

# LIFECARE ADVOCATE

## WHEN SHOULD YOU TAKE OUT SOCIAL SECURITY?

### What are Your Options?

The workforce is aging and older adults must carefully contemplate when they will take out their Social Security benefits. Seniors can take out social security for "early retirement", at "full retirement" age or "late retirement". Each option has advantages and disadvantages, and it is important to understand how each decision will affect you.

Generally, the earlier that you take Social Security Retirement benefits, the lower your monthly payments will be. "Full retirement" age is the base time upon which your benefit amount is calculated. Until year 2000, full retirement age was 65. From 2000 forward, the full retirement age is increasing on a sliding scale based on the year you were born. For example, if you were born before 1938, the full retirement age is 65. Thereafter, the full retirement age will increase in certain 2 month increments to age 67. If you were born after 1959, the full retirement age will remain at 67 under current law.

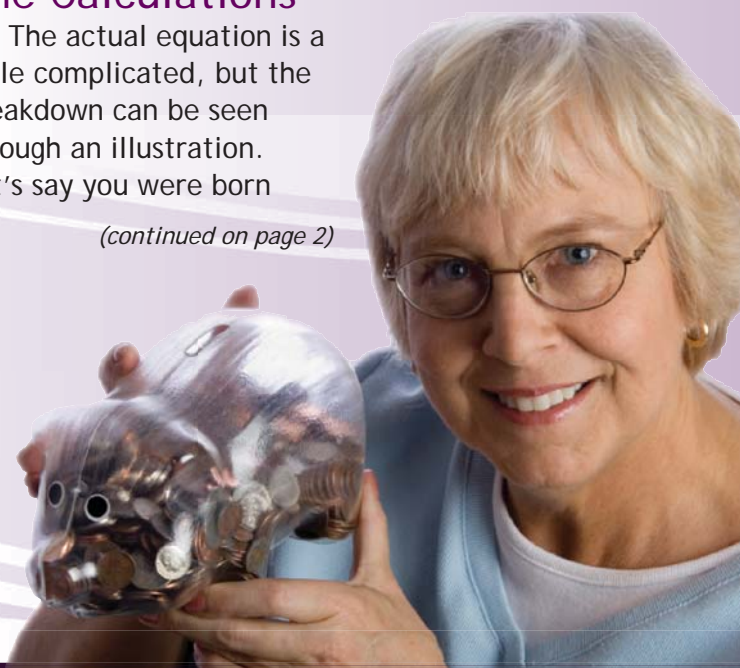
You don't have to wait for your full retirement age before you can take your Social Security Retirement benefits. Anyone can elect to take Social Security as early as age 62, but your benefits will be permanently reduced unless you later stop

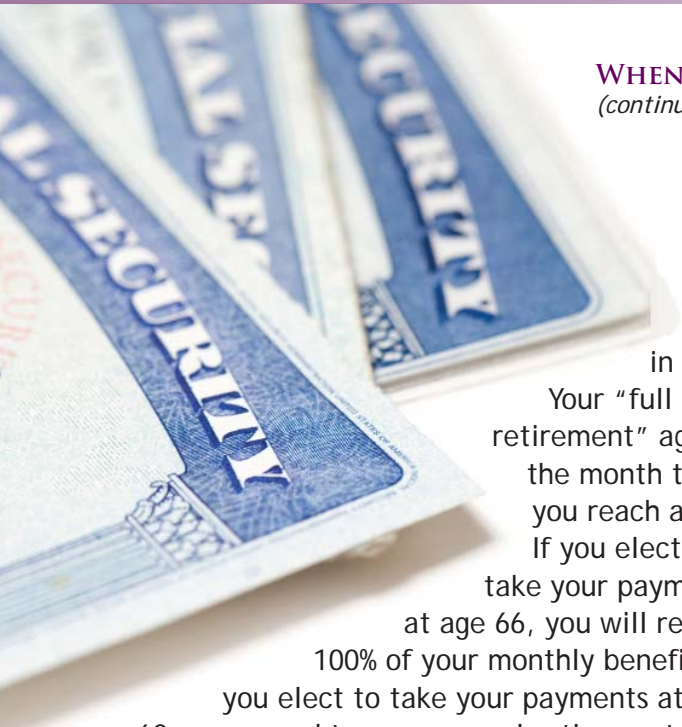
receiving the benefits and return to work prior to full retirement age, effectively stopping some of the early retirement loss reduction. Conversely, you can wait to take retirement benefits as late as age 70, and by doing so, your monthly payments will be substantially increased above the "full retirement" benefit percentage amount due to "late retirement". You can wait to take your payments as late as you wish, but there is no advantage to delaying your payments past 70 because after that age, there is no "late retirement" increase.

