Master these Social Security lessons to get a more realistic view of your retirement.

According to Nationwide’s 8th Annual Social Security Consumer Survey, more than half of Americans express confidence that they know exactly how to optimize their Social Security benefits. However, only 6% actually understand all the factors that determine the maximum benefit someone can receive. In addition, the report highlighted additional knowledge gaps:

- A full 39% don’t know at what age they are eligible to receive their full benefits.
- Just over half (51%) do not have a clear understanding of how much they will receive in future income.
- Over a third (37%) incorrectly assume that Social Security benefits are not protected against inflation.
- Nearly half (45%) mistakenly believe if they claim their benefits early, their benefits will go up automatically when they reach full retirement age.

By mastering these lessons, you’ll immediately go to the head of the class for retirement planning—and avoid being an unfortunate statistic in some company’s future survey!

**Lesson #1:** Your “full retirement age” for Social Security benefits is the age at which you may first become entitled to full or unreduced retirement benefits.

Match your birth year to the full retirement ages shown to the right. Now, kindly memorize it!

<table>
<thead>
<tr>
<th>Birth Year</th>
<th>Full Retirement Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>66 + 2 months</td>
</tr>
<tr>
<td>1956</td>
<td>66 + 4 months</td>
</tr>
<tr>
<td>1957</td>
<td>66 + 6 months</td>
</tr>
<tr>
<td>1958</td>
<td>66 + 8 months</td>
</tr>
<tr>
<td>1959</td>
<td>66 + 10 months</td>
</tr>
<tr>
<td>1960 &amp; later</td>
<td>67</td>
</tr>
</tbody>
</table>

**Lesson #2:** Social Security will only replace a portion of your preretirement income.

The rule of thumb is that you’ll need to replace about 75%–80% of your preretirement income. Social Security will help fund part of your income needs, generally somewhere between 25-40% (depending on your earnings history). Your personal savings and retirement account will have to make up the difference.
Lesson #3: The longer you wait until you start taking your Social Security benefits, the more money you’ll receive.

Age 62 is the minimum age at which you can choose to begin receiving Social Security benefits. However, the math is pretty black and white: claiming earlier gives you a reduced benefit and claiming later gives you an increased benefit. For each year you postpone taking your benefit (until age 70), your monthly check will be larger. Check out the Social Security Benefits Planner (www.ssa.gov/planners) for more comprehensive information, including calculators and other resources.

Lesson #4: Social Security benefits are somewhat protected against inflation.

For 2021, the Social Security Administration is paying out a cost-of-living adjustment of 1.3%. In planning for your retirement income, it’s important to note that any cost-of-living adjustment from the Social Security Administration can vary each year and is not guaranteed. Cost-of-living adjustments are typically announced in October of each year.
Do you find that happiness is hard to come by on some days? With all the challenges of the past year, it’s sometimes just easier to find imperfections in everything and let crankiness rule your day. However, if you want to boost your mood and positivity, here are three things you can do to help find your happy place.

“There is no key to happiness; the door is always open.”
– Mother Teresa

Get Moving

If you find yourself grappling with negative thoughts and emotions, getting outdoors and exercising regularly can boost both your health and your mood. Whether you take a walk, ride a bike, or go for a run, aerobic activity releases mood-boosting hormones within your body that ease stress levels and lift your spirits. When your muscles contract repetitively in exercises like jogging, yoga, or swimming, this increases your body’s production of serotonin. Increased levels of this brain chemical, targeted by many antidepressants, are linked to a happier mood.

Health experts suggest at least 30 minutes of moderate-intensity exercise five days a week or a vigorous 20 minutes three times a week. You can even start small — a brief 15-minute walk around the neighborhood may likely put you in a more cheerful mental space.

“Most folks are as happy as they make up their minds to be.”
– Abraham Lincoln

Don’t Overthink

Did you know that the average adult makes more than 35,000 decisions each day? If this sounds mind-boggling (even crazy), you can Google it. Some prominent institutions
stand behind it, including a scientific group at Harvard Medical School and Psychology Today. This may be why “decision fatigue” is a real thing. While having lots of choices may sound great, it can be mentally draining. Every day, you choose from a variety of options, from the time you select what to wear in the morning to the time you decide if you’re going to floss or not before bed. Not only do you have to make these decisions, but the choices can often lead to worry and regret — especially not flossing! Practice limiting your choices — and not putting too much pressure on yourself for making those choices. You can ask yourself: “will this decision lead to major, negative consequences?” If it won’t, make a quick choice and move on. Don’t second-guess yourself. Save the heavy-duty reflections for more significant issues that arise.

“I had an unexplained burst of happiness today. My doctor said not to worry, it will go away.”
– Albert Brooks

Embrace the Small Stuff

You get in your car and turn the ignition…and the car battery is dead. You order your favorite latte…and the barista seems like they are doing you the biggest favor in the world. You call a plumber about performing a minor repair…and they laugh at you, saying they are booked three months out. Let’s face it, these annoyances can steal the joy from our day if we let them.

Researchers say one key to happiness is to notice and appreciate the small pleasures in life. Shift your focus from your to-do list and your worries to the little moments of pleasure within your day. Notice the way your dog looks at you when you’re fixing breakfast. Enjoy the sound of someone laughing at something funny you said. Take in the smell of your favorite latte — preferably the one the snooty barista served you. The next time you find yourself fixating on what is going wrong with your day, concentrate instead on what is going right!
The Many Faces of Risk

Knowing the different types of investment risk can help you cope with market volatility.

