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15 Facts about Social Security

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My parents can't manage alone anymore. What should I do?

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15 Facts about Social Security

It's easy to take Social Security for granted when retirement is years away, but with 94% of the U.S. workforce covered by Social Security,* it's likely that this program will play a role in your financial future, perhaps even sooner than you think. Here are some facts and statistics from the Social Security Administration that highlight why Social Security is important to so many people.

Retirement benefits

The Social Security program began in 1935 as a way to protect individuals against economic hardship. Over the years, Social Security has grown to include several other types of benefits, but Social Security is still synonymous with retirement.

Did you know that ...

- Approximately 70% of Social Security benefits are paid to retirees and their dependents**
- 73% of workers elect to receive reduced benefits early, before their full retirement age*
- The average monthly retirement benefit is $1,262**
- The maximum monthly retirement benefit payable in 2014 is $2,642 for someone retiring at full retirement age***

Survivors benefits

Upon your death, your surviving spouse, ex-spouse, children, or dependent parents may be eligible to receive benefits based on your earnings record. These benefits can be a valuable source of income when your family needs it the most.

Did you know that ...

- Survivors of deceased workers account for about 11% of Social Security benefits paid**
- About 96% of persons aged 20 to 49 have survivors protection for their children under 18 and for their surviving spouse who cares for those children****
- The average monthly family benefit is approximately $2,561 for a widowed mother or father and two children*

Disability benefits

Disability benefits from Social Security can help protect you and family members that rely on you for financial support in the event that due to sickness or injury you're unable to work and earn a living.

Did you know that ...

- Disabled workers and their dependents account for 19% of Social Security benefits paid**
- Approximately 90% of workers age 21 to 64 and their families are protected against long-term disability****
- The average age of a worker receiving disability benefits is 53.2**
- The average monthly benefit for a disabled worker is $1,130**

Other facts

Here are some other facts about Social Security that you may not know:

- 55% of adult Social Security beneficiaries are women**
- More than 3.4 million children under age 18 and students age 18 to 19 receive Social Security benefits**
- Social Security provides at least half of total retirement income for 74% of nonmarried beneficiaries age 65 or older**

All of the following source publications can be found on the Social Security Administration's website, www.ssa.gov.

**Annual Statistical Supplement, 2013, published February 2014*

***Fast Facts & Figures About Social Security, 2013, published July 2013*

****Fact Sheet: 2014 Social Security Changes, published October 2013*

*****Social Security Basic Facts, published July 2013*

Tips for Traveling Abroad

Check with the U.S. State Department for travel alerts and warnings. You might also consider registering with the U.S. government's Smart Traveler Enrollment Program (STEP), at https://step.state.gov/step/. STEP assists U.S. citizens traveling and living abroad.

For many people, there's perhaps nothing more exciting than traveling to a new country, experiencing different cultures, tasting exotic foods, and exploring unfamiliar landscapes. But before you take off on an international adventure, consider that a little preparation and a few precautions can help prevent a lot of unexpected headaches.

Obtain and copy necessary documentation

Most U.S. citizens need a valid U.S. passport for international travel. Although some countries allow you to enter with just a birth certificate and driver's license, all people traveling abroad by air must have a valid passport to reenter the United States. Those traveling by land or sea must have proof of both their U.S. citizenship and identity; in many of these cases, the new U.S. passport card will suffice. You do not need a passport to travel to or from a U.S. territory (e.g., U.S. Virgin Islands or Puerto Rico).

It can take up to six weeks to receive a passport, so plan accordingly. Expedited options are available for additional fees. Also note that some countries will not accept a passport that expires within six months of your trip. Contact the embassy of your destination country for more information.

Finally, be sure to make copies of your passport, itinerary, airline tickets, and other important documents. Leave one set with a friend or relative at home and carry the other set with you, separately from the originals.

Plan ahead to stay healthy

Some countries require inoculations and other medical preparations before entering. You can research your destination at www.travel.state.gov. In addition, U.S. Centers for Disease Control offers information about your destination's medical requirements at www.cdc.gov/travel/.

Many health insurance companies do not cover policyholders while they are in a foreign country. Even if you and your family are covered, you may not receive the same benefits overseas. Contact your insurer's customer service department to find out if you have coverage while traveling abroad, and if any restrictions apply. If needed, you can typically purchase short-term supplemental health coverage from an insurance company, travel agent, tour operator, or cruise line. These policies are often combined with medical evacuation coverage, which helps defray the costs of an emergency medical trip back home.

If you take prescription medication, bring at least enough to last your entire trip. Carry medications in their original, labeled containers and pack them in your carry-on luggage. Ask your pharmacist for the generic name of your medications in case you need more while abroad, and ask your doctor to write a letter explaining your need for the medications. Some countries restrict the types of medications allowed into the country without medical documentation.

