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Retirement Weekly

■ In this issue

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Navigating Social Security's new online statement

How does it work and how does it affect your benefits?

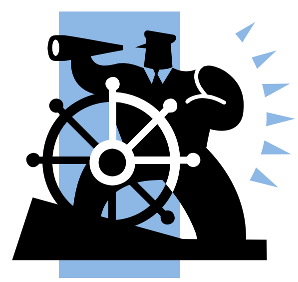
By Neil Downing, CFP

If you use the Social Security Administration's new online statement, you'll get a lot of information — some of it personalized — about the program, how it works, and how it affects your benefits.

It's a helpful tool. But it only goes so far. Following are 10 things your online Social Security statement will not tell you:

1. Limited estimates

The online statement projects an estimate of your Social Security retirement benefit if you start collecting at age 62, at your full retirement age (which is generally age 66), or at age 70 — but nothing in between. "Three ages only — that's it," said Kurt Czarnowski, a Social Security expert who runs a Social Security consulting firm, Czarnowski Consulting, in Norfolk, Mass.



Want to find out how much you'd get if you retire at age 64, for instance, or 68? Forget about it; you won't find it through the online statement. The statement itself is "a terrific tool," but it is a static tool, Czarnowski said. "It's not a dynamic planning tool." (See sidebar on page 2.)

Fortunately, help is just a few clicks away: To obtain estimates of how much you'll receive if you retire at ages other than those listed on the statement, just use the agency's interactive online retirement estimator: http://www.socialsecurity.gov/estimator/

2. Limited projections

The statement uses your past earnings to project what you'll earn in future years. But what if you want to shift to part-time work, or take a higher-paying job or a second job? The online statement won't factor in the impact. "The future earnings projections on the statement are static," Czarnowski said.

The online statement essentially gives you the same sort of information you received in the days when the agency mailed out paper statements to most workers, said Social Security Administration spokesman Stephen Richardson.

"You can still do those future earnings scenarios" by using the

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Social Security's online statement can help you plan your finances

The Social Security Administration's new online benefits-and-earnings statement can be a helpful tool for financial-planning purposes.

It gives you an idea of how much in benefits you may be eligible to receive. In addition, it gives you a rundown of your earnings history. That's helpful, too, because the agency ends up calculating your benefits based on your record of work and earnings. So if there's an error on the list of your earnings history as shown in the statement, you can take steps to correct it. That, in turn, will help to ensure that you get the benefits you've earned.

The online statement is similar to the paper statement that the agency formerly mailed to just about every worker each year — until the mailings were suspended in 2011 as a cost-savings move. "It's simple, easy to use, and provides people with estimates they can use to plan for their retirement," said Social Security Administration spokesman Stephen Richardson.

And unlike the paper statements, which were available only to people 25 and older, the new online statement is open to workers 18 and older, he said.

To obtain your personalized online statement, you must first open an account online at the Social Security website, said Lita Epstein, author of "The Complete Idiot's Guide to Social Security and Medicare." Use this address: http://www.socialsecurity.gov/mystatement

You'll need a valid e-mail address, a Social Security number and a U.S. mailing address. As an identity check, the system will also ask you several questions about your circumstances "to make sure it's really you," Epstein said. So "you've got to be ready to answer those," she said.

They are questions "you should know off the top of your head," such as your highest completed level of education, or the name of your current or previous employer, said Kurt Czarnowski, a Social Security expert who runs Czarnowski Consulting, a Social Security consulting firm in Norfolk, Mass. (The system uses information from Experian, the credit reporting company.) The overall point is to protect your privacy by making the account accessible only to you.

Once you've finished the authentication process and created your account, you can access your statement and view it, save it, or print it out. As of the end of last month, more than 500,000 people had opened accounts to gain access to their statements, Richardson said.

The system isn't perfect. Some people won't be able to get access because they may not correctly answer the security questions that are based on information provided by Experian; others may supply identifying information that does not match their Social Security records, according to the Social Security Administration. In such cases, you'll have the option to have a paper statement mailed to you.

