REAP LEGACY Retirement Estate Assets Protection Planning

The Problem of Money Paralysis

Not making a move may not always be the best move to make.

Provided by Pat Baxter, Registered Financial Advisor

A decision not made may have financial consequences. Sometimes, we fall prey to a kind of money paralysis, in which financial indecision is regarded as a form of "safety."

Retirement seems to heighten this tendency. If you are single and retired, you may be fearful of drawing down your retirement savings too soon or assuming investment risks. Memories of this-or-that market downturn may linger.

Even so, "paralysis by analysis," or simple hesitation, may cost you in the long run. Your retirement may last much longer than you presume it will – perhaps, 30 or 40 years – and maintaining your standard of living could require some growth investing. As much as you may want to stay out of stocks and funds, their returns often exceed the rate of inflation, which is important. Creeping inflation can reduce your quality of life in retirement by subtly reducing your purchasing power over time.

Retirement calls for distributing some of your accumulated assets. Some new retirees are reluctant to do this, even when some of that money has been set aside for goals or dreams. Frugality suddenly reigns: a long vacation, a new car to replace an old one, or a kitchen remodel may be seen as extravagances.

We cannot control how long we will live, how much money we will need in the future, or how well the economy will perform next year or ten years on. There comes a point where you must live for today. Pinching pennies in retirement with the idea that the great bulk of your savings is for "someday" can weigh on your psyche. What does your retirement dream amount to if it is unlived?

If you fear outliving your money, remember that certain investing approaches offer you the potential to generate a larger retirement fund for yourself. If you seek more retirement income, ask a financial professional about ways to try and arrange it – there are multiple options, and some involve relatively little risk to principal.

There is one situation where waiting may be wise. If you wait to file for Social Security until age 65 or 70, your monthly Social Security benefit will be larger than if you had filed earlier in life. Why? Social Security has what it calls "full retirement age," or FRA – the age at which you can receive the full Social Security benefit you are entitled to, based on your earnings record.[1]

If you were born in 1960 or later, your FRA is 67. If you were born during 1954-59, your FRA is 66 (and it gradually increases toward 67, depending on your birth year within that date range).[1]

Most retirees claim Social Security benefits in their early sixties (eligibility begins at age 62). In a way, they are shortchanging themselves by doing so. Because they are claiming benefits before reaching their FRA, their monthly benefit is smaller than it would be at age 66 or 67 – in fact, it may be as much as 30% smaller. On the other hand, those who claim after their FRA at age 68, 69, or 70 receive monthly benefits that are larger than they would get at age 66 or 67. Roughly speaking, for every year you delay claiming benefits beyond your FRA, you will increase the size of your monthly benefit payment by around 8%.[1]

Your approach to investing has been created with your retirement in mind. A practical outlook on investing and decisions to work longer or claim Social Security later can potentially help you amass and receive more money in the future.

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1 - fool.com/retirement/2019/05/13/many-are-making-a-tragic-social-security-mistake-a.aspx [5/13/19]