasting 30 years with far from minimal spending levels. Call it having your cake and eating it too.

But coordination is complicated, and stochastic and deterministic modeling with the aid of software is highly recommended. The struggle, puzzle, strategy, equation or whatever other term to describe attempts to achieve sustainable income in retirement has long been an industry obsession. George Orwell once said, "To see what is in front of one's nose needs a constant struggle." Social Security coordination is an obvious solution. Don't let it pass you by.

About William Meyer

Bill Meyer is founder and managing principal of Social Security Solutions, a leading Social Security software firm with patented technology that is dedicated to educating and assisting financial advisors and their clients in optimizing their Social Security claiming strategies. More information is available at www.SSAnalyzer.com.

About Social Security Solutions

Headquartered in Leawood, KS, Social Security Solutions, Inc. (www.SocialSecuritySolutions.com) delivers advice and education about Social Security retirement benefit claiming strategies to consumers and practitioners. Social Security Solutions, Inc. leverages its expertise, research and technology to help clients determine the best strategy for collecting benefits in line with their overall retirement goals. To sign up for a free trial, click here.