



## Coordinating Social Security Benefits with Other Retirement Assets

Social Security provides retirement income you can't outlive. And, in addition to your own benefit, your spouse may be eligible to receive benefits based on your earnings record in the form of spousal benefits and survivor's benefits. So, it's easy to see why, with all of these potential benefit options, Social Security is an important source of retirement income. But, according to the Social Security Administration, only about 40% of an average worker's preretirement income is replaced by Social Security (Source: SSA Publication No. 05-10035, July 2012). When trying to figure out how you'll meet your retirement income needs, you'll probably have to coordinate your Social Security benefits with other retirement income sources such as pensions, qualified retirement accounts (e.g., 401(k), IRA), and other personal savings.

### Factors to consider

How you incorporate Social Security benefits into your total retirement income plan may depend on a number of factors, including whether you're married, your health and life expectancy, whether you (or your spouse) will work during retirement, the amount of your Social Security benefit (and that of your spouse, if applicable), other sources of retirement income (e.g., pension), how much retirement savings you have, and, of course, your retirement income needs of you and your spouse, including the income need of your spouse after your death.

A factor to consider is that Social Security has a "built-in" protection against longevity risk. Benefits increase each year you delay starting benefits through age 69 (benefits do not increase past age 70), so the later you start receiving benefits, the greater the benefit amount. In addition, Social Security benefits are inflation-protected,

and may increase with annual cost-of-living adjustments based on increases in the Consumer Price Index.

How much you may pay in income tax may also factor into your retirement income plan. For example, distributions from tax-qualified accounts (e.g., 401(k)s, IRAs, but not including Roth IRAs) are generally taxed as ordinary income. Up to 85% of your Social Security benefits may also be taxed, depending on your modified adjusted gross income and tax filing status. Tax issues are complex, so you should talk to a tax advisor to understand your options and the tax consequences.

### Pensions

If you're lucky enough to have a traditional employer pension available, that's another reliable source of income. You'll want to be sure that you effectively coordinate your Social Security benefit with pension income. Your pension may increase in value based on your age and years of employment, but it may not include cost-of-living adjustments (COLAs). As mentioned earlier, Social Security not only increases the longer you delay taking benefits, but it may increase with COLAs.

If your pension benefit increases past the age at which you retire, you might consider waiting to take your pension (either single or joint and survivor with your spouse) in order to maximize your pension benefit amount. Depending on your income needs, you could start Social Security benefits earlier to provide income. Or, if you've already reached your maximum pension benefit, you could start your pension first, and defer Social Security in order to receive an increased monthly benefit later. Your decision depends on your individual situation, including your pension benefit amount and whether it increases in value

after you retire, and the pension options that are available to you (e.g., single life, qualified joint and survivor). You can get an explanation of your pension options prior to retirement from your pension plan, including the relative values of any optional forms of benefit available to you.

### Personal Savings

Prior to retirement, when it came to personal savings, your focus was probably on accumulation--building as large a nest egg as possible. As you transition into retirement, that focus changes. Rather than concentrating on accumulation, you're going to need to look at your personal savings in terms of distribution and income potential. Your savings potentially can provide a source of income to help you bridge any gap between the time you begin retirement (if you've stopped working) and the time you wait to begin taking Social Security benefits.

One option you might consider, depending on the amount of retirement savings you have and your income needs, is taking some of your savings and purchasing an immediate annuity, which will provide a guaranteed (based on the claims-paying ability of the annuity issuer) income stream. In this way, your remaining savings may have a chance to increase in value, while delaying Social Security benefits increases your annual benefit as well.

Incorporating Social Security into your retirement income plan involves several other important factors. Talk to your financial professional for help in developing the best plan for you.

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## 15 Ways to Save on Your Next Vacation

Whether your vacation budget is big or small, no one likes to spend more than necessary when traveling. Here are some tips that can help you save on your next trip.

### Air travel

- Pick your travel times wisely. Popular wisdom holds that Tuesday and Wednesday are the least expensive days to travel, but this isn't necessarily the case in all markets or at all times of the year. If possible, search for airfares within two or three days of your ideal departure date, and consider off-peak flight times.
- Search for flights at more than one airport. If you're willing to depart from any airport near you or arrive at any airport relatively close to your destination, you'll have a better chance of snagging a lower-cost flight.
- Sign up for fare alerts. Online travel agencies, travel websites, or the airlines themselves can notify you when airfare hits a low price point or drops by a certain percentage.
- Compare baggage charges. Don't settle on a fare before seeing how much extra you'll pay to check your luggage.
- Save on parking. At many airports you have the option of parking in an economy lot. At larger airports, you may be able to save even more by parking offsite at private lots. Some hotels offer packages that allow you to spend the night before your flight and leave your vehicle there until you return.

### Lodging

- Check hotel websites. Many list their rate calendars on their reservations page so you can see for yourself when rooms are available (and at what price).
- Look for freebies. For example, does the hotel offer complimentary transportation to the airport, restaurants, or local attractions? Does the rate include breakfast (having a meal included can save you a bundle, especially on longer trips or family vacations).
- Share amenities. Love the amenities at a luxury resort but not the price tag? Book a room at a lower-priced hotel that allows you to use the facilities of a higher-priced sister property.
- Watch out for taxes. Though you can't avoid them, lodging taxes vary by location and are based on the room rate, so you can save money on taxes by booking a lower rate or, in some cases, by choosing a different location (a property outside the city, for example).
- Compare extra person charges. Will your kids stay for free? Hotel chains often allow up to two adults and two children age 17 and younger to stay in one room for the same rate, but policies vary, and smaller properties may require you to pay more or book extra rooms.

### Rental cars

- Look for coupon codes or discounts. These are available through many sources, such as your road and travel plan, your insurance company, and your credit card issuer.
- Choose the vehicle class that offers the best value. Smaller cars are often less expensive, but not always. Rates vary widely, so check out all rental companies before settling on one. And although you can't count on getting one, it never hurts to ask for a free upgrade at the rental counter.
- Pay attention to fuel costs. If you're going to be driving long distances, make sure the rental vehicle has good fuel economy. And decide whether you want to pay for a full tank of gas up front, with the option of returning the vehicle on empty. The per-gallon price is usually posted at the rental counter and may be more or less than what you'll pay if you fill it up yourself off-property.
- Consider insurance before you get to the rental counter. Avoid buying duplicate coverage by checking with your insurer to see how your auto policy covers you in a rental vehicle. Some credit card companies also offer some insurance protection for rentals.
- Compare extra driver fees. You may pay a surcharge if you add an extra driver, and fees and terms vary by company and location.