### The Calculations

The actual equation is a little complicated, but the breakdown can be seen through an illustration. Let's say you were born

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in 1954.

Your "full retirement" age is the month that you reach age 66.

If you elect to take your payments at age 66, you will receive

100% of your monthly benefits. If

you elect to take your payments at age

62 as opposed to your normal retirement age of 66, then your monthly payments will be reduced by 25%. If you wait until age 70 or later to take your benefits for the first time, then your monthly payments will be 132% of what you would have received at "full retirement" age.

If everyone lived to their average life expectancy, then everyone would receive the same amount of total money, regardless of when they elected to receive their monthly payments. But of course the individual's life spans are different, and there are also other factors to consider regarding when to receive the payments. This allows us some flexibility in our planning but in order to maximize the overall payout, we must weigh the factors that will determine how much you get paid.

### Various Factors to Consider

Some planners will recommend taking your payments immediately at age 62 because they can earn you more through private investments. This strategy would require a large return on investment to match or exceed the increase in payments the government guarantees by delaying. Of course, today's economic environment would not provide good odds that you can succeed with this approach, so be wary of an investor offering such advice.

Of course there are other factors to consider. For example, you may have a need to receive the payments immediately. If you are forced into retirement and don't have the savings to survive without Social Security, then of course receiving the payments at 62 might be your only option. However, if you have saved well for your retirement, or if you are still earning sufficient income, then delaying your Social Security might provide a larger payoff in the end. Social Security offers a website that allows you to see the various payouts you will receive, depending on your income and when you expect to take your benefits. See [www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator).

Another major factor to consider is your life expectancy. If you are in poor health or foresee poor health in the future and you do not think you will reach your average life expectancy, then it will make more economic sense to receive your payments early. If you are predicting you will live past your life expectancy, then your overall payout will be much larger if you delay. Income tax is another factor to consider. If you are earning \$25,000. or more as an individual, then you may have to pay taxes on your Social Security benefits.

### How Work Affects Your Benefits

Work earnings can also affect your Social Security benefits. You can still work and earn Social Security benefits, but your benefits might be reduced due to countable earnings at certain ages in a formula called the Retirement Test. If you are working between age 62 and 65, and you elect to take Social Security benefits, \$1 will be deducted for

every \$2 in gross earnings that you earn over the annual limit. The annual limit in 2009 is \$14,160. Between age 65 until you reach "full retirement" age, Social Security will deduct \$1 for every \$3 you earn above \$37,680.

Regardless of your age of retirement, you will also receive additional benefit increases based on