Overall, the statement is "a tremendous planning tool," Czarnowski said. "This is a tool that helps you understand the full range of Social Security benefits to help you plan for your future."

It also underscores the point that Social Security is not just a retirement program; it provides disability and survivor benefits, too, he said. And the statement provides benefit estimates for each benefit program, based on your personal record of work and earnings.

Overall, the statement is helpful. "I think it's important to check it at least once a year, to make sure your earnings have been added to your record," because your earnings have a direct impact on your benefits, Epstein said. If you wait, it may well be more difficult some years down the road to find the appropriate records for verification purposes. **RW**

— Neil Downing

(Continued from page 1)
agency's online, interactive retirement estimator, Richardson said. It lets you develop a number of what-if scenarios based on your own figures, he said.

3. What about zero-dollar years?

To help figure the amount of your benefit, the Social Security Administration looks at your 35 highest-earning years. What if you earned zero in one or more of those years? It'll lower your benefit, said Lita Epstein, author of "The Complete Idiot's Guide to Social Security and Medicare."

"Women are the hardest hit with this," because they may have left the workforce for a time to raise children, or they may have taken early retirement, she said. What can you do about those zero-dollar years? The online statement provides no advice, Epstein said.

One step you can take is to keep working — if only part-time — so you'll have as many years of earnings as possible for purposes of the calculation, she said.

If you're already retired, consider taking a job. The point, for purposes of the formula, is to wipe out as many zero-earnings years as possible. Even if you work only part-time, "something is better than nothing," she said.

4. Retirement earnings test

If you work after you start collecting Social Security benefits, you may have to forfeit some of those benefits if you earn too much from work. The rule is sometimes called the retirement earnings test.

The online Social Security statement makes little mention of this but it's important to keep in mind nonetheless because you may have to give up some of your benefits, depending on your age and how much you earn from work.

If you haven't reached full retirement age, the rule generally works this way: For every $2 you earn above $14,640 this year ($1,220 a month), you must forfeit $1 in benefits.

If you turn 66 this year, the threshold is $38,880 ($3,240 a month). For every $3 you earn above that threshold, the Social Security Administration will deduct $1 in benefits. (For the month in which you reach full retirement age, and thereafter, you may earn as much as you like from work and you won't have to forfeit any Social Security benefits.)

It would also be nice if the statement explained this issue, and also discussed recoveries, Epstein said. For example, if the Social Security Administration withholds some of your benefits because of your earnings from work as explained above, the agency will increase your benefits once you reach your full retirement age to take into account those months in which benefits were withheld. Recovery can also occur through the formula that the agency uses to calculate your benefits — looking at your 35 highest earning years. So if the year in which some of your benefits are withheld turns out to be one of your highest-earning years, the agency will recalculate your benefit and boost your benefit accordingly, Epstein said.

5. Your benefits may be taxed

Your online statement doesn't trumpet the fact, but it's true nonetheless: Up to 85% of your Social Security benefits may be subject to federal income tax (and state and local income tax, too, depending on where you live). This may come as a surprise to you, especially if you haven't been collecting Social Security for very long.

Whether your benefits will be taxed depends, in part, on how much income you have, and how that income stacks up against some key figures — thresholds — for tax purposes.

The formula takes into account your income from pensions, wages, dividends, regu-

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Timeline: Social Security statements

1988: Social Security Administration begins making available a statement — the "Personal Earnings and Benefit Estimate Statement," or PEBES — upon request.

1989: Federal law requires agency to start mailing out PEBES automatically starting in fiscal year 1995 to all eligible U.S. workers 60 and older, and starting in October 1999 to all eligible workers 25 and older.

1997: Agency makes available an online statement of earnings and potential benefits for workers; offer is quickly withdrawn due to privacy concerns (worker earnings history was visible on screen).

1999: Agency starts mailing out annual statements to workers.

2008: Agency makes online retirement estimator available (worker earnings history not visible).

2011: Agency suspends mailing annual statements as cost-saving measure.

