Planning for Your Wealth

3rd Quarter 2021

When Should You Ignore Conventional Retirement Advice?

Retirement and Longevity

In certain cases, taking a less traditional route may be a better financial fit.

It's human nature to want to take mental shortcuts, like following the crowd to find that best-selling gadget on Amazon. We read all the reviews and think "if it worked for all these people, it could work for me."

But when it comes to important retirement decisions, relying on truisms instead of getting tailored recommendations from an advisor can lead to less-than-ideal outcomes.

In This Issue:

Here, we explore three scenarios where your advisor can guide you in being a retirement rebel.

Conventional advice: Don't claim Social Security at age 62

Hear ye, hear ye. Claiming Social Security early translates to a 30% smaller check if you claim at age 62 but your full retirement age is 67 (when you're able to collect 100%). However, for a select few, claiming early may be worth it.

An example is someone who is wealthy and plans to retire at 62 and live off large withdrawals from pre- tax retirement accounts. This will push them into a higher tax bracket than the alternative – taking Social Security payments at 62 to reduce the amount withdrawn from those accounts. Claiming early also gives retirement assets room to continue compounding. Plus, your tax bill could be smaller due to the tax treatment of Social Security income. Finally, the extra income can enhance what financial planners call the "go-go" years, a period at the beginning of retirement when we can expect to have the most time and energy.

On the other hand, delaying Social Security can act as longevity insurance, if outliving your money is a big concern. Those who decide to defer their Social Security benefit earn delayed retirement credits, starting the month they reach full retirement age, or FRA (currently 66 and rising to 67 for people born in 1960 or later). For every month you delay filing between your FRA and age 70, Social Security increases your eventual benefit by two-thirds of 1% – a total of 8% each year you wait.

The bottom line? There's no single optimal time to claim benefits that fits everyone. It's your money, so get some tailored advice to make your retirement income work best for you. Social Security decisions should take into account many factors, including spousal and survivor benefits, so make sure to talk to your financial and tax advisors to find the strategy that best fits your situation.

Conventional advice: Sell your home and downsize

Because housing plays a major role in personal finances and wealth, experts like to recommend shrinking your expenses by shrinking your square footage. But this highly personal decision is, at its core, about the lifestyle you want. Don't cram yourself into a tiny home if you need room to spread your wings.

Some retirees choose to upsize to a home suited to multigenerational living, welcoming aging parents, adult children and even grandkids into a shared space. Others choose to relocate to a home of similar size in an area with a lower cost of living to increase their spending power. Still others plan to stay put indefinitely due to their attachment to a place they've made memories in, regardless of cost. In 2018, AARP found that nearly two-thirds of U.S. adults want to stay in their current home for as long as possible.

If you do plan to downsize, keep in mind the transaction costs that can eat into the profit from selling a home. Your advisor can help you run the numbers to see what it takes for you to come out ahead. If you are set on moving in retirement, think about selecting a place with practical amenities that make aging in place easier, such as a step-free entryway and shower.

Conventional advice: Pay off your mortgage before retiring

Zeroing out a big debt like a mortgage feels like a giant weight lifted. But if you let the zeal for zeroes cloud your vision, your paid-off house might become a prison with liquidity locked inside.

Let's say you use the majority of your savings to pay off your mortgage. Now you own your home free and clear – but the next time you have an emergency or a big opportunity, you'll have a more difficult time coming up with the cash. You might even have to take out a home equity loan, and now you're right back at square one.

Before you pay off the mortgage, take a realistic look at whether your house will suit your needs in retirement or if you'd rather relocate. Even if you're sure you're not going to move, you still might prefer to maximize your income by investing your money instead of using it to pay off low-interest debt. There's also the ability to deduct the interest you pay on a home loan on your taxes to consider.

The question is whether the comfort of having reserves with a mortgage is more appealing than the comfort of owning a home outright, but with less money in the bank. If you're having trouble deciding, talk to your financial advisor and consider your options.

Find the right financial fit

Whether you end up going with the conventional advice or going your own way, a professional's opinion on your retirement income strategy could help you make the most of your resources – and help you find the lifestyle that feels just right for you.

What Savvy Investors Know About Social Security

Retirement and Longevity

Explore some of the ways that in-the-know retirees make the most of their benefits.

In any financially independent retirement, Social Security is bound to be a dominant factor. Not many reliable sources of income bring as much to the table in terms of cash flow and cost-of-living increases just about every year. A source of income that will hold relatively steady in just about any market environment? Yes, please. Its resilience is just one of many reasons you'll want to be as clever as possible about your Social Security benefits strategy.

Here are a few ways those in the know help maximize their benefits.

It's not just about you

Your Social Security decisions should be made in tandem with your spouse, not as two independent decisions. Strategizing with each other and your advisor is the key to maximizing your overall household benefits. Remember that Social Security offers spousal and survivor benefits as well as cost-of-living increases, so making the most of this important pillar of retirement income may serve you both well in the long run.

