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A Surprisingly Big Check From Social Security

Client shocked and pleased to hear combined benefits for him and wife would exceed current income, adviser George Fraser says



By ALEX COPPOLA

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At age 65, a longtime worker in the wood-manufacturing industry made only \$26,000 a year. But he and his wife lived frugally, had no debt and had saved diligently, amassing over \$290,000 in his 401(k).

As he looked toward retirement, the man told adviser George Fraser, managing director of Retirement Benefits Group in Phoenix, that he had no idea as to how much he and his wife would be entitled in Social Security benefits. So during their first meeting, the adviser's first order of business was to show the couple a calculation of their projected benefits.

If they started taking Social Security the following year, Mr. Fraser explained, their combined benefit would be \$32,000—the majority of which would be tax-free. The clients were shocked by that number, notably because it was \$6,000 more than the husband was currently earning. By the time the couple reached age 85, the adviser continued, they would have collected over \$700,000 in benefits.

"To someone who hadn't had a pay raise in almost a decade, that was like handing him a winning lottery ticket," says Mr. Fraser, whose firm manages \$450 million for the employees of 38 businesses.

Still, the man took great pride and pleasure in his job and had planned to work for the company for another three years. He wasn't sure he was ready to step away quite yet.

Thankfully, explained the adviser, the choice wasn't black and white. Rather than opt between collecting his benefit and continuing to work, Mr. Fraser suggested that his client do both.

The man would stay at the company, according to his original plan, for the next three years. But of the \$26,000 he received annually in salary during that time, he would contribute \$24,000 of it—the maximum allowed by the IRS for workers over 50—directly to his 401(k).

At the same time, the man and his wife would begin collecting their Social Security benefit of \$32,000. “He would be growing his savings and essentially giving himself a raise,” says the adviser.



George Fraser PHOTO: RETIREMENT BENEFITS GROUP

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By the time of his anticipated retirement, the man would have saved another \$72,000 in his 401(k). And given a conservative rate of return, that account would be worth close to \$400,000. If the man and his wife withdrew a projected 4% annually to supplement their Social Security benefit, their income in retirement would be almost \$50,000 a year, Mr. Fraser figured.

Although the couple and adviser also discussed the possibility of delaying their Social Security claims and allowing their annual benefit to grow, they decided not to take that route. “At some point it becomes a question how much money you really need to meet your goals and maintain a lifestyle that you are comfortable with,” the adviser says.

The client had “been working and saving responsibly his entire life,” says Mr. Fraser. “It’s very rewarding when you can help empower a client by showing them how that work has paid off.”