2012: In February, agency resumes mailing annual statements, but only to those 60 and older and who have not begun drawing Social Security benefits (mailing occurs about three months before worker's birthday). In May, agency unveils online statement accompanied by beefed-up security measures to protect users' personal information. Later in 2012, agency plans to start mailing statements to workers in year they reach age 25.

Sources: Social Security Administration; Czarnowski Consulting

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lar interest, and tax-exempt interest (such as interest on municipal bonds and dividends from municipal bond mutual funds), plus one-half of your annual Social Security benefits.

If the total exceeds $25,000 if you're single, or $32,000 if you're married, up to half or your Social Security benefits will be taxed. (If your income exceeds certain other thresholds, up to 85% of your benefits will be taxed.)

The dollar thresholds are fixed; they are not adjusted each year with inflation. Therefore, more and more beneficiaries wind up facing the tax as the years go by. It would be helpful if the online Social Security statement spelled some of this out.

6. You may not get a COLA increase

It's one of the hallmarks of the Social Security program: If inflation increases, your benefits typically go up too.

By law, the Social Security Administration calculates automatic increases in benefits each year. The automatic increases — known as the annual cost-of-living adjustments, or COLAs — have been in effect since 1975. And for nearly every year benefits have risen accordingly.

But for 2010 and again for 2011, there was no COLA. The online statement doesn't tell you this. (The COLA for 2012 is 3.6%.)

7. Medicare may lower your benefits

If you're due for a "raise" in the amount of your monthly Social Security benefit because of the COLA described above, you may not receive as much as you think.

That's because of the way the federal Medicare health insurance program works. A part of the Medicare program helps to cover the cost of your doctor's office visits and

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Resources

- Social Security Administration's online statement: http://www.socialsecurity.gov/mystatement
- Social Security Administration's online calculator to find out the impact of work on your benefits: http://www.ssa.gov/oact/cola/RTeffect.html
- Social Security Administration's online "quick calculator": http://www.socialsecurity.gov/OACT/quickcalc/index.html
- Social Security Administration's online "Retirement Estimator" calculator: http://www.socialsecurity.gov/estimator/
- Social Security Administration's online calculator to determine impact of Windfall Elimination Provision (WEP) on benefits: http://www.socialsecurity.gov/retire2/anyPiaWepjs04.htm
- Social Security Administration's online calculator to determine impact of Government Pension Offset (GPO) on benefits: http://www.socialsecurity.gov/retire2/gpo-calc.htm
- Internal Revenue Service booklet on the tax impact of Social Security benefits: http://www.irs.gov/pub/irs-pdf/p915.pdf
- Form to fill out to voluntarily have federal income tax withheld from your monthly Social Security benefit: http://www.irs.gov/pub/irs-pdf/fw4v.pdf
- Center for Retirement Research at Boston College, guide on when to claim Social Security benefits: http://crr.bc.edu/wp-content/uploads/joomla/claiming_guide/claiming_guide__rev_0706.pdf

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certain other expenses. It's known as Medicare Part B. To obtain Part B coverage, you typically pay a monthly premium; it's typically deducted from your monthly Social Security benefit.

So if your Medicare Part B premium goes up (as often happens each year), it will reduce the amount of your annual Social Security cost-of-living increase.

What if the increase in Part B premiums is greater than your Social Security cost-of-living increase? That's not a problem for most beneficiaries because of what the experts call a "hold-harmless" provision: In general, in any given year, most beneficiaries cannot receive less in Social Security benefits than they did the year before solely because of a sharp spike in Medicare Part B premiums.

But higher-income beneficiaries do not receive such protection; their Social Security benefit in a given year can actually fall below the prior year's level due to increases in the higher-than-standard Part B premiums they must pay. (Increases in the Medicare Part D prescription drug feature can also have an impact.) It would be nice if your online Social Security statement made mention of this, at least for planning purposes.

8. What about WEP and GPO?

If you're a government worker, your Social Security could be reduced based on how much you receive from your government pension.

