Registered Investment Advisor Firm

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Don't Touch That!

Here's a rude awakening for a growing number of seniors: They file for Social Security, then discover that the federal government plans to take part of their benefit to pay off delinquent student loans, tax bills, child support or alimony.

The practice recently came under a spotlight when the U.S. Government Accountability Office (GAO) released findings on the problem of rising student debt burdens among retirees, and how the government goes after delinquent borrowers by going after wages, tax refunds and Social Security checks.

Under federal law, benefits can be attached and seized only under certain situations, like to pay child support and alimony obligations, or the collection of overdue federal taxes and court-ordered restitution to victims of crimes.

Benefits also can be attached for any federal non-tax debt, including student loans.

It now seems the student loan crisis isn't just for young people. The GAO found that 706,000 of households headed by those aged 65 or older still have outstanding student debts. That's just 3% of all households, but the amount of debt they hold has ballooned from $2.8 billion in 2005 to about $18.2 billion last year.

Some 27% of those loans are in default. If you're among the 191,000 households that GAO estimates to have defaulted on federally guaranteed student debt, your Social Security benefits can be attached and seized.

Gender Bias?

It's no secret that women on average live longer than men. However several recent surveys reflect that only 3% of women wait to take Social Security benefits as long as possible to receive the maximum amount. In fact 80% of women elect to take their Social Security before their full retirement age, which locks in significantly lower payments for life.

Each year a person waits after full retirement age, usually 66 or 67 depending on the year of your birth, benefits grow by about 8 percent a year.

This is remarkable when you consider that Social Security represents an average of 40% of the total income Americans receive in retirement.

Nationwide Insurance Company conducted a survey published in June of this year that found that women not working with a financial professional are nearly three times as likely than those who do work with a professional.

Professionals who have the ability to maximize claiming strategies and timing can demonstrate potential increases above those expectations. Yet only about 33% of women work with a financial professional.

There is really no debate on this issue. Women who work with an adviser are far more likely to receive good advice on optimizing Social Security benefits, and maximizing benefits will result in less chance of outliving other income sources and reduce the chance of not being able to maintain your lifestyle.

According to their survey, women who took their benefit early reported an average monthly payment of $1,025.

Those who collected it at their full retirement age have an average $1,270 monthly payment, while those who waited until 70 receive an average monthly payment of $1,630.

Married and some divorced women also have the option of collecting spousal benefits on their husbands' earnings while letting their own benefits grow.

Collecting as soon as possible might make sense if a person is in poor health, but unless you're working with someone who understands effective claiming strategies, you might be adversely affecting any future survivor's benefits as well.

More often than not, the decision to claim early is tied to an incorrect expectation about longevity or fear of Social Security running out of money.

These are limiting beliefs that prevent you from expanding your flexibility and thereby your number of choices.

Answer Forum

This past month I received a couple of more questions tied to the Fed's decision to end tapering and potentially begin to raise interest rates, and what it might mean for the markets.

Remember investing is typically long term proposition and dramatically different from "trading." There are situations where "trading" may be appropriate in order take advantage of certain drivers in the market, but this is typically done through a "satellite" portfolio that is designed to complement your core holdings.

The market's volatility did not escape the attention of the Fed and they have "hinted" that deflationary forces around the globe may have an impact on the timing and magnitude of any future rate hikes.

Another factor that investors may want to keep in mind, there will be a rotation of voting members in 2015.

Deutsche Bank prepared an interesting table ranking the current members and their stance as either being "hawkish" – favoring raising rates, to "dovish" – favoring easing or keeping rates depressed and monetary policy more accommodative.

I have included the table for you see Deutsche Bank's assessment.

The FOMC becomes significantly more dovish next year

2014 Members of the FOMC Members	Dove = 1 Hawk = 5	2015 Members of the FOMC Members	Dove = Hawk =
Janet Yellen, Board of Governors, Chair	1	Janet Yellen, Board of Governors, Chair	1
William C. Dudley, New York, Vice Chair	1	William C. Dudley, New York, Vice Chair	1
Lael Brainard, Board of Governors	2	Lael Brainard, Board of Governors	2
Stanley Fischer, Board of Governors	2	Charles L. Evans, Chicago	1
Richard W. Fisher, Dallas	5	Stanley Fischer, Board of Governors	2
Narayana Kocherlakota, Minneapolis	1	Jeffrey M. Lacker, Richmond	3
Loretta Mester, Cleveland	4	Dennis P. Lockhart, Atlanta	1
Charles I. Plosser, Philadelphia	5	Jerome H. Powell, Board of Governors	3
Jerome H. Powell, Board of Governors	3	Daniel K. Tarullo, Board of Governors	2
Daniel K. Tarullo, Board of Governors	2	John C. Williams, San Francisco	2
Average ranking >	**2.6**	**Average ranking >**	**1.8**

Source: Deutsche Bank

Thank you for the questions and please keep them coming. It's your opportunity to get information from an alternative perspective, even if it's a second or third opinion.

Perspective provides choices, choice leads to flexibility which will drive your motivation to take action that's right for you and your financial future.

Davis Investment Group

Davis Investment Group is a fee-based Registered Investment Advisor firm servicing the needs of clients across the United States.

Davis Investment Group custodies all client assets at Charles Schwab & Co. Davis Investment Group's home office is located at 714 Marin Street, Suite #C, Vallejo, CA 94590. The telephone number is (707) 648-2024.

If have questions or would like further information on this month's topics or any other financial or investment related subjects, including Social Security claiming strategies, please contact me directly at (925) 360-6819 or through my email address at: Bud@DavisInvestmentGroup.biz