

# AHWATUKEE FOOTHILLS NEWS

## Maximizing Retirement Income is Important



*October 6, 2021 by Dr. Harold Wong*

Most of the financial advice world focuses on accumulating assets and rates of return. Very little time is spent on the effect of stock market crashes on one's retirement assets; OR how to maximize your income from whatever retirement assets you have saved.

Ever since the 2008 Stock market Crash and Financial Panic, returns from traditional retirement assets have been terribly low. In May, 2021, the three largest retail banks in AZ paid anywhere from 0.02% to 0.05% on a CD. On 9/7/2021, the yield was only 1.33% on a 10-year US Treasury Bond and 1.94% on a 30-year US Treasury Bond. The average dividend yield for S&P 500 companies for the last 21 years was only 2.02%. In conclusion, one can save \$1 million and only receive \$200 to \$20,000 of annual income.

If you can double your Social Security income or increase cash flow from your retirement assets by 3-5 times, you will be much happier and live longer, according to various sources of research. Case Study #1: I looked at a composite of a nurse, nurse practitioner, and pharmacist who work for the Phoenix VA. If they waited until age 70 to take their Social Security (SS), they would receive \$40,000/year; instead of \$20,000/year if they took SS at age 62. Here's the Million Dollar Question: Is it easier to wait 8 years until age 70 to take SS; or to save an extra \$1 million times 2% return to receive the same extra \$20,000/year of income?

Case Study #2 is a nurse age 62. She

deposited \$250,000 in a private pension fund and will receive \$25,000/year of income starting at age 70, guaranteed for every year she lives. This is a 10% rate of cash flow vs. as little as \$50 of annual bank interest or \$5,000 of annual stock dividends. Note that stock dividends are not guaranteed as they can be cut or eliminated if the company has financial trouble. Also, you must take the risk of owning the stock in order to receive a stock dividend.

Case Study #3: A couple, age 83, attended a seminar 10 years ago in Surprise and met me in my office. They only had \$80,000 of financial assets, but both were retired public school teachers from New Jersey. They had large state pensions plus Social Security income. For the last 30 years, they had taken at least 2-3 expensive cruises each year. They were NOT worried about having only \$80,000 of financial assets because there were big monthly pension and SS checks arriving each month. This allowed them to spend all their income without worries.

Question: who is happier? This couple with lots of guaranteed lifetime income; OR a couple who have saved \$800,000, but are afraid to spend it because they never know whether there will be a stock market crash, major medical expense, or some other expensive emergency?

A recent study concluded that "Retirees who had \$500,000 or more right before retirement had spent down a median of only 11.5% of that money 20 years later or by the time they

died". Source: "A man who 'hopes he runs out of money' before he dies explains why you may not need as much cash to retire as you think" by Liz Knueven in May 5, 2021 [businessinsider.com](https://www.businessinsider.com).

### Free live seminars and lunch:

- Saturday 10/09/2021 at The Old Spaghetti Factory, 3155 W. Chandler Blvd. #9; Chandler, AZ 85226 starting at 10:45 am.

**Topic:** "Double Your Social Security & Other Retirement Income and Pay Less Tax!"

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Free Information on Retirement Planning, Solar Business Investments, and Tax Savings can be found at [www.drharoldwong.com](http://www.drharoldwong.com) or [www.solarbusinessinvestments.com](http://www.solarbusinessinvestments.com).

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Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.