

# Asset Protection and Medicaid Law Newsletter



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**A FREE LEGAL UPDATE FOR ELDERS AND OTHERS WHO SEEK ASSET PROTECTION ♦ JULY, 2017 EDITION**

## How You Can Turn Your Social Security Benefit Into A Retirement Income Powerhouse

Many don't know the best way to make their Social Security benefits work for them.

With the decline of traditional pensions, Social Security has taken on increasing importance in retirement planning. Many clients, however, do not realize how they truly can maximize their benefits. Right now, over 66 percent of beneficiaries are either critically or totally dependent on Social Security to maintain their standard of living in retirement.

As more people rely on Social Security as their primary source of retirement income, it is important that you understand how to turn your social security benefits into a retirement income powerhouse.

The No. 1 risk in retirement is longevity risk. This is the risk of outliving your money. Social Security is a source of guaranteed lifetime income that can help reduce this risk. Social Security by itself may not be enough to cover essential expenses in retirement.

But if you delay claiming benefits until age 70 and maximize Social Security income, you can lessen the amount of income they need to withdraw from your 401(K), individual retirement account or savings.

### How to Maximize Social Security

Retirees receive other advantages by maximizing Social Security. For example, Social Security has a cost of living adjustment (COLA) feature that provides retirees with an annual adjustment of their benefits.

Historically, this has averaged about 3 percent a year and it provides retirees with a natural hedge against inflation. While the annual COLA percentage is the same for everyone, individuals who have maximized their Social Security will receive a larger dollar increase than those with smaller monthly benefits.

You can claim Social Security anytime between the ages of 62 and 70. In 2015, if you

retire at age 62, the maximum monthly benefit you could receive is \$2,025. If you delay claiming Social Security to full retirement age (age 66 for most people), the maximum possible benefit would be \$2,685.

Furthermore, if you delay claiming to age 70, your maximum potential benefit would be \$3,501. Everyone desires the maximum amount of Social Security possible.

However, if retirees are delaying Social Security the eight years from age 62 to 70, what are they going to do for retirement income during this gap?

### How to Create Additional Cash Flow

One strategy is to move some of their nonqualified money into a term-certain annuity. Beyond the high guaranteed pay-out rate that these products offer, there are also tax advantages that these annuities provide. Income from stocks, bonds or mutual funds would be taxed as LIFO (Last In/First Out).

Everything that they gain from these investments would be subject to tax. However, income annuities have the tax-exclusion ration.

Typically, only 5-25 percent of the payouts are subject to tax, while 75-95 percent is considered a return to principal. We call this FIBO (First In/ Blend Out) because the income is blended out as combination of principal and income.

For purposes of comparing taxation, if you invest in a stock mutual fund that returns on average \$20,000 annually, that total amount will be subject to tax. At 15 percent, the tax would be \$3,000.

However, if the money is invested in an annuity such as a single premium immediate annuity or deferred income annuity that returns \$20,000, it's possible that only \$4,000 would be exposed to taxes, assuming an 80 percent exclusion tax would be only \$600!

This strategy creates additional cash flow, and helps bridge the gap while delaying Social Security.

## Spousal Benefits

The spousal benefit is another tool you can use to make it easier to delay Social Security. For married couples, one spouse is entitled to up to 50 percent of the other spouse full retirement age benefit at their full retirement age. For example, if you had a married couple at the full retirement age of 66 who "filed and suspended" for a \$3,000 monthly Social Security benefit, the other spouse could claim a \$1,500 monthly spousal benefit while they are still delaying. Divorced couples can also take advantage of the spousal benefit if they meet certain criteria.

Today's retirement landscape is a scary place for most retirees. Pensions have mostly disappeared as a source of guaranteed lifetime income; and the stock market is volatile.

People are living longer than ever before; they are unsure how to make their money last for life. By using innovative annuity strategies and taking full advantage of the Social Security system, you can create a retirement income powerhouse and live with greater financial security.

## News You Can Use

### 2017 FLORIDA MEDICAID LIMITS

Gross Monthly Income Limit for Medicaid Applicant:	<b>\$2,205.00</b>
Personal Needs Allowance:	<b>\$105.00</b>
Asset Limit (Individual):	<b>\$2,000.00</b>
Asset Limit (Couple):	<b>\$3,000.00</b>
Community Spouse Resource Allowance:	<b>\$120,900.00</b>
Minimum Monthly Maintenance Income Allowance:	<b>\$2,030.00</b>
Maximum Monthly Maintenance Income Allowance:	<b>\$3,022.50</b>
Home Equity Interest Max.:	<b>\$560,000.00</b>