



Client Conversations – Summer 2019

In this issue, we explore the latest Social Security projections and insight on planning for the future of the program, along with a look at the importance of creating and maintaining a home inventory.



Q: I've heard recently about financial issues Social Security is facing. Is there reason to be concerned?

A: The financial solvency of Social Security is a long-standing issue, and the media tends to sensationalize it. The latest bout of media hype started at the end of April when the trustees of Social

Security released their latest financial projection. While the program's long-term outlook has not changed much from last year, what the media didn't tell you is that it is slightly improved from 2018 due to the health of the labor market.

According to the projection, outflows from the retirement program will exceed its income in 2020. The problem stems from people living longer, a smaller working-age population, and an increase in the number of people in retirement. By 2050, the number of Americans age 65 and older will increase from about 48 million today to more than 83 million.¹ As a result, more people will be taking money out of the system, and fewer will be paying into Social Security.

What's going to happen? First, it is important to say that this program is not going away. According to ssa.gov, among elderly Social Security beneficiaries, 48 percent of married couples and 69 percent of unmarried persons receive 50 percent or more of their income from Social Security. Congress will have to fix the program, although the fix may come with changes to contributions and benefits and may require means testing of some kind.

Considering the likelihood of changes, it's best to make sure your retirement plan accounts for the uncertainty:

- *Check your benefits.* Estimate your Social Security retirement benefits based on your actual earnings record using the Retirement Estimator calculator on the Social Security website (ssa.gov). You can create different scenarios based on current law that will illustrate how different earnings amounts and retirement ages will affect your benefits.
- *Stress test your plan.* If you want to make sure your financial plan for retirement will work—even if Congress takes action that may lower Social Security benefits—ask your financial advisor to model multiple retirement income scenarios. For example, see what your retirement plan looks like if Social Security is reduced by 10, 20, or 30 percent.
- *Take action, if necessary.* If you find that you can survive with the reduced program benefits, anything you actually receive will be a boost to your income. If the analysis shows you need to consider putting aside more money to make up for a cut in benefits, work with your financial advisor to create a plan that supports those needs.

Remember that everyone's financial circumstances are unique, so work with your financial advisor to come up with a plan that works financially for you and also gives you comfort that you're on the right track.

Q: What is the point of a home inventory? Do I need one?



A: Many of us have made our homes in areas prone to wildfires, flooding, tornadoes, or hurricanes. But even if your home is not in such an area, you might still find yourself living through the type of disaster that makes the evening news. A home inventory is a simple way to give you and your loved ones a place to start picking up the pieces should your home experience a catastrophic event.

A home inventory is a complete and detailed written list of the property that's located in your home and stored in other structures like garages and toolsheds. It should include your possessions and

those of family members or others living in your home. A home inventory can help substantiate an insurance claim, support a police report when items are stolen, or prove a loss to the Internal Revenue Service.

In the event of a disaster, a home inventory will spare you the headache of having to create a listing of all your possessions based on memory alone.

Here are some tips to get started.

- *Tour your property.* Look around every room in your home and the spaces where you have items stored, such as a basement, garage, or shed. You can go low-tech and write everything down in a notebook or make a visual record of your belongings by taking videos or pictures. Be sure to open cabinets, closets, and drawers, and pay special attention to valuable and hard-to-replace items.
- *Be thorough.* Your inventory should be detailed. When practical, include purchase dates, estimated values, and serial and model numbers. Refer to colors, dimensions, manufacturers, and materials whenever you can. If you can locate appraisals for valuables and receipts to support big-ticket items—even better—include copies of those too. Try to identify every item that you would have to box or carry out if you were to move out of your home. Don't forget tools and outdoor equipment like lawn furniture and barbecue grills. The only things you should leave out of your inventory are the four walls, the ceiling, the floor, and the fixtures.
- *Keep it safe.* You will need two copies of your home inventory: one at your home where you can easily access it and another copy somewhere else to protect it in the event your home is damaged by a flood, fire, or other disaster. This might mean giving it to a trusted friend or family member for safekeeping. If you're tech savvy, storing it on an external storage device you can take with you or on a cloud-based service might be a good option. Regardless of whether the inventory is recorded on film, computer software, a sketch pad, or the back of an envelope, keep a copy of it stored somewhere safe, like a safe-deposit box at a bank or your desk at work.
- *Update it periodically.* As valuable or important items come into your possession, add them to your inventory as soon as possible. For accuracy, you should review your home inventory annually. It's also a good idea to share an updated annual version with your insurance agent or representative to help determine whether your policy coverage and limits are still adequate.

Hopefully, you'll never have to use your home inventory, but if you have to deal with a catastrophe, you'll be happy you took the time to make a permanent record of all your possessions.

¹ Ortman, Jennifer; Velkoff, Victoria; and Hogan, Howard, "An Aging Nation: The Older Population in the United States," Census.gov, 2018.



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