Finally, review the options for health care at your destination before you arrive. It's best to prepare for an unpleasant surprise rather than have to search for a doctor at the moment you need one.

Avoid costly mistakes

Planning to use your mobile phone? Contact your carrier and review your plan for international roaming. Calling, texting, and posting updates to your social media sites can be extremely expensive if you don't plan ahead.

Similarly, ask your credit or debit card bank about foreign transaction fees. Since many do not charge these fees, it may pay to shop around. Also, inform your card companies that you will be traveling so that they won't suspend your card for suspicious activity while you're away, and can provide a toll-free number should you need to contact them.

If you plan to use cash or traveler's checks, keep some on your person and some in a separate safe location. Also, before deciding to use traveler's checks, be sure to confirm they are readily accepted. And remember to check exchange rates so you can accurately calculate your vacation budget.

Consider travel/baggage insurance

In addition to supplemental health insurance coverage, you may want to consider purchasing travel insurance, particularly if the peace of mind outweighs the premium cost. Some types of policies protect you in case the trip is cancelled or interrupted due to certain events, such as weather, illness, or death of a loved one. Investigate whether your credit card or travel club offers this type of coverage as well.

Although most airlines will reimburse passengers for luggage lost during transit (up to certain limits), you might also want to consider baggage insurance for protection when your bags are not in possession of the airline.

These are just a few tips to consider before traveling overseas. For more comprehensive information, visit the U.S. State Department website at www.travel.state.gov.

Saving for the Future: Start Now or Start Later?

No matter how you save to reach a future goal, there is an advantage to putting your savings and earnings to work for you as early as possible.

All examples are hypothetical and are not guaranteed. Fees and taxes are not shown and could reduce the amount available.

**All investment involves risk, including the possible loss of principal.*

There are many ways to try to reach a future goal. You can save now, or you can save later (or perhaps do both). But there is an advantage to putting your savings and earnings to work for you as early as possible.

Compound earnings

If you save $1,000 now and invest it at an assumed 6% annual rate of return, in 1 year you would have $1,060, in 2 years about $1,124, and in 10 years about $1,791. Your earnings compound as you earn returns on your earnings. Your $1,000 initial investment increases through compounding to $1,791.*

Compounding at work

For example, let's say you start saving now. You save $5,000 at the beginning of each year in years 1 to 20 and put it into an investment that earns a hypothetical 6% annually. At the end of 30 years, you will have accumulated about $349,150.

Alternatively, let's say you start 10 years later. You save $5,000 at the beginning of each year in years 11 to 30. Once again, you earn an assumed 6% annually on that money. At the end of 30 years, you will have accumulated about $183,928.

In each of these examples, you've put aside a total of $100,000. However, by starting now, you accumulate about $165,222 more than if you start later, and all of that is from earnings. By starting now, rather than putting it off, you have put your money and the power of compound earnings to work for you.

Years	Start Now	Start Later
1 - 10	$5,000	
11 - 20	$5,000	$5,000
21 - 30		$5,000
Saved	$100,000	$100,000
Earnings	$249,150	$89,928
Total	$349,150	$183,928

Now, let's look at a different situation. Let's say you would like to start later but accumulate the same amount as if you had started putting money aside now. In this case, you would need to save more, about $8,954 at the beginning of each year in years 11 to 30, in order to accumulate $349,150 after 30 years.

In this example, you would need to save a total of about $179,085. That's $79,085 more than if you had started earlier, when compounding could have helped make up that difference. Compound earnings don't have as much time to work for you when you postpone getting started.

Years	Start Now	Start Later
1 - 10	$5,000	
11 - 20	$5,000	$8,954
21 - 30		$8,954
Saved	$100,000	$179,085
Earnings	$249,150	$170,065
Total	$349,150	$349,150

Strike a balance

Of course, you could accumulate even more if you do both. For example, if you set aside and invest $5,000 at the beginning of each year in years 1 to 30 and earn an assumed 6% annually on that money, at the end of 30 years, you will have accumulated about $419,008. This is substantially greater than the $183,928 accumulated if you invest $5,000 in years 11 to 30, while somewhat greater than the $349,150 accumulated if you invest $5,000 in years 1 to 20.

But maybe you can't afford to set aside $5,000 now. Could you manage $3,000 this year, increase that amount for next year by 3% to $3,090, and continue to increase the amount set aside by 3% each year? If that money earns an assumed 6% annually, you will have accumulated about $351,520 at the end of 30 years, slightly more than the $349,150 accumulated if you save $5,000 each year in years 1 to 20.

Compared to saving $5,000 a year for 30 years, you've contributed almost as much here ($142,726 compared to $150,000), but your earnings are substantially less ($208,794 compared to $269,008) because your largest contributions came in later years and had less time to work for you.

