PACIFIC LIFE insights

SOCIAL SECURITY RETIREMENT STRATEGIES GROUP APRIL 2022

SOCIAL SECURITY AND LONGEVITY PLANNING—IT'S A MATCH!

The year is 1934. Frances Perkins, Secretary of Labor, is Chair of the Committee on Economic Security. A Committee task: Create a program that will include old age and survivor insurance for workers. Social Security is born.

Social Security is a contributory old-age insurance program that provides benefits for workers, their spouses, minor children, and survivors. In 2020, nine out of 10 people ages 65 and older were receiving a Social Security benefit.[1] This makes Social Security the number one retirement program in the United States.

For clients, Social Security represents a monthly lifetime payment with a cost-of-living adjustment (COLA). This type of potentially increasing guaranteed lifetime payment is the base for many retirement-income plans. The challenge: When should a client claim the Social Security benefit? How a financial professional discusses this dilemma can help a client have a more resilient retirement-income plan. Here are three questions to ask clients.

1. How are the older members of your family doing?

Your client's longevity risk includes both the likelihood of a long life and what resources are available to provide income. While clients may be reluctant to think about their own longevity, they often will share information about parents and siblings. If mom and dad are doing well at age 95, then delaying Social Security retirement benefits may provide a good COLA-adjusted longevity hedge. For those whose parents passed away early, preserving other resources by claiming Social Security benefits now may be a better option.

Remember that when planning for two, it is important to consider how long the youngest and/or healthiest spouse might live. A client with health issues, but who has a younger, healthy spouse may find that delaying Social Security benefit is a good plan.

2. How will your Social Security income affect your longevity plan?

Everyone will speculate on personal life expectancy. Few are willing to offer a termination date. This means clients should review the income resources available and how they can best be used. Many clients feel more confident if their essential monthly expenses are covered by guaranteed lifetime income. Guaranteed income can come from Social Security, a pension or an immediate annuity, also known as a payout annuity. If Social Security benefits are a significant portion of guaranteed income, then those with higher longevity risk might wait to claim, often as late as age 70. For those with less risk, claiming Social Security benefits early can mean other assets are available to heirs, as well as later in life, if needed.

3. How would your retirement be different if you had your essential expenses mostly covered with guaranteed income?

Once a client considers how lifetime income might affect his or her plan, it is key to consider whether a certain amount of guaranteed income will change that plan. For some, additional lifetime income will not affect lifestyle. For others, additional lifetime income can provide the confidence needed to help prepare a comfortable retirement. When the discussion indicates a desire for additional lifetime income, the conversation can move to the available options, including immediate annuities and deferred annuities with income benefits, as well as qualified longevity annuity contracts (QLACs).

The key is to ask the questions that can start the conversation. As a financial professional, you can help clients improve their retirement outcomes by being the catalyst. Talk to your clients today!

Additional Resources and Links

Social Security Benefit Topics

Information on Frances Perkins

Using Retirement Funds to "Mind the Gap" for Social Security Benefits

Which Bridge Might Work Before Claiming Social Security Benefits

For more information about retirement planning, please contact our Retirement Strategies Group at RSG@PacificLife.com or (800) 722-2333, ext. 3939.
PacificLife.com

[1]Social Security Administration. "Snapshot of a Month: June 2021 Beneficiary Data." Last accessed 4/25/2022.

For annuities, all guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company and do not protect the value of the variable investment options, which are subject to market risk.

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