

Retirement Planning Insights



January 2022

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Up Front

New year, lots of lights and a COVID Christmas

Happy New Year!

With 2021 behind us, I'd like to reflect on one of my major accomplishments of the year; FINALLY having an exterior Christmas light arrangement that I'm proud of!

I've owned and lived in my current house since 2007. Over the years, I've tried different combinations of lights, garland, bows, figures, etc. on and around the front of the house. However, I never found a combination of things that I was fully happy with.

Last year at Christmastime, I saw a few houses that had their entire perimeters trimmed with large C9 light bulbs. That's when the light went off in my head (pun intended); THAT'S what I need to do next year!

After a \$900 order from an online Christmas light wholesaler and close to eight hours over two days on the roof of my house making and hanging custom lengths of light strands, I finally have a light display I'm proud of.

While it's not quite as impressive as Clark Griswold's light display in *National Lampoon's Christmas Vacation*, I'm still proud of the grandeur of what I created:



The grand unveiling of my Christmas light spectacular was going to be the night of a party we were supposed to have the weekend before Christmas. Unfortunately, COVID had other plans; I tested positive just a few days before the party. And then my older daughter tested positive a few days before Christmas. We're all fully vaccinated and thankfully both of our cases were super mild. But still, it resulted in the cancellation of plans to see friends and family during the holiday.

While it was a bummer to (again) have to dramatically alter our Christmas plans, I'm glad we're all healthy. Here's hoping for a less COVID-ish 2022.

Finally, thanks to the team at [Monkey Dog Design](#) for helping me refresh the look and feel of this newsletter. I hope you all like it!

-Andy

Retirement Planning News

How to retire in 2022

On December 28, 2021, *U.S. News* published the article, "[How to Retire in 2022.](#)"

While the article's info is a bit simplistic, it nonetheless provides a good checklist of major items to consider prior to actually retiring in 2022 (or any year, for that matter):

- **Decide when to start Social Security** – This is probably one of the more difficult decisions retirees have to make. You can start your Social Security benefit as early as 62, or as late as 70. The longer you wait to start, the larger your benefit will be. However, there is unfortunately no single right or universal answer as to when you should start your benefit. Keep in mind it's important to NOT make the decision in isolation; be sure to consider how your Social Security claiming decision will impact, and be impacted by, the other areas of your financial life.
- **Sign up for Medicare or other health insurance** – Most people must sign up for Medicare starting at age 65, or face lifelong penalties for signing up late. Prior to 65, you must consider what to do for health insurance. Will you have coverage from your ex-employer? Will you use an Affordable Care Act policy from www.healthcare.gov? Will you engage a private broker? Before shopping around for coverage, be sure to know which doctors, services and drugs you'll need to use.
- **Check your retirement benefits** – Will you have a pension from your employer? If so, will you have the option to take the pension as a lump sum? Will you have any other retiree benefits such as a health reimbursement account? Be sure to know what benefits you'll have available to you from your employer.
- **Take advantage of last-minute benefits at work** – Will you have any major medical or dental procedures coming up? Consider having them done before retiring. Do you get matching donations from your employer on your charitable donations? If so, consider making your annual donations before retiring.
- **Consider rolling over your 401(k) to an IRA** – While there are some cases where it might make sense to leave your 401(k) with your employer after you retire (namely if you retire in the year you're 55 or older but not yet 59 ½, or if your 401(k) has a good "stable value" investment option that pays high interest), it's often more beneficial to roll your 401(k) into an IRA. An IRA will give you more investment options, will generally have lower fees than your 401(k) and will make the process of taking Required Minimum Distributions ("RMDs") easier.
- **Make a financial plan** – Failing to plan is planning to fail. Without having at least a basic financial plan for your retirement, you're kind of flying blind. At a minimum, a financial plan should include projections of your annual expenses and should compare those versus the sources of guaranteed lifetime income you'll have from Social Security, pensions or annuities. To the extent those source of income don't cover all of your anticipated expenses, you'll need to draw from savings or investments to cover the difference. Make sure you've done the analysis to see if you can expect to have enough savings to cover that difference. And be sure to account for potential things like premature death of you or your spouse, a long-term care event, unforeseen prolonged weakness in the financial markets, etc.
- **Decide what to do next** – The financial aspects of retirement are as important as the non-financial aspects. You need to retire TO something, not just AWAY from something. In other words, how will you spend your time in retirement? What's going to be your source of fulfillment and satisfaction? What's going to be your sense of purpose? Where will you find your social connection and network? What's going to be your reason to wake up everyday. How will you spend all of the hours in the day? It's important to give thought to all of these things before pulling the trigger on retiring.

Practical Retirement Planning

Social Security survivor benefits

I'd like to share a recent story about Social Security survivor benefits, how potentially valuable they are and how many people don't know such benefits even exist.

My mom recently met a retired single woman in her mid-60s who divorced from her ex-husband years ago. The ex-husband has since deceased.

The woman lives on a very tight budget by living off savings while delaying her Social Security benefit. She ideally wants to delay her benefit until 70, but is at least shooting for her Full Retirement Age, in a couple years, as the starting point.

My mom is fairly well-versed in Social Security after doing her own personal deep dive into it about five years ago. In fact, it was her and her personal Social Security situation that got me on the path to changing my own career and starting up my retirement planning business, [Tenon Financial](#), and this newsletter. Thanks Mom!

Anyway, when the woman said to my mother how she's waiting to start Social Security and living very frugally in the meantime, my mother mentioned to her that she believes the woman would be entitled to get a divorced survivor benefit off the Social Security record of her deceased ex-spouse. The woman had no idea what my mom was talking about.

This was a couple of weeks ago. My mom immediately called me up, and I confirmed the woman would indeed be able to get a divorced survivor benefit now while she's delaying her own Social Security for a few more years. AND, there is essentially no downside to her starting the divorced survivor benefit now...it's money she'd be leaving on the table by NOT starting it ASAP.

Right after that conversation, the woman went home and called up the Social Security Administration. Sure enough, they confirmed what we discussed. Her divorced survivor benefit will be starting next month.

I don't want to go so far as to say this information was life-changing for the woman. But she said her budget was such that every few dollars really matters. Although I don't know how much survivor benefit the woman will actually be getting, she told my mom she's absolutely elated at the money she'll be receiving and that it will make a HUGE difference

in her life and finances while she continues to delay her own Social Security.

What's the moral of the story??? Whether you love or hate the Social Security system, it's tremendously valuable to lots of people. And, there are a lot of little nuanced benefits that many people aren't aware of. As such, lots of people miss out on potential benefits by not knowing the full range of what they're entitled to.

In this case, the benefit is the ability to get a "survivor" benefit off a deceased ex-spouse. Assuming your marriage lasted at least 10 years and you're over 60, you're entitled to get survivor benefits off your deceased ex. AND, you can claim those benefits while not impacting your own benefit, which you can let sit untouched so it can continue to grow until as late as age 70. Additionally, even if you remarry, so long as you wait until 60 or later to remarry, you are still entitled to receive the survivor benefit off your deceased ex-spouse.

Keep this story and information in mind in case this situation applies to you or anyone you know.

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