

# *Social Security and Your Investments:*

## What You Need to Know



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# Social Security and Your Investments: What You Need to Know

Even if you claim Social Security at the ideal time, it's crucial to coordinate it with your full retirement income plan. Aim to generate income from interest and dividends — not by spending your principal. With longer life expectancies, your income needs to last 30 years or more.

## — Banks & Money Markets

Although banks and money markets are paying better interest rates now than they have in some time, that could change quickly. Remember that for many years following the Financial Crisis, bank accounts and CDs earned just 2% annual interest at best.

## — Growth Stocks

What if you invest for growth and draw income from principal? Say you delay Social Security until age 70 but retire at 62 with \$1M invested in stocks, hoping for steady growth. If a major market drop occurs — like the ones since 2000 — here's what could happen:

**At \$40K per year, each market dip forces you to sell more shares just to cover your withdrawals.**

**Even if markets rebound by 70, you may be left with just \$300K–\$400K, having significantly drained your savings.**

## — Cancerous Strategy

A common mistake in retirement is reverse dollar-cost averaging or selling more shares when markets drop. While dollar-cost averaging helps you buy low and sell high while saving, the reverse happens when withdrawing income, leading to buying high and selling low.

## — Investing for Income First

The right way to supplement Social Security is by investing for income using conservative-to-moderate strategies like bonds, annuities, preferred stock, and REITs. If you have a higher risk tolerance, dividend-focused stocks may also fit.

Switching to an income-first approach can help you get the most from your benefits and build steady income for life. Reach out, because we specialize in retirement income and can help you get started.



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