Consider This Program: December 1st, 2020

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In this week's episode, we will cover:

- **How to time starting your social security**
- **Knowing if you have enough money to retire**
- **Why you shouldn't try to time the market**
- **Charitable gifting strategies before year end**

Timing Your Social Security

Everyone can start taking social security at age 62. For almost all of us, full retirement is age 67. You can wait to take social security until age 70. If you agree to die on time (84.5), then it really doesn't matter when you take social security provided that you have no other assets, your life expectancy is in good order, and you think the tax rate will remain consistent for the rest of your life. That's a fairy tale! However, you shouldn't believe that because the tax code is anything but flat or consistent. The rules of social security may change. Plus, the cost of living may be in jeopardy at some point in time.

Every year you take social security, you will lose six percent of your benefit per year for the rest of your life. If you take it at 67, you will get your full retirement age allotment. Every year you delay it up to age 70, you gain eight percent per year. For an average family, this can be a $400,000 to $500,000 decision. You cannot look at social security as an individual conversation without bringing in all the other components of your finances. You want to take social security immediately if you are no longer going to work and your life expectancy is shorter.

What happens to social security if you are divorced? If you have been married longer than ten years and you are divorced, you can claim on your ex-partner's benefits. It has no impact on the divorced spouse; they won't even know that you did it.

Knowing If You Have Enough Money To Retire

How much money do you need to retire? There are so many variables. One thing to consider is lifespan; how long are you going to live? The older you are when you separate from the workforce, the less money you will need. The longer you wait to retire, the larger the withdrawal percentage you can take without worrying about not having enough money. The second thing to consider is assumptions. What will your return rate be before you retire, what you will earn on your assets while you're preserving them, and what you will earn on your assets while you're distributing them? Also, you must take into consideration what your tax rate is going to be.

Instead of replacing a percentage of the income you made, you need to replace 100% of your standard of living. The standard of living is broken into two categories: fixed expenses and social components. The older we get, the less desire to travel. So, you will not need as much money as you did when you were traveling. If you are going to retire early, make sure you will replace your standard of living. You might have lines of credit on the house or other assets that you can also use.

Why You Shouldn't Try To Time The Market

The market is driven upon two emotions: fear and greed. Fear will trump greed every time. Our general advice is that slow and steady always wins the race. However, it would help if you didn't jump in and out of the market. Instead, you can jump in and out of positions. When you stay in the stock because you always think it will come back is a problem; it's not always the case. Some of the best times to invest are during bear markets. Days tend to be clustered positively and negatively. You don't typically have a great day then a bad day unless you are in a challenging period.

Deduction Stacking

When you look at your tax return, think of the tax code as a series of stair steps. The first $19,000 will be taxed at 10%. The next step up is 12%, around $88,0000. The critical things to consider are standard and itemized deductions. There are three significant things that you can deduct:

- State and property tax
- Mortgage interest
- Charitable contributions

If you have limited state tax, no mortgage interest, but you give $18,000 a year to charity. You will get no benefit because $24,000 is free money. You would want to make a secondary charitable gift this year. In this case, you want to put in another $18,000 in charitable gifting. That way, you will have benefits for that charitable gift.

Financial Tidbits

- *"Timing is everything." -Joe*
- *"You will exit from your work, from your retirement accounts, and from life. How can you protect yourself in those three stages?" -Joe*
- *"Don't accept raw data; you're in a unique situation." -Joe*
- *"Social Security decisions can't be made in a silo." -Joe*

In This Episode:

- [5:15] How to time your social security
- [18:30] How do I know if I have enough money to retire?
- [31:10] Why you shouldn't time the market
- [43:45] Charitable gifting strategies

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