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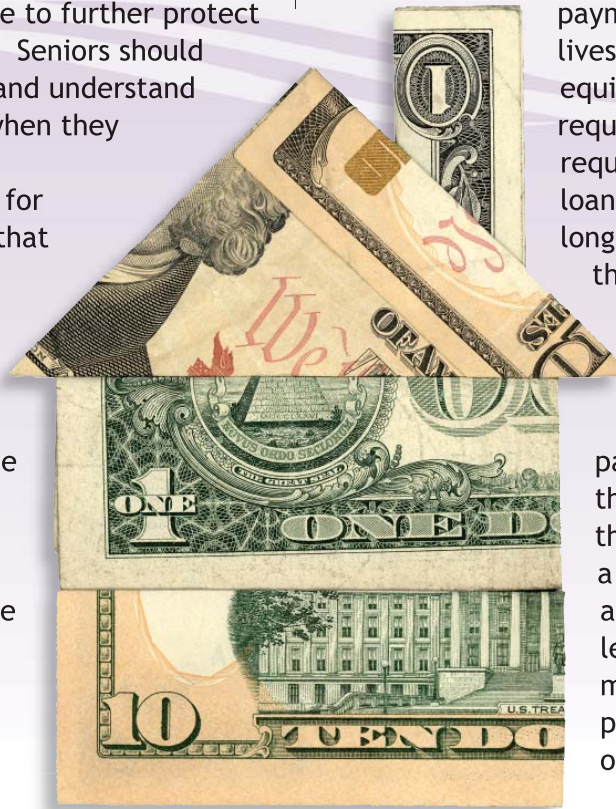
If everyone lived to their average life expectancy, then everyone would receive the same amount of total money, regardless of when they elected to receive their monthly payments.

# PROS AND CONS OF REVERSE MORTGAGES

## Overview

Reverse mortgages can help seniors who are in need of cash to pay off debts or otherwise cannot afford care in their own home. They can also be a poor planning device if not used in the right situation. The government approved these types of loans in 1961 as an added vehicle to further protect our most vulnerable individuals. Seniors should be aware of reverse mortgages and understand when they should be used and when they should be avoided.

A reverse mortgage is a loan for homeowners aged 62 and older that allows the senior to withdraw equity from the home. The amount of the loan is based on the value of the home and the age of the homeowner. The higher the value of the home and the older the homeowner is, the more the homeowner can receive. They are called "reverse mortgages" because the mortgage process is reversed; instead of a homeowner making regular mortgage payments to a lender, the lender makes payments to the homeowner.



## Advantages

There are several benefits of the reverse mortgage. Allowing seniors the option to withdraw equity from their home in a time of crisis is an extraordinary advantage. The most important aspect is that the senior does not make any payments for as long as he or she lives in the home. Unlike a home equity loan, there are neither required payments nor income requirements to be eligible for this loan. Every senior is qualified as long as they are at least 62 and own the home they are living in.

Another advantage of the reverse mortgage is the flexibility in which the senior can receive the payments. According to AARP, the senior may elect to receive the cash in a single lump sum, as a regular monthly cash advance, as a "creditline" account that lets you decide when and how much of your available cash is paid to you, or as a combination of these payment methods.

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an increase in your average lifetime annual earning calculation if your current wages are higher than the prior average upon which benefits were calculated. Once you reach full retirement age, the "Retirement Test" ends and Social Security will no longer deduct anything from your monthly payments due to work earnings. Social Security does not count pensions, annuities, investment income, interest, or government or military retirement benefits as work earnings.

Your family may also be entitled to your Social Security benefits. If you are married or have minor or adult disabled children, then your spouse or children may be entitled to benefits on your record. Your qualified dependents each receive 50% of your benefit, and your survivors each receive 75%. However total benefits payable under any worker's record are usually capped at 150% to 175% of what the worker would otherwise receive.

There are additional benefits but require more thoughtful planning in order to get the most of your entitlement. Due to the complexity and importance of these decisions, please contact the SSA, your financial advisor, or elder law attorney for strategic and focused retirement advice.

**PROS AND CONS OF  
REVERSE MORTGAGES**  
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## Disadvantages

First and foremost, reverse mortgages withdraw equity from the home, thereby reducing the inheritance of your loved ones. Because of this, future heirs may be inclined to convince the senior not to take the reverse mortgage. Seniors, therefore, must be mindful of such ulterior motives.

Another downside is the steep costs associated with these loans. Origination fees are high and the senior is also responsible for loan maintenance costs, such as mortgage insurance. A particularly poor idea is taking out a reverse mortgage to reinvest the money. Because of the high costs, the loan will probably cost you more than any money you make on the invested return, especially in today's volatile economic climate.