Year	Constant	Increasing
1	$5,000	$3,000
2	$5,000	$3,090
...		
29	$5,000	$6,864
30	$5,000	$7,070
Saved	$150,000	$142,726
Earnings	$269,008	$208,794
Total	$419,008	$351,520

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My parents can't manage alone anymore. What should I do?

Are one or both of your parents having health problems, suffering mental lapses, or just slowing down with age? Do you find they can't manage on their own anymore? If so, you'll want to consider the various living arrangements that are available to older individuals. Before you begin, however, you'll want to talk to your parents and siblings.

Sometimes the best option is to have your parents move in with (or closer to) you. That way, you avoid having to use your parents' assets (or your own) to pay for a nursing home or other facility. You won't have to worry about your parents potentially receiving inadequate care from strangers. And your parents will probably appreciate the gesture of love and self-sacrifice on your part. However, the cost of feeding, clothing, and caring for your parents can be high, especially if you're forced to give up a job to be home with your parents. And don't underestimate the emotional and psychological impact.

What if your parents' care is more than you can handle? You may then wish to consider some type of assisted-living arrangement. The broad term "assisted living" encompasses a range of facilities and services designed to help seniors who can't live independently. The assistance provided may be short- or long-term and may focus on social services, medical care, or some combination of the two. Depending on your parents' conditions and needs, one or more of the following assisted-living arrangements may be worth considering:

- Nursing homes
- Assisted-living communities
- Continuing care retirement communities
- Alzheimer's/dementia care specialty facilities
- Retirement communities
- Active senior communities
- Home health care
- Hospice care
- Adult day-care services

And don't be afraid to talk to a social worker, your parents' physicians, or other professionals. They can offer you support, and recommend solutions that best meet your parents' needs.

What is an assisted-living facility, and how do I choose one?

What is an assisted-living facility? The wide number of options available makes defining the term difficult. Generally, however, assisted-living facilities primarily serve senior citizens who need more help than those who live in independent living communities.

These facilities typically offer rental rooms or apartments, housekeeping services, meals, social activities, and transportation. Their primary focus is social, not medical, but some do provide limited medical care. Other terms used to describe assisted-living arrangements are board and care homes, rest homes, and community residences. Continuing care retirement communities (CCRCs), also called life care communities, fit loosely into this category as well, although they provide what other assisted-living facilities do not: long-term nursing care and guaranteed lifetime services.

How do you choose an assisted-living facility? Definitely plan on touring the facility beforehand. Some facilities are large, caring for over a thousand people. Others are small, caring for fewer than five people. Consider whether the facility meets your needs:

- Do you have enough privacy?
- How much personal care is provided? What happens if you get sick?
- Can you be asked to leave the facility if your physical or mental health deteriorates?
- Is the facility licensed or unlicensed?
- Who is in charge of health and safety?

And read the contract carefully--this may save you time and money later if any conflict over services or care arises.

As for the cost, a wide range of care is available at a wide range of prices. If you have long-term care insurance, check your policy. These contracts normally pay a specified dollar amount per day (typically $40 to $150) for certain skilled, intermediate, or custodial care in assisted-living facilities, for some specified period of time (usually two to five years). Medicare probably will not cover your expenses at these facilities, unless those expenses are health-care related and the facility is licensed to provide medical care.

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Global Tax Rates

Tax day in the U.S. has come and gone, along with the usual complaints about the complexity and financial burden that federal and state taxes (and FICA) impose on our lives. But have you ever wondered how U.S. taxes compare with what citizens in other countries have to pay?

Recently, the accounting firm PricewaterhouseCooper calculated the tax burden, for the 2013 tax year, for people living in 19 of the G20 nations. (The 20th member is the European Union, which has a variety of tax regimes.) The report looked first at people who are in the upper-income levels -- a person with a salary equivalent of $400,000, with a home mortgage of $1.2 million. After all income tax rates and Social Security (or equivalent) contributions have been taken out, what percentage of the taxpayer's income would be left over?

The people we should have the most sympathy for live in Italy, where this person would get to keep $202,360 of that $400,000 income--or 50.59%. A comparable person living in India would keep 54.9%, while someone living in the United Kingdom would keep 57.28%. Here's the full list. Notice that the U.S. is about in the middle of the pack:

Percent of $400,000 Kept After Taxes Paid

19. Italy - 50.59%
18. India - 54.90%
17. United Kingdom - 57.28%
16. France - 58.10%
15. Canada - 58.13%
14. Japan - 58.68%
13. Australia - 59.30%
12. United States - 60.45%
11. Germany - 60.61%
10. South Africa - 61.78%
9. China - 62.05%
8. Argentina - 64.02%
7. Turkey - 64.64%
6. South Korea - 65.75%
5. Indonesia - 69.78%
4. Mexico - 70.60%
3. Brazil - 73.32%
2. Russia - 87%
1. Saudi Arabia - 96.86%

Before you conclude that the U.S. is below average on this list, you should know that PricewaterhouseCoopers applied New York state (13.3%) and New York city (maximum 3.9%) taxes on the American calculation. If it had used Texas or Florida state tax rates instead, the U.S. would easily have ranked somewhere in the top ten.