Not all government workers are affected. For instance, if you're a state or local government employee and your work is covered by Social Security (in other words, you contribute to the Social Security program through taxes withheld from your paycheck),

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Your Estimated Benefits

***Retirement**	You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until…
	your full retirement age (67 years), your payment would be about....$ 1,590 a month
	age 70, your payment would be about ....$ 1,983 a month
	age 62, your payment would be about ....$ 1,096 a month
***Disability**	You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about....$ 1,450 a month
***Family**	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.
***Survivors**	You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits:
	Your child....$ 1,133 a month
	Your spouse who is caring for your child....$ 1,511 a month
	Your spouse, if benefits start at full retirement age....$ 1,477 a month
	Total family benefits cannot be more than ....$ 2,782 a month
	Your spouse or minor child may be eligible for a special one-time death benefit of $255.
Medicare	You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.

*** Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2033, the payroll taxes collected will be enough to pay only about 75 percent of scheduled benefits.**

We based your benefit estimates on these facts:

Your date of birth (please verify your name on page 1 and this date of birth)	May 5, 1971
Your estimated taxable earnings per year after 2011	$43,467
Your Social Security number (only the last four digits are shown to help prevent identity theft).........	XXX-XX-1234

Sample earnings statement from Social Security

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you're all set; your Social Security benefit won't be reduced because of the pension you receive as a result of that state or local government work.

But some government workers do not contribute to Social Security through their government jobs. If they also work in other positions — a second job or part-time job in the private sector, for example — their Social Security benefits will be reduced, or in some cases eliminated, because of two little-known provisions known as the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

Your online Social Security statement "is not going to apply the WEP or GPO on your online statement," and the old paper statements didn't either, Richardson said. Instead, the online statement provides only general descriptions of the provisions.

But you can use the personalized information from your online statement to determine the impact of WEP and GPO on your future benefits by using either the WEP or GPO stand-alone online calculators on the Social Security website, Richardson said.

(Please see the August 19, 2011, issue of Retirement Weekly to learn more about the WEP and GPO provisions.)

9. No more checks

In November 1939, Ida May Fuller, a retired legal secretary in Vermont, filed a claim for Social Security retirement benefits.

On January 31, 1940, she was issued a check for $22.54 (check number 00-000-001, according to Social Security Administration records). She thus became the first beneficiary of recurring monthly Social Security payments.

Payments by check have been part of Social Security operations ever since. But there have been some key changes along the way. For instance, Uncle Sam in 1975 officially unveiled direct deposit — an option for beneficiaries to have their payments deposited

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directly into their bank or credit union accounts.

In 2008, Uncle Sam offered beneficiaries the option to have their benefits loaded directly onto a prepaid debit card.

As of May 1, 2011, all new beneficiaries generally must choose either direct deposit or the prepaid debit card. And effective March 1, 2013, all beneficiaries — not just new ones — will have to pick direct deposit or debit card; checks will no longer be an option, Richardson said.

That's an important point to keep in mind — but it's not a focus of the online statement.

10. No advice or strategies

When is the best time for you to start collecting Social Security retirement benefits? If you're married, what's the best way to ensure the highest possible benefit for you while you're alive, and for your spouse after you're gone? What about the "file-and-suspend" option?

"Nobody at Social Security" will tell you, for a good reason: It's your choice, based on individual circumstances — and those of your spouse, if you're married, Czarnowski said.

"We're not advisers here at Social Security," Richardson said. "We're not going to tell you what you should or should not do." But if you tell the agency when you plan to start collecting benefits, the agency will tell you how much you're likely to receive, he said.

The Social Security Administration website includes general information about various claiming options, and the Center for Retirement Research at Boston College publishes a helpful guide in plain language, the "Social Security Claiming Guide" (please see the links nearby to find it).

In summary

The truth is that no statement — online or otherwise — could provide enough information to cover every possible scenario, in detail, for each of the 159 million workers who are covered by Social Security.

The online statement does a good job of providing some information tailored to your specific situation, and general information about other elements of the program. But it doesn't provide all the answers. For that, you must search elsewhere — including the Social Security website itself — for online estimating tools and other helpful features. **RW**

About the author: Neil Downing, CFP®, is an Enrolled Agent with a master's degree in taxation who has written three books on personal finance.

