

A Money Guide for 50-Somethings

Is it too late to save for retirement when you're 50 or older? When should you start taking Social Security?

These are some of the questions Carrie Schwab-Pomerantz, president of the Charles Schwab Foundation and member of the President's Advisory Council on Financial Capability, has fielded writing her syndicated "Ask Carrie" column since 2007.

Schwab-Pomerantz compiled 50 of the most common questions in her new book, "The Charles Schwab Guide to Finances After Fifty". (And yes, she is the daughter of Charles Schwab, founder of his namesake financial services firm.)

Reuters spoke to Schwab-Pomerantz about financial challenges for fiftysomethings.

Q. Can people really make a difference to their overall portfolio if they start saving later in life?

A. Yes, absolutely, because you still have some 15 to 20 years to save. The catch-up provisions in the tax code can really help you grow your money. (In 2014, individuals can contribute \$17,500 to a 401(k) plan, but those who are age 50 or older can make an additional catch-up contribution of \$5,500.)

Q. Even though the markets are back on track – to some degree – people are still raiding their retirement accounts. A new survey shows that one in five take a loan from their 401(k). What's your take?

A. A lot of people think it's the right thing to do. For some people, it seems like it is the only thing to do. But if you don't have the money now, what makes you think you'll have it in the next few months to pay off the loan? Folks don't

realize that if you lose your job, you'll have to pay it back, plus you're doubly taxed.

Q. Most people are eligible to take Social Security at age 62. But you think that's rarely a good idea, why?

A. People leave a lot of money on the table because three-quarters of them file for Social Security benefits as soon as they are eligible, even though people are living longer. But every year that you wait to take Social Security, you will increase your benefit by 6.5 percent to 8 percent, depending on how old you are.

For example, if you start taking monthly benefits of \$750 at age 62 and you live to age 95, you'll receive a lifetime Social Security benefit of \$297,000. But if you begin taking monthly benefits of \$1,320 at age 70 and live to age 95, you'll get a total lifetime benefit of \$396,100.

Q. What are some other misconceptions about Social Security?

A. People think Social Security is for older people, but it is a resource for people under 65, too.

A close friend of mine lost her husband at age 51 – totally out of the blue. Because her 14-year-old son was still home, she was entitled to Social Security.

I emailed her and asked if she was getting benefits, and she said: "No. How do I do that?" She had an estate planning attorney and a financial adviser – no one told her she was eligible.

Q. Is long-term care insurance worth the high price?

The majority of us will need long-term care in our lifetimes. You should consider buying long-term care insurance from age 50 to 64. Yes, it's a big range but that's the optimal time, assuming you're in good health.

It's not overwhelmingly expensive. The average cost is about \$2,500 per year.

Q. What's the most vexing financial question for fiftysomethings?

A. Most people don't realize how expensive retirement is. They underestimate how much they have to save, and how much they have to invest to build that security later in life. It's been shown that people who actually crunch the numbers save one-third more than people who do not plan.

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