Another risk associated with the reverse mortgage is the prospect of the senior moving out of the home shortly after they take out the reverse mortgage. The loan becomes due shortly after the senior moves out of the home. If they recently

took out a reverse mortgage, the costly loan expenses are wasted.

Seniors must also make sure these mortgages do not affect public benefits, such as Medicaid. In order to qualify for



Medicaid, an individual applicant must have less than \$2,000 in countable assets or \$3,000 for a couple. The income stream will not penalize the senior's income limit but if a reverse mortgage

recipient receives more than the asset limit in one month and does not spend the excess within that month, the recipient is no longer eligible for Medicaid. Supplemental Security Income has the same asset restrictions and therefore SSI eligibility may be at risk as well. Government assistance

programs, such as Medicaid and Medicare, can be complicated so it is extremely important to contact an elder law professional to be sure your benefits are not at risk.

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## Important Tip

If you are married and you live with your spouse, make sure that your spouse is on the title of the home before taking out a reverse mortgage. The reverse mortgage must be repaid when the last person on the title moves out or passes away. If you, for any reason, are no longer residing in the house and your spouse is not on the title, the reverse mortgage becomes due even though your spouse still lives in the home.

Reverse mortgages are rapidly on the rise, especially in our region. According to the Housing and Urban Development (HUD), Boston is one of the top ten reverse mortgage markets in the United States. This may be the best option for a senior in need of immediate funds, but everyone must know the pros and cons of reverse mortgages.

# THE SENIOR CIRCUIT BREAKER

The Senior Circuit Breaker is one of the most beneficial and underutilized senior tax relief programs available to Massachusetts seniors. The Circuit Breaker allows property owners or renters 65 years of age or older by the end of the 2008 tax year to claim a refundable credit of up to \$930 for rent or real estate taxes paid on their principal residence. If the senior is married, he or she must file a joint return and the senior cannot be the dependant of another taxpayer.

## Criteria

Senior homeowners who in 2008 paid more than 10% of their income to real estate taxes and one half of their water and sewer charges are eligible for the Credit. Senior renters can count 25% of their rent as real estate taxes. In order to receive the credit, a senior must file a state income tax return even if they are not required to do so otherwise. The taxpayer will receive a refund if the credit due exceeds the amount of the income tax due that year. If the senior taxpayer owes no taxes and is eligible for the Circuit Breaker, the Commonwealth will send a check to the senior for \$930.

Tax payers may include 50% of their water and sewer bills to their property tax assessments when calculating their Credit, so long as the water and sewer bill is not already included in the municipal property tax bill. In other words, delinquent water and sewer bills are commonly added to the property tax and the provisions of the Circuit Breaker Credit only apply to current water and sewer bills.

To be eligible for the Credit, the senior cannot earn more than \$49,000 if he or she is not the head of the household, \$62,000 if he or she is the head of the household, and \$74,000 for a husband and wife filing a joint return. For eligible homeowners, the value of the home cannot exceed \$793,000. In order for renters to receive the credit, they cannot be receiving a rent subsidy and they cannot be paying rent to a landlord who is not required to pay real estate taxes.

## Conclusion

All seniors should know about this program and to use it if they are eligible, since 2009 will pose some difficult economic hardships for everyone and these programs

are available to provide financial relief to those most vulnerable. Your tax preparer should know about the Circuit Breaker program but please inquire about it before you file your 2008 Massachusetts tax return.