News in Brief

Shortfall in states' retirement systems? $1.38 trillion: Pew

The gap between the promises states have made for public employees' retirement benefits and the money they have set aside grew to at least $1.38 trillion in fiscal year 2010, resulting in a 9% increase in one year, according to a report released this week by the Pew Center on the States.

The report, " The Widening Gap Update," finds state pension plans represented more than half of this shortfall, with $2.31 trillion set aside to cover $3.07 trillion in long-term liabilities — leaving about a $757 billion gap. Retiree health care and other non-pension benefits accounted for the remaining $627 billion. States have amassed $660 billion in non-pension liabilities but saved just $33.1 billion to pay for them — slightly less than 5% of the total cost.

Experts such as those with the Government Accountability Office advise states to have at least an 80% funding level. In 2010, 34 states were below the 80% threshold, up from 31 in 2009 and just 22 in 2008. Connecticut, Illinois, Kentucky, and Rhode Island were the worst among the states, all under 55 percent funded in 2010. Four states were funded at 95% or better: North Carolina, South Dakota, Washington and Wisconsin. However, because these numbers are from 2010, they do not reflect reforms made since then, such as in Rhode Island. Learn more about the Pew report at http://www.pewstates.org.

Not surprisingly the National Public Pension Coalition (NPPC), an organization representing teachers, nurses, police, firefighters and other public sector employees, criticized the report. Learn more about the NPPC's opposition to the Pew Report at http://bit.ly/MJuwHG.

To learn more about the various reforms and changes state retirement systems have made of late to deal with the pension funding shortfalls, visit National Association of State Retirement Administrators' website, http://www.nasra.org/.

Duly noted...

- Senators heard testimony this week on a plan that would cap 401(k) contributions at 20% of workers' pay or $20,000. The plan would damage workers' chances for a secure retirement, said Brian Graff, CEO of The American Society of Pension Professionals & Actuaries. "Proponents of these kind of cuts claim very few savers would be affected, but in real life many workers would see employer contributions to their 401(k) plans reduced or even eliminated," Graff said. (SmartBrief/ BenefitsPro.com, http://bit.ly/NhkjQf)
- There were about 1 million more households of Americans 65 and older that qualified as "cost-burdened" in 2010 compared with 2001, according to a study by the Joint Center for Housing Studies at Harvard University. Those numbers are expected to climb further over the next 20 years. The study found that 35% of senior households had mortgage debt in 2009, up from 24% in 1999. (SmartBrief/ Reverse Mortgage Daily, http://bit.ly/NhkzyE) **RW**

Your Money

Working to age 70 improve retirement security

What a difference a few years can make. Working to age 70 will greatly improve your ability to retire in comfort, according to the latest version of the National Retirement Risk Index (NRRI).

The NRRI, which is produced by The Center for Retirement Research at Boston College (CRR) and is sponsored by Prudential, measures the share of American households at risk of being unable to maintain their standard of living in retirement. The NRRI is constructed using data from the Federal Reserve's Survey of Consumer Finances. The NRRI results from comparing households' projected replacement rates—retirement income as a percent of pre-retirement income—with target rates that would allow them to maintain their living standard.

According to the NRRI, the number of households that will not be prepared to retire at age 65 has risen from 30% in 1989 to about 50% today.

The latest research from the CRR addresses the question of how much longer beyond age 65 most households will need to work in order to be prepared for retirement. The findings are promising for Americans' retirement security prospects. The research finds that working just a few more years can make a significant difference.

Among the findings of the research: Although only half of today's households are ready to retire at age 65, more than 85% are prepared by age 70. Thus, five years of additional work would solve the problem for the bulk of the population. Working longer is the key to financial security, but it does not mean working forever.

Learn more about the most recent NRRI report at http://crr.bc.edu/briefs/national-retirement-risk-index-how-much-longer-do-we-need-to-work/. Also read a new Prudential paper, "Planning for Retirement: How Much Longer Do We Need to Work?" which outlines additional ways to achieve better retirement outcomes. That paper be found at http://bit.ly/PHjXWi.

