

Episode #268: How to Bridge the Social Security Gap

Hello! Welcome to another episode of "Money Script Monday." My name is Adam Reyna. We'd like to thank you for tuning in here today. Our title of the presentation is how to bridge the social security gap. So today, we're going to talk about what Social Security is, what a dignified retirement looks like, and finally, how we supplement our Social Security income to make sure we have that dignified retirement. With that said, let's get started.

Social Security, as I'm sure most people know, is a federal government-sponsored form of supplemental retirement income. You pay into it during your working career, and when you get to retirement age, you can tell the government to start your stream of income that you and potentially your spouse will never outlive. Now, it sounds comforting, doesn't it? I know that seems pretty simple, but believe it or not, there are actually over 80 different ways a married couple can take Social Security. Please make sure you work with your financial professional and ask them to run you a Social Security maximization report. Because who doesn't want to get the most amount of money from the government, right?

In general, you can start your Social Security income at age 62. The longer you wait, up until age 70, the more income you will receive. For most of us, depending on our life expectancy and health, it's best to defer Social Security till age 70. One way to make sure you can wait until age 70 to start your income is to make sure you have enough assets to live off till age 70 if you retire in your mid-60s. Please make sure, if you're nearing retirement, you work with your advisor on a strategy that allows you to wait on Social Security and make sure you maximize your cumulative income.

A shocking part about Social Security that most people don't realize. Did you know that, even after you maximize your Social Security income, it'll only make up about 40% of your pre-retirement income? If you don't believe me, take a look at the Social Security statement that's attached to this video. It literally says on the statement from the Social Security Administration that Social Security is not meant to be your only source of income, and it'll only make up about 40% of your pre-retirement income. You have to have retirement accounts, 401(k)s, IRAs, and other investment accounts. It's very, very important. Hopefully, you've been saving into these other types of accounts, because the way to a dignified retirement is bridging that Social Security gap with supplemental income that is not government-sponsored. You really need to create your own pension-like stream of income that you and your spouse cannot outlive.

Before we talk about how we bridge the gap, let's talk about what you want your retirement to look like. I know everyone is different, but to me and a lot of other clients we work with, a dignified retirement does not mean just not working anymore. It means being able to do what you want, when you want to do it, without having to worry about money. So again, doing what you want, when you want to do it, without having to worry about money. So whether that's spending more time with your family, traveling, or simply just unplugging and taking time to yourself, our job is to give you the peace of mind that your income will be there as long as you need it.

Let's look at bridging the gap here between your Social Security income and your desired retirement income. Remember that Social Security will only be about 40% of your income you need in retirement. So it's our job to show you how to make up the other 60%. So most retirees or pre-retirees have done a great job building up a nest egg in retirement in their 401(k)s, IRAs, investment accounts. And typically, the underlying asset there is a mix of stocks, bonds, mutual funds, ETFs, that list goes on.

Here's where most people miss the boat. Typically, those underlying assets involve risk. That means, in an economic downturn, like we're experiencing right now, they can drop anywhere from 5% to 30% in a given year. If this happens to your entire portfolio that you're relying on for your retirement income, you can only imagine what that does to your retirement lifestyle. Nobody wants to live a bargain retirement lifestyle, do we?

Don't get me wrong. With these accounts, they're great for building wealth and growing that nest egg during your accumulation phase or your working career. However, they're not great at providing that private pension-like income we need to make up that other 60% of income that Social Security does not provide during what we call your distribution phase. So the strategy you use during the accumulation phase needs to be different for the distribution phase. So the question is, what's best for that distribution phase?

As you can see here on the board, on top of the bridge, the answer is a retirement income annuity. The reason this account is on top of the bridge is because it is principal protected. So that means that, even in an economic downturn, you will stay above water and not lose any money in a negative market. To take it a step further, these retirement income annuities work just like Social Security, except, instead of paying into it over time, you simply move some of your assets from the risky retirement accounts that sink down below the bridge in a down market, and a highly rated insurance company will give you a stream of pension-like retirement income that you and your spouse can never outlive. So what you're really doing is creating that peace of mind so you can focus on doing what you want, when you want to do it, without having to worry about money. Now, that sounds very comforting, doesn't it?

I hope, today, you've realized that we can help you out in multiple ways. Number one, we can help you maximize your Social Security income and get the most from the government. Number two, we can help you find ways to delay Social Security till age 70. Number three, we can help you

understand the risk involved in these different retirement accounts that are below the bridge. And finally, number four, we can help you turn those hard-earned assets you saved during your accumulation phase into a private pension-like income stream using a retirement income annuity for your distribution phase. All of this will create a very sturdy bridge between your Social Security income and that dignified retirement you deserve.

I appreciate your time, and I hope you enjoy the rest of your day. Thank you.