

Asset Protection Law Newsletter



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A FREE LEGAL UPDATE FOR ELDERS AND OTHERS WHO SEEK ASSET PROTECTION ♦ SEPTEMBER 1, 2012 EDITION

Income Emerges As Top Priority For Retirees: Using Annuities To Supplement Social Security Income

Single Premium Immediate Annuities (SPIA) can be an excellent way to prevent retirees from outliving their income.

Single Premium Immediate Annuities usually starts making regular monthly payments to you *immediately* after you turn over the funds to the insurance company. Typically this means 30 days from the date of deposit.

But within certain limits you can also defer the date that payments begin. In return for a sum of money, the insurance company promises to make regular payments to the owner or annuitant (if different) for a specific period, such as the remainder of the annuitant's life.

The disturbing prospect of clients' outliving their retirement income continues to loom large to senior citizens.

The population in need of retirement income planning is large, and growing. In 2020, there will be 100 million Americans 55 and older, according to the U.S. Census. Yet many will be woefully ill-equipped for retirement.

Fewer than half of investors near retirement age whom we polled said they're "very prepared" to address their income needs.

Retirement income emerged as an overriding issue in our poll, which examined investor and adviser attitudes across a broad spectrum of financial and investment concerns. "Maintaining income that meets your needs" topped the list when we asked retirement-age investors what retirement topics they most want to learn about in 2010. Closely following was "not outliving your assets".

Concern about retirement income is wrapped in overarching investor worries about generating more yield from investments in the wake of the crash of '08-'09. Yield is one of the top issues that advisers are dealing with.

As one adviser put it: "Fewer people are chasing after monster returns. More are

concerned with having enough guaranteed income." Another said, "I am focusing on income planning — that is the piece that most people fail to do as they accumulate assets."

Retirees recognize both the need and the opportunity to be involved in income planning. They say that helping to maintain income is one of the top three retirement-related issues they would like to learn more about in 2010, along with managing health care costs and making decisions about Medicare.

The "magic bullet" for retirement income remains elusive. But planning can make a difference with diligent asset planning.

Start strengthening the income component now: In the wake of the financial crisis, many investors have been over-reliant on Treasuries. They position their portfolios in a way that may be much too conservative and ill-suited to the rising-rate environment we foresee for the longer term.

Take a deeper look at Social Security: The Social Security Administration estimates that it soon will be receiving 16,000 new benefits applications a day. Almost three-quarters of individuals take early withdrawals with reduced benefits.

In our view, that's perhaps not the best tactic. Especially when advising a married couple, advisers should examine the outcomes of several possible Social Security scenarios.

Considering such variables as when benefits are first taken, which spouse takes benefits first, the role of spousal benefits, the potential impact of divorce and the implications of longevity — are all considerations.

Your careful examination of such scenarios and can help a client create a strategy that effectively maximizes the lifetime value of Social Security benefits.

Closely match withdrawal methods to needs: Retirees traditionally plan a retirement income stream based on a withdrawal of a fixed dollar amount and an anticipated asset growth rate.

But applying one withdrawal method for all

retirement income needs disregards the varied nature of those needs, especially the discretionary portion.

Income for discretionary spending may be more suitably obtained by taking fixed-percentage withdrawals that allow this spending to vary in a sensible way, increasing when markets are good and decreasing when they are not.

"Bucketing out" a retirement portfolio, by using different kinds of withdrawal methods, and assets matching different income needs, can go a long way toward ensuring the viability of a long-term income stream.

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NEWS YOU CAN USE

2012 FLORIDA MEDICAID LIMITS

Gross Monthly Income Limit for Medicaid Applicant:	\$2,094.00
Personal Needs Allowance:	\$35.00
Asset Limit (Individual):	\$2,000.00
Asset Limit (Couple):	\$3,000.00
Medicare Part B Premium:	\$99.90
Community Spouse Resource Allowance:	113,640.00
Minimum Monthly Maintenance Income Allowance:	\$1,839.00
Maximum Monthly Maintenance Needs Allowance:	\$2,841.00
Excess Shelter Standard:	\$552.00
Home Equity Interest Limit:	\$525,000.00