Duly noted…

- Morningstar has introduced the Morningstar Analyst Rating and Global Fund Reports for about 40 alternative U.S. mutual funds, representing about 75% of the alternative fund universe by assets. Learn more at http://bit.ly/O4jReg.

New and noteworthy…

- Northwestern Mutual launched a retirement strategy that does not assume a fixed life expectancy. The strategy considers the very high possibility that an individual will live past the average life expectancy. Learn more at http://media.nmfn.com/pdf/client_whitepaper.pdf. **RW**

HealthWatch

What's at stake for Medicare beneficiaries in Supreme Court decision

If the Supreme Court strikes down the health law, 49 million Medicare beneficiaries could lose a variety of benefits that have already kicked in, according to a Kaiser Health News report.

They include:

- **Prescription savings.** Beneficiaries get discounts of 50% on brand-name drugs when they are in the so-called doughnut hole, or coverage gap where beneficiaries have no insurance help with the cost of their medications. The law phases out the gap by 2020.
- **Preventive services.** Beneficiaries in the traditional, government-run Medicare program receive preventive services such as mammograms and colonoscopies with no co-payment or deductible.
- **Wellness visits.** Enrollees can see their doctor once a year to assess their health status and risks for disease, and develop a personalized prevention plan, with no co-payment or deductible.

On average, seniors and disabled people covered by Medicare saved $604 in 2011 on prescription drugs, and more than 26 million saw their doctors for wellness visits or got preventive services, according to the Kaiser Health News report. If the court strikes down only the law's individual mandate, which requires most people to buy insurance, nearly all of the health law's Medicare changes will remain intact. Learn more at http://bit.ly/PHqe4m and http://bit.ly/O4dnMl.

Meanwhile, news outlets are offering predictions on everything from when the high court might rule to what the White House and congressional leaders are planning in response, according to Kaiser Health News. Learn more at http://bit.ly/O4eLhY. **RW**

FYI

A middle-income family with a child born in 2011 can expect to spend about $234,900 ($295,560 if projected inflation costs are factored in) for food, shelter, and other necessities to raise that child over the next 17 years.

According to the U.S. Department of Agriculture's (USDA) annual report, "Expenditures on Children by Families," this represents a 3.5% increase from 2010.

Learn more at http://www.cnpp.usda.gov/expendituresonchildrenbyfamilies.htm. **RW**

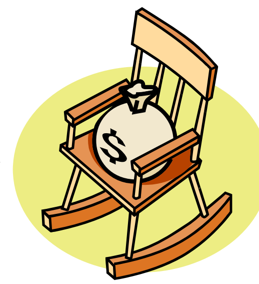
Corrections and amplifications

Some subscribers were not able to access the links in last week's story that featured resources about the Supreme Court and Affordable Care Act from the Kaiser Family Foundation. You can access all the links at the Kaiser's Health Reform Source website, http://healthreform.kff.org/. We apologize for any inconvenience this may have caused you.

Also of note, check out Kaiser's "Consumer Guide to Health Reform Law" at this website, http://bit.ly/PHlT0Q. **RW**

Worth Reading

- US National Center for Health Statistics: “Early Release of Selected Estimates Based on Data From the 2011 National Health Interview Survey,” www.cdc.gov/nchs/nhis/released201206.htm
- US House Committee on Education and the Workforce, Subcommittee on Health, Employment, Labor, and Pensions: “Assessing the Challenges Facing Multiemployer Pension Plans,” edworkforce.house.gov/Calendar/EventSingle.aspx?EventID=299417
- Federal Reserve Bank of Boston: “The Supplemental Security Income Program,” www.bos.frb.org/economic/ppdp/2012/ppdp1203.htm
- Organisation for Economic Co-operation and Development: “Coverage of Private Pension Systems: Evidence and Policy Options,” www.oecd.org/dataoecd/23/5/50640223.pdf
- Boston College Center for Retirement Research: “National Retirement Risk Index: How Much Longer Do We Need to Work?” crr.bc.edu/briefs/national-retirement-risk-index-how-much-longer-do-we-need-to-work/