# CAREGIVER HOMES

## Background

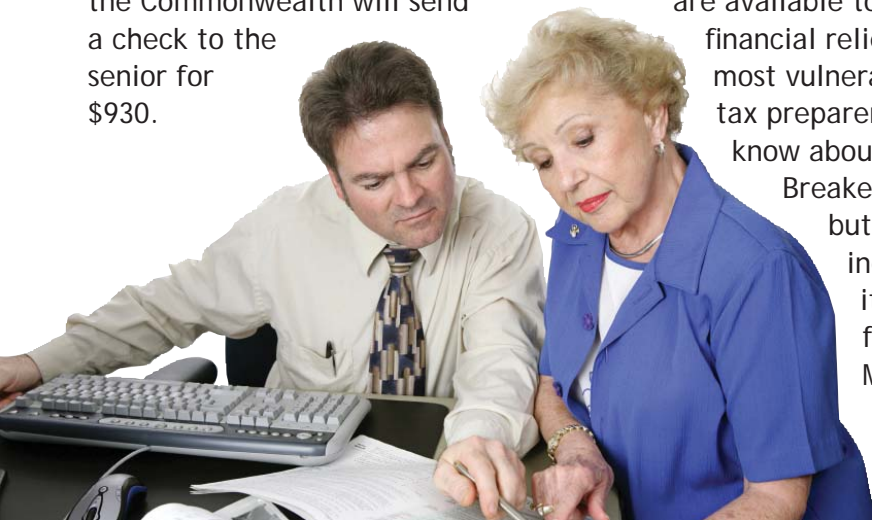
Approximately one in ten people over the age of sixty five and one in four people over the age of eighty will be cared for in a nursing home at some time in their lives. Many people, particularly aging adults, are frightened and anxious at the prospect of institutionalized care. Such long-term care is extremely expensive and can drain a family's resources. As we age we want to live in the comfort of our own home and be surrounded by our families and loved ones.

Sometimes the only option for elders is to a skilled nursing home because their needs for 24- hour care may be too great to be cared for at home. MassHealth, however, offers a multitude of publically funded programs to seniors who can be adequately cared for outside of a nursing home. Because of the extraordinary private pay cost of nursing home care,

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Remember, you must file a tax return in order to receive the credit or refund, whether or not you would file otherwise.

There are several other beneficial tax exemptions and abatements specifically available to seniors. Please visit our 2009 Tax Exemption Resource Guide at [www.moschellawinston.com](http://www.moschellawinston.com) for details.



## CAREGIVER HOMES

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now over \$10,000 a month, and the toll it takes on the elders and their families, it is usually in everyone's best interest to provide care in the elder's home if medically and financially possible.

## Criteria

Caregiver Homes is one of many MassHealth programs that provide such a service to elders and disabled adults. Certain family members or any non-family member can be paid to provide care-giving services to the elder that will allow them to live in their own home. The elder must meet the financial requirements of MassHealth. The elder must also require assistance with at least one Activities of Daily Living (e.g. bathing, dressing, eating, toileting, walking, etc.) and 24-hour supervision.

## Caregiver Responsibility

The caregiver will provide 24-hour supervision by providing

assistance with the daily activities and personal care services that other Community MassHealth programs do not offer. Caregivers can be reimbursed up to \$18,000 per year for care provided seven days per week. The more ADLs the senior requires assistance with, the more the Caregiver can be paid. This reimbursement is not taxed and is non-reportable to the IRS according to IRS Code.

Not all family members of the Caregiver candidate are eligible to be caregivers. An elder's spouse, parent, or legal guardian is ineligible to be paid as a caregiver under this program. Any legally responsible relative of the candidate is ineligible and under Massachusetts Law that includes any person who has a duty to care for another person. That includes a conservator or legal guardian and any family member who has legal custody of the candidate. However, the individual's children, unlike other programs, can be paid caregivers.

## Case Management Team

In order to become a caregiver, an individual must be at least sixteen years old and interview with a placement coordinator. Caregivers are required to take periodic days off, and during this time the program will provide respite care. There is also a case management team that provides full training, support, and supervision to the caregiver. The case management team consists of a registered nurse and a care manager. The caregiver is required to enter a report of the client's health, which is entered into a database for the program to monitor.

It is critical that all families are aware of the programs available to them and how we as elder law attorneys can assist in obtaining eligibility and the right level of care. Please contact your elder law attorney for more advice on Care Giver Homes and the many other Community MassHealth Programs that may be available to you.