When was the last time you checked your retirement plan balance? If your balance was less than it was the last time you checked, you probably felt a bit of pain. Everybody does. Where exactly does that pain come from? It’s called risk, and all investments involve some degree of risk.

In finance speak, risk refers to the degree of uncertainty and/or potential financial loss inherent in an investment decision. In general, as investment risks rise, investors seek higher returns to compensate themselves for taking such risks.

Every saving and investment product has different risks and returns. Differences include how readily investors can get their money when they need it, how fast their money will grow, and how safe their money will be. Let’s take a look at the many faces of risk we all experience as investors. While it may not take the pain away, it will at least help you cope a little better with market volatility.

**Business Risk**

With a stock, you are purchasing a piece of ownership in a company. With a bond, you are loaning money to a company. Returns from both of these investments require that the company stays in business. If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds. If there are assets, the company’s bondholders will be paid first, then holders of preferred stock. If you are a common stockholder, you get whatever is left, which may be nothing.

One of the advantages of investing in a stock fund (versus a single company’s stock) in your retirement plan is that business risk is mitigated to a certain degree. Because your money is diversified among several companies, the business risk is spread out. The same can be said about investing in a bond fund versus a single bond issuer (in particular a single corporation).

**Volatility Risk**

This is the type of risk you are likely most familiar with (and the one that you hear about the most in the media each day). Even when companies aren’t in danger of failing, their stock price may fluctuate up or down. Market fluctuations can be unnerving to some investors. A stock’s price can be affected by factors inside the company, such as a faulty product, or by events the company has no control over, such as political or market events. The 2008 financial crisis and the onset of the COVID-19 pandemic in 2020 were prime examples of market events that significantly affected stock prices.

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**Big Picture Perspective**
Jan. 1, 2001 through Dec. 31, 2020

- **S&P 500** delivered an average annual return of **9.06%**.
- **BONDS** delivered an average annual return of **4.88%**.
- **STABLE ASSETS** delivered an average annual return of **1.52%**.
- **INFLATION** has averaged **2.06%** a year.

Source: Kmotion Research
Inflation Risk

Inflation is a general upward movement of prices. Inflation reduces purchasing power, which is a risk for investors receiving a fixed rate of interest. The principal concern for individuals investing in cash equivalents is that inflation will erode returns.

Interest Rate Risk

Interest rate changes can affect a bond’s value. If bonds are held to maturity, the investor will receive the face value, plus interest. If sold before maturity, the bond may be worth more or less than the face value. Rising interest rates will make newly issued bonds more appealing to investors because the newer bonds will have a higher rate of interest than older ones. To sell an older bond with a lower interest rate, you might have to sell it at a discount.

Liquidity Risk

This refers to the risk that investors won’t find a market for their securities, potentially preventing them from buying or selling when they want. This can be the case with the more complicated investment products. It may also be the case with products that charge a penalty for early withdrawal or liquidation such as a certificate of deposit (CD).
Retirement in Motion

Tips and Resources That Everyone Can Use

Knowledge Is Retirement Power

On August 14, 1935, President Franklin Roosevelt signed the Social Security Act. Eight-five years later, Social Security remains one of our country’s most valuable financial resource programs. As of June 2020, over 64 million people (or more than 1 in every 6 U.S. residents) were collecting Social Security benefits. The average monthly retirement benefit is $1,514, or about $18,170 per year. This is just some of the wealth of information you can read about in “Top Ten Facts about Social Security” published by the Center on Budget and Policy Priorities. Check it out at: https://www.cbpp.org/research/social-security/top-ten-facts-about-social-security.

Q&A

At what age am I required to start taking distributions from my retirement plan?

Thanks to the Setting Every Community Up for Retirement Enhancement Act (enacted on December 20, 2019), the age at which the Internal Revenue Service requires you to begin taking required minimum distributions (RMDs) was raised from age 70½ to age 72. You must take your first RMD by April 1 of the year after you turn 72. Subsequent RMDs must be taken by December 31 of each year. Note that if you delay your first RMD until April, you’ll have to take two RMDs your first year. The first will still have to be taken by April 1 and the second by December 31.

Quarterly Reminder

It’s that time again — time to change the password to access your retirement plan account (as well as any other accounts you have). Some generally accepted rules of thumb are to change your passwords every 90 days, use different passwords for different accounts, never write them down, and never type passwords on devices or networks that you do not control. To make creating and managing passwords easier, many people subscribe to password manager services. Check out Consumer Reports for ratings on various service providers, as well as more password tips: https://www.consumerreports.org/digital-security/tips-for-better-passwords/.

Tools & Techniques

Have you increased your retirement plan contribution this year? If not, no worries — there’s still time! After all, it probably only takes 3 minutes by the time you log in to your account and click on the appropriate account management tool. The question is: where are you going to find the money? One easy way to find extra money is to review your homeowners insurance policy. Raising a $500 deductible to $1,000 can cut your annual premium up to 25%, according to the Insurance Information Institute. And, increasing the $250 deductible to $1,000 on your car insurance could save you up to 40%.