

Show Clients the Bonanza of Postponing Social Security

By R. A. Monroe (excerpt)

March 25, 2014

The verdict is in: Delaying Social Security is a winning strategy. According to a recent study in the Journal of Financial Planning, waiting to collect can boost a dual-income couple's benefits by an average of 6% — and sometimes by much more. But after years of working hard and paying into the system, clients may resist the idea of postponement. Advisors say changing clients' minds is often a matter of educating them about what a difference to long-term wealth the strategy can make.

Being proactive is one of the most important things an advisor can do to help clients make smart decisions about when to start collecting benefits. ...

...Of course, in some cases, clients do need the benefits as soon as they're eligible for them. But in others, they may simply not have known how much they stand to gain by delaying. ...

... Even though delaying benefits means a higher payout for clients eventually, David Kudla, CEO of Grand Blanc, Mich.-based Mainstay Capital Management, says it's important to remember that Social Security is just one piece of the total retirement picture. Advisors need to help clients consider how the bigger benefits could affect their withdrawal strategy from tax-qualified retirement accounts and whether that additional income will push them into a higher tax bracket.

"When clients ask you about delaying benefits, it's important not to focus too narrowly on that one topic," says Kudla, whose firm manages \$1.5 billion in assets.

"Remind clients that when they choose to receive benefits will impact everything from how much they pay in taxes to whether they have a Roth IRA."

Kudla also notes that some clients who choose to take benefits early may be worried about the Social Security program's long-term viability. "Their attitude is, I'm going to get as much as I can while I can," says Kudla. "As an advisor, you have to respect that — the decision isn't just financial, it's emotional, too."

© 2014 Financial Times
Reprinted with permission

FINANCIAL
ADVISOR 

A Financial Times Service