

**SOCIAL SECURITY
AND
TWO KEGS OF BEER
(OR WHATEVER YOUR BEVERAGE OF CHOICE)**

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Catchy title, right? But it's an important subject. And one I've written and spoken about a lot.

The subject is the statistic that only 3% of seniors wait until age 70 to apply for maximum social security benefits. Every tax season I'm saddened by how many of my young (under 70) clients are applying for social security now when they don't need it or have other income options instead of applying for it later when they actually will need it.

I've already written and posted one blog on the subject called "I Want My Social Security Now!" This new blog approaches the subject from a different direction.

Suppose you have two kegs of beer (or insert your own beverage of choice if beer isn't your thing). We will call one keg of beer the IRA keg because it represents your retirement savings. We will call the other keg the social security keg because it represents your social security benefits.

The IRA keg has a limited amount of beer. The beer might occasionally increase; but it might occasionally decrease. And if you drink too much of the beer from that keg, the keg will eventually be empty with no chance of replenishment.

The social security keg will never run out of beer even if you are sipping the beer in the senior center at age 110.

There's a catch, of course. There's a limit to how much beer you can take from the social security keg each year.

Ideally, one would want to have both kegs. If the beer in the social security keg isn't enough to keep you going, you can draw from the IRA keg. If you've spent much of your adult life making good financial decisions, or you have chosen wealthy but frugal parents, chances are that you will have plenty of beer.

But what if you haven't made good financial decisions, or you've started making good financial decisions too late in life. Which beer keg is more important?

In my other blog on this subject, my goal was to convince the reader that social security is "longevity insurance." In this blog, let's call social security "beer insurance."

Remember that the social security keg will never be empty. You will run out of life before that keg runs out of beer. But for most of us, the IRA keg could – or is even likely – to run out of beer before we run out of life.

Of course, this subject is far more complicated than the relative merits of two kegs of beer. And there is far more to long term comprehensive financial life planning than IRAs and social security. And, of course, each person's situation, goals, and values are different. And some lucky people actually have pensions!

But generally, a keg that will never run out of beer is more valuable than a keg that will run out of beer.

How to maximize the bottomless keg of beer? Wait until age 70 to tap it.