

Putting the Gold in Your Golden Years

You're probably not thinking about retirement – for two reasons. One, you like your work so you're not counting the days until you're eligible for retirement (you're probably more worried about when you can next start working than when you can finally stop working.) Two, you're probably years if not decades away from that eligibility. No matter what age you are, it might be instructive to revisit some of the pension/retirement issues I wrote about in "Three Requests." It is never too soon to start planning – and this from a man whose two-step financial plan is 1) win the lottery and 2) live forever.

Common wisdom says the financial security of your golden years should rest on three legs: Social Security, savings and a pension. Two of those legs are funded by your employers and one is your responsibility -- guess which one of my three legs is all but missing? Don't be like your president: pay yourself first. Put money away, preferably in an IRA or your 401(k) where it can grow on a tax-deferred basis.

As for Social Security, your Full Retirement Age (FRA) is 66, but you can take it as early as 62 or as late as 70. If you can afford to wait, wait: a monthly benefit of \$2000 at 66 will only be \$1500 if you take it at 62 and it will be \$2640 if you take it at 70. The rule of thumb is if you will live until 78, wait for 66 and if you will live until 82, wait for 70. (Go to www.livingto100.com for a quick life expectancy guesstimate.)

As for the third leg, your Equity-League Pension, I have some good news and some good news -- and some more good news. We have a defined benefit pension plan (a rare and wondrous creature in today's world), which means that a bad investment or a market downturn will not diminish your pension. Secondly, you earn a year towards vesting with only TWO weeks work, and pension law changes mean that you only need five qualifying years to vest. Thirdly, if (like me) you plan to continue acting after you start taking your pension, your pension continues to grow with each job.

The Summary Plan Description or SPD (available online at www.equityleague.org) will tell you everything about your pension plan. If you are the type who finds the LORT rulebook a little overstimulating, the SPD is for you. For the rest of you, here are a couple useful pieces of information.

Every year, as a vested participant, you get a document from the Equity-League office detailing your "total estimated annual accrued pension benefit:" what you would get if you took your pension at age 65 as a Single Life Annuity. That last statement has two critical components: "at age 65" and ""Single Life Annuity." Taking your Equity-League pension before age 65 (and you can take it anytime once you reach 60), reduces your benefit by one-half percent for every month you are younger than 65 – or 6% per year. Conversely if you wait beyond 65 (and you have to take it by age 70.5), your pension increases by one percent per month or 12% per year. So, if you are relatively healthy physically and financially, it once again pays to wait.

Your pension is also reduced if you choose to share your benefit through a Joint and Survivor Benefit so that your spouse or other beneficiary continues to receive 50% (or 75% or 100%) of your monthly pension payment upon your death. So you have some choices to make: when to take your pension and what sort of pension to take (single annuity or 50%, 75% or 100% Joint and Survivor.) These choices will affect the amount of your pension, but long before you retire, your choices can affect the size of your pension.

Your pension is composed of two parts: an accrual of 3% of what you have earned in salary and an \$11 per month credit for every year's vesting credit you have. That's why, just as you

strive to get your twelve weeks of employment for health coverage, you should do your darnedest to work at least two weeks in every calendar year because each year in which you work at least two weeks adds \$132 per year to your pension. So if you live twenty more years after you retire, you will receive a total of \$2640 for those two putative weeks. Not a bad salary.

You probably won't live forever and you may not win the lottery, but you now have a golden ticket in your wallet that gives you a shot at putting some more gold in your golden years. Get two weeks of work this year and every year in the future that you possibly can, and I will see you in a couple decades at auditions for Firs in Cherry Orchard and Nonno in Night of the Iguana.