And this list is somewhat skewed because so many European countries are left off it, because they are lumped into the EU. It also doesn't include Canada, which imposes a 29% top federal tax rate on its citizens, and then tacks on a maximum 25.75% rate at the province level.

PricewaterhouseCoopers did include many of the EU countries when it calculated the tax burdens on people with average incomes, and here the list looks somewhat different. The accounting firm assumed that a hypothetical married couple, with two children, earned the average income in each nation, and then calculated the overall tax rate the family would have to pay.

Denmark - 34.8%
Austria - 31.9%
Belgium - 31.8%
Finland - 29.4%
Netherlands - 28.7%
Greece - 26.7%
United Kingdom - 24.9%
Germany - 21.3%
United States - 10.4%
South Korea - 10.2%
Slovak Republic - 10%
Mexico - 9.5%
Chile - 7%
Czech Republic - 5.6%
(China, Russia, South Korea, Indonesia and Brazil would assess 0% taxes on this hypothetical family)

Does this mean that the U.S. tax system is fair? Or equitable? It depends on your perspective. Tax rates in the U.S. have been as high as 94% on all income over $200,000 (1944-45), and as low as 28% (1988-1990), with the bulk of years coming in between 40% and 70%. Meanwhile, some countries assess more taxes from corporations than from their citizens, while some have it the other way around. And some nations are evolving. At the beginning of World War II, individuals and families paid 38% of the total federal tax burden, and corporations picked up the other 62%. Today, thanks to aggressive lobbying, corporations have turned that around and then some. Individuals and families pay 82% of today's total federal income tax haul, and corporations pay 18%.

We should also remember that high taxes don't necessarily correlate with economic misery or poverty. Consistently, Belgium, which had the highest tax burden on average wage-earners (and imposes a top 50% rate on upper-income citizens) also consistently scores as one of the happiest countries in the world.

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Is the Stock Market Rigged?

You may have heard about the 60 Minutes interview with author Michael Lewis, a former Wall Street broker, author of "Liar's Poker" and "The Big Short," who has just come out with a new book entitled "Flash Boys." Lewis is an eloquent and astute critic of Wall Street's creative and predatory practices, and in his new book (and in the 60 Minutes interview) he offers evidence that the stock market is "rigged" by a cabal of high-frequency traders, abetted by stock exchanges and Wall Street firms.

While it is true that certain parties may gain quicker access than others, some believe, the price discovery process (by allowing high frequency trading) is improved and, therefore, makes the process better for all. Regardless, for anyone practicing long-term investing, high frequency trading activities are essentially irrelevant

Lewis exposed an advantage that certain traders receive by building high-speed fiber optic cable feeds directly into exchange computers that match buyers and sellers. Some actually have their trading computers located in the same room as the New York Stock Exchange and Nasdaq servers. And some pay extra for access to more information on who wants to buy and sell.

All of this is perfectly legal, but Lewis points out that it is also shady. Why should some buyers and sellers have millisecond advantages over others? The problem is that these firms are able to jump in ahead of you and me and buy stocks at lower intraday prices, and then, a few seconds later, sell to the highest bidder before you and I would even see that bid on our screen. In short you may pay (receive) a penny or two more (less). If these firms can squeeze out additional pennies on each transaction, and if they do this thousands of times a day, it adds up to real money over the course of a year.

Why is this irrelevant to you? Many of those lost pennies are coming out of the pockets of either day traders, hedge fund managers, or others who practice very active trading but may not have direct feeds to the exchange floor. Many of these traders, watching the 60 Minutes report, discovered that they are getting routinely fleeced by Wall Street's money machine.

However, if you're invested for the long term, it really doesn't matter how frequently these trades occur on any given day. Your major concern should be that the companies you own are steadily building value over time. Your time frame is eons compared with the quick-twitch traders, who hope to be in and out of your stock in a few seconds rather than decades. While it is true that, when you trade, you might give up a fraction of a cent, it certainly will not have a measureable performance impact over a multi-year holding period. Somehow, this important fact was lost in the 60 Minutes interview.

In the end, the interview tells us several things. First, it exposes, yet again, that Wall Street culture will go to great lengths to grab money out of the hands of unwary investors. Second, the interview makes it pretty clear the folly of an average investor trying to outsmart the markets with short-term trading activities. And lastly, and perhaps most importantly, these revelations confirm the wisdom of having a long-term investment horizon. When you measure returns over multiple-year time horizons, milliseconds don't really matter.