The ex factor

Many divorced people erroneously think that filing on their ex's record somehow takes benefits away from their former spouse or even alerts them to the claim. That's not the case.

If you were married for at least 10 years and haven't remarried, Social Security allows you to claim spousal benefits for yourself, and your ex would be none the wiser. For example, women who stayed out of the workforce to serve as family caregivers may find that their spousal benefits would actually be larger than claiming on their own record. Basically, they could be entitled to an increased benefit without detracting in any way from their ex's benefits – certainly something to consider.

Why leave money on the table? Your advisor can model the possible benefit scenarios to see which claiming strategies help you come out further ahead. There are even some scenarios where you can collect on your ex's record first, while deferring your own.

Remarriage implications

Remember the rules above? Getting remarried will cut off those spousal benefits from your ex's record. This may be fine if your new spouse made a higher lifetime income, but it's worth thinking through either way.

Shobe Current News

Erin Sibley Celebrates 10 Years at Shobe

"I've loved the last decade of my career at Shobe. I think what makes the biggest difference is when you love what you do. I've been able to walk beside clients through great times and milestones in their lives – retiring, building their families, moving to a new location – and through really hard times in the last 10 years. I've been able to see our impact in our clients' lives and I think that that has been so instrumental to them. I love that each client's story is different. It makes our work challenging and rewarding at the same time. Looking forward to the next 10!" says Erin when she reflects on the past decade.

The fashionably late arrival

For many of us, waiting until full retirement age can significantly increase lifetime benefits. People who claim at age 70 vs. age 62 receive 76% more in benefits – that's quite a pay raise as a tradeoff for a little patience.

Of course, if you have a family history of illness, shortened life expectancy or an immediate need for extra cash flow, this may not make the most sense for you. But if you have a solid nest egg, it could pay to delay. Consider too that permanently reduced benefits not only affect your finances over what could be a 30-year retirement, but your spouse's, too.

The bird's eye view

Smart investors, in general, look at their financial plan holistically, not in isolation or compartments. That goes for any decisions around Social Security. Benefits are best viewed in light of the role they'll play within your overall portfolio, in conjunction with other retirement income and in order to make progress toward your short-, mid- and long-term goals.

How working works

Working while withdrawing before full retirement age comes with some funky math. The Social Security Administration (SSA) temporarily withholds $1 in benefits for every $2 you earn above the current $18,960 limit. In the year you reach full retirement age, SSA will deduct $1 from your benefits for every $3 you earn above an established threshold, currently $50,520 for 2021. Once you reach full retirement age, your earnings no longer reduce your benefits, no matter how much you make, and the agency recalculates your benefits to give you credit for the months it withheld payment due to those excess earning .

The value of keeping tabs

Even if you're decades away from retirement, create a secure login to access your personal Social Security account at ssa.gov. Doing so can help stave off identity theft and catch any mistakes in your earnings history.

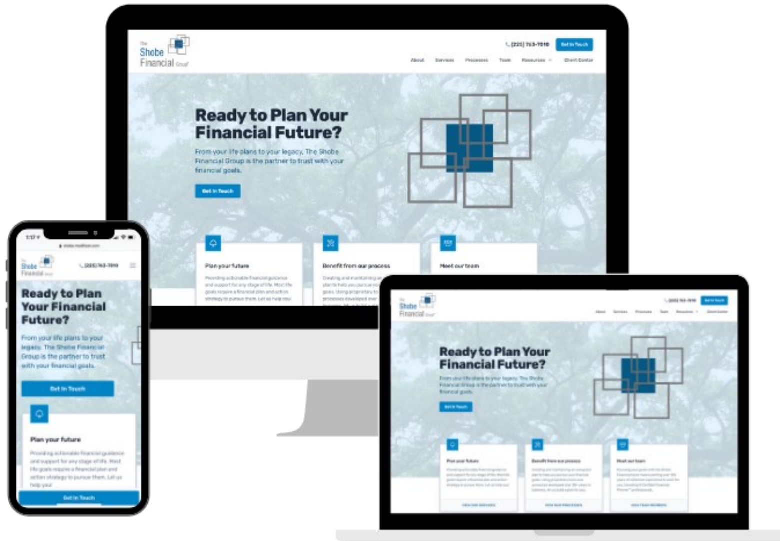
Sources: ssa.gov; Center for Retirement Research at Boston College; bankrate.com; AARP; Bureau of Labor Statistics; ThinkAdvisor; Raymond James research; Financial Planning Association; ssa.gov; usnews.com; Gallup data; U.S. Government Accountability Office; fool.com

While we are familiar with the tax provisions of the issues presented herein, we are not qualified to render advice on tax matters. You should discuss tax or legal matters with the appropriate professional.

Shobe Tech Corner

A New Shobe.com is Coming!

Coming soon, we will be launching our new website and we kept one thing in mind: you. This new website goes beyond just a new look but is filled with great educational resources and a new way for you to get to know our team.



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