- Medicare Payment Advisory Commission: “Report to the Congress: Medicare and the Health Care Delivery System,” www.medpac.gov/documents/Jun12_EntireReport.pdf
- Urban Institute: “Impact of Federal Policies on an Aging Workforce with Disabilities,” www.urban.org/publications/1001621.html
- AARP: “Older Americans’ Ambivalence Toward Annuities,” www.aarp.org/work/retirement-planning/info-06-2012/older-americans-ambivalence-toward-annuities-AARP-ppi-econ-sec.html and “Medicare Part D’s Medication Therapy Management: Shifting from Neutral to Drive,” www.aarp.org/health/medicare-insurance/info-06-2012/medicare-part-d-mtm-AARP-ppi-health.html
- Pew Center on the States: “The Widening Gap Update,” www.pewstates.org/research/reports/the-widening-gap-update-85899398241
- Kaiser Family Foundation: “Oral Health and Medicare Beneficiaries: Coverage, Out-of-Pocket Spending, and Unmet Need,” www.kff.org/medicare/8325.cfm
- US House Committee on Ways and Means: “MedPAC’s June Report to Congress,” waysandmeans.house.gov/Calendar/EventSingle.aspx?EventID=299381
- National Bureau of Economic Research: “Plan Selection in Medicare Part D: Evidence from Administrative Data,” papers.nber.org/papers/w18166 and “What is the Impact of Financial Advisors on Retirement Portfolio Choices and Outcomes?” papers.nber.org/papers/w18158
- American Civil Liberties Union: “At America’s Expense: The Mass Incarceration of the Elderly,” www.aclu.org/criminal-law-reform/americas-expense-mass-

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Got questions? Get answers!
E-mail rpowell@marketwatch.com

Worth Reading

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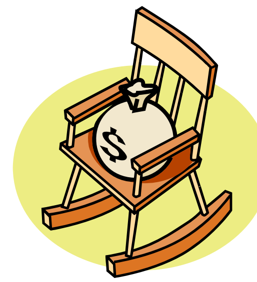
incarceration-elderly

- US Department of Health and Human Services, Office of Inspector General: Medicare Contractors Lacked Controls To Prevent Millions in Improper Payments for High Utilization Claims for Home Blood-Glucose Test Strips and Lancets," oig.hhs.gov/oas/reports/region9/91102027.asp
- US Senate Committee on Finance Hearing Testimony: "Roundtable Discussion on Medicare Physician Payment Policy: Lessons from the Private Sector," www.finance.senate.gov/hearings/hearing/?id=d77c8f52-5056-a032-52ef-33d9c61fd865
- Employee Benefit Research Institute: "Retirement Readiness Ratings and Retirement Savings Shortfalls for Gen Xers: The Impact of Eligibility for Participation in a 401(k) Plan," www.ebri.org/publications/notes/index.cfm?fa=notesDisp&content_id=5081
- US Senate Special Committee on Aging: "Empowering Patients and Honoring Individual's Choices: Lessons in Improving Care for Individuals with Advanced Illness," aging.senate.gov/hearing_detail.cfm?id=337005& **RW**



Can you do a Roth IRA conversion after age 70½?

Q: I have been slowly rolling over my 401(k) to IRAs and then doing Roth IRA conversions. I have taxable money to pay the resulting income tax (both federal and state). My original 401(k) had almost $500,000 in it. I have moved most of the money in the 401(k), but there is still a balance of $140,000. Next year I turn 70. I know it is possible to make Roth IRA contributions after 70½, but can I still roll money out of my 401(k)? IRS Publication 590 does not seem to address this directly but implies that it is possible to do a rollover as long as the required minimum distribution (RMD) is taken before the rollover. Any help you can offer will be appreciated. — R.P.

A: Beverly DeVeny, an IRA technical consultant with Ed Slott and Company, said the following:

You can do a conversion to a Roth IRA at any age. You are correct, though, that you must take your required distribution for the year before you can do the conversion. That is because any conversion is treated as a rollover for tax purposes and you can never rollover a required distribution. **RW**

Got questions? Get answers!

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