Why I Don't Tell People What They Should Do About Social Security

If I had to describe my practice in one brief paragraph, I would say I have four principal areas of focus:

1. Raising awareness about the complexity of the Social Security system and the opportunities it affords – by writing about the topic and presenting seminars
2. Analyzing an individual's or couple's Social Security picture in light of their expressed priorities
3. Explaining the most promising options available to them
4. Encouraging them to make their decisions with the help of their financial advisor

What I DON'T do is tell them what they "should" do.

Why? Because people approach financial matters in many different ways. And when I'm working with couples, the number of possible combinations of approaches and attitudes increases exponentially.

What I'm talking about involves personal stances or orientations, such as:

- Tolerance for financial risk
- Perceived needs for financial security
- Attitudes toward saving and spending
- Optimism or pessimism as a prevailing way of being

And all this stands apart from the rest of your financial picture, which is the territory of your financial advisor.

Risk tolerance. People approach financial risk differently than they might approach, say, physical risk. On one end of the spectrum stand the risk takers – those of us who may be philosophically opposed to the concept of "insurance," which we view as somehow "betting against ourselves." We'd rather roll the dice, i.e., self-insure; even where insurance is mandatory, we'll take the minimum limits and the highest deductibles.

On the other end are the risk-averse folks. We are the folks who outfit ourselves with belt *and* suspenders. We have a keen awareness of all the losses we could suffer; we protect ourselves against financial loss by proceeding cautiously and by using insurance. We tend purchase as much liability coverage as possible, have lower deductibles, buy long-term care insurance with lifetime benefits and inflation adjustments, carry plenty of life insurance, and are often willing to sacrifice upside potential for guarantees.

Of course, most of us stand somewhere in between those extremes.

©Peter M. Weinbaum 2013. All rights reserved.

Need for financial security. "Security" is an emotional/psychological state, rather than a mathematical concept, and what I might need to feel financially secure will be different from what you might need. Generally speaking, the risk takers require less in the way of a safety net than the risk-averse, although most everyone will want to maintain some sort of financial buffer between themselves and destitution. Where you stand along this spectrum will determine how much concern you might have about outliving your money, becoming chronically ill, or dying prematurely, and what it may take for you to feel "secure."

Attitudes toward saving and spending. Like the federal government, we all operate on some sort of budget principle. We have money flowing in and money flowing out, revenues and expenditures. At worst those items should match, and at best the revenues should exceed the expenditures so that we accumulate a surplus for extras and emergencies.

On one end of this continuum are the *consumers* – those of us who will spend without much regard for revenue. Our motto is "Buy Now, Pay Later." If we don't have the cash, all we need to do is borrow. Just look at consumer credit card debt in this country and you can be certain that there are tens of millions of us who subscribe to this approach.

On the other end are the *savers*. Some of us actually save money and pay in cash; credit cards are for convenience only, and it's a rare month indeed that the balance is not paid down to zero. We max out our 401(k) plans and manage to get by on what's left of our paychecks. We take seriously the concept of the rainy day fund.

Optimism versus pessimism. Optimism can mean that I believe that the economy will strengthen, inflation will be controlled, Social Security will be fixed, climate change will be slowed, and I'll be happy and healthy until the day I drop dead. However, it can also mean that I believe that there's no point worrying about the future because the future will take care of itself and we'll all be okay. An optimist may react to this world view by planning wisely and acting conservatively, or by failing to plan.

Pessimism can mean that I think there's no point in preparing for the future because we're all doomed, Social Security will disappear, the dollar will be worthless, and the environment will soon be totally destroyed. On the other hand, it can also mean that I believe things are going to be difficult and since I can't count on the government or anyone else to take care of me and my loved ones, I must do the best I can to take responsibility and prepare.

As a planner I'd prefer to deal with the optimists of the world, but I can't always predict what a client's optimism or pessimism will mean in the Social Security claiming process.

How do you know what to do? Of course, *someone* has to help you deal with this complexity, so that you can ultimately make sound, informed decisions about Social Security. I help in one way: I ask you the right questions, analyze your opportunities, and describe the most promising

©Peter M. Weinbaum 2013. All rights reserved.

options that are available to you. But the person who will help you actually decide what to **do** with the results of my work is your financial advisor.

I am typically at the other end of a telephone or computer connection; if I'm lucky, I have both spouses at the other end. Generally both of you are in the same room with your financial advisor. Most often, I've known you for a week or two at best; often your financial advisor has known you for years in a variety of contexts. All I know about you is what I've gathered from my questionnaire, your Social Security statements, and maybe one or two telephone conversations or email exchanges. Your financial advisor has a much more in-depth understanding of your broader financial picture, your motivations, and your stances and orientations, both as individuals and as a couple.

There are no "right" answers when it comes to Social Security claiming decisions – although there are certainly some "wrong" answers. There is simply what fits best for **you** at this particular time and place in your lives. Your financial advisor's job and my job are different but interrelated, and both of us are critical to the process. That is why I believe in partnering with you *and* your advisor – and why I don't tell you what you "should" do about Social Security.

©Peter M. Weinbaum 2013. All rights reserved.