



# CYPEN & CYPEN

## NEWSLETTER

for

### April 13, 2017

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Never Forget September 11, 2001  
and  
Always Remember May 2, 2011

1. **DETERMINING THE BEST RETIREMENT AGE**: Americans use a number of different methods to determine their best retirement age, but discussions with an advisor barely cracked the top five, says [www.napa.net](http://www.napa.net). According to the [Wells Fargo/Gallup Investor and Retirement Optimism Index](#), of the seven different steps non-retired

investors taken to help determine their best retirement age, fewer than half (47%) have talked with a professional financial advisor. On the other hand:

- 63% discussed it with friends and family;
- 59% estimated their retirement income using different retirement;
- age scenarios;
- 51% manually crunched the numbers;
- 50% used online tools to estimate their retirement income;
- 44% read up on retirement age considerations in financial publications; and
- 30% reviewed their options for retirement age on the Social Security Administration website.

Only 28% of non-retired investors say they have given a lot of thought to the best age to retire. Another 30% say they have given this a fair amount of thought. Still, 31% say they have given this only a little thought and 11% admit they have given a potential retirement age no thought. Not surprisingly, older workers have given this more thought. However, only 4 in 10 (39%) non-retired investors age 50 and older say they have given retirement age a lot of thought. This number drops to 20% of those under 50 who say they have given it a lot of thought. Overall, the average age retired investors say they started thinking seriously about the best age to retire was 44. That said, only

a slight majority of non-retired investors (54%) believe that knowing the age at which they plan to retire would make a difference in their financial behaviors today; 45% say it would not. Although, more than half of retired investors (52%), wish they had started thinking about their retirement age earlier than they did, whereas 46% say they gave themselves enough time. Still, all in all, the new poll finds 78% of investors, up from 69% in the prior measurement in 2014, feeling confident they will have enough money to maintain the lifestyle they want throughout retirement, perhaps a byproduct of the continued bull market. This includes 31% feeling highly confident, up from 26% in 2014. Meanwhile, the percentage not confident has slipped from 31% to 22%. As other surveys have found, a significant factor in underpinning that confidence is having a written plan. Forty-three percent of investors with a written plan for retirement say they are highly confident they will have enough to maintain their lifestyle. Even among investors with similar asset levels, confidence is higher among those with a written plan. By contrast, just 23% of investors with no written plan feel highly confident. Just 37% of non-retired investors and 40% of retired investors report that they have a written financial plan, similar to what the investor survey found in 2015. Investors with \$100,000 or more in investments are more likely than those with less than \$100,000 invested to have a written plan: 48% vs. 26%. And married investors (42%) are more likely to have a written plan than unmarried investors (29%). Investors are less worried today than three years ago that they will outlive their savings in retirement: 36% now vs. 46% in 2014 think this is a real risk. As is typical, a higher

percentage of non-retired (39%) than retired investors (28%) are worried about outliving their savings.

## **2. MOODY'S CUTS NEW JERSEY'S CREDIT RATING ON BUDGET, PENSION FUNDING CONCERNS:** *Pension and*

*Investments* reports that Moody's Investors Service cut New Jersey's general obligation bond rating by one notch due to the continued negative impact of significant pension underfunding, including growth in the state's large long-term liabilities, a persistent structural imbalance and weak fund balances. Cutting the rating to A3 from A2 affects approximately \$37 billion in debt, Moody's said in a report Monday. The outlook on the revised rating is stable. New Jersey remains in the upper-medium grade category of Moody's rankings, although A3 is the lowest rung in that category. Despite the state's significant increases in pension contributions since fiscal 2012, contributions remain well below the actuarial recommended contribution and unfunded pension debt continues to grow. Gov. Chris Christie's budget for the fiscal year starting July 1 calls for a \$2.51 billion state contribution to the \$71.2 billion New Jersey Pension Fund, Trenton. The contribution for the current fiscal year is \$1.86 billion. Moody's said maintaining annual statutory pension fund contributions will be increasingly difficult to meet given the lack of structural budget adjustments and the state's reliance on optimistic revenue growth assumptions to balance the budget.

The budget adjustment cited by the firm was the signing of a law by

Mr. Christie that took effect in January providing tax cuts to offset an increase in the state's gasoline tax to replenish the state's transportation trust fund. The gas-tax income can only go to the transportation fund; the tax cuts come out of the general budget from which state pension plan payments are made. Without balancing actions, the recent tax cuts will reduce revenues by \$1.1 billion by fiscal 2021, and strain the state's ability to resolve its large structural imbalance in the near term. The firm noted that the stable outlook reflects that the current A3 rating is well positioned for the next 12-18 months due to solid economic performance and the expectation that any fiscal 2017 budget gaps will remain manageable. However, over the long term, the state's credit profile will continue to weaken as large long-term liabilities grow and the state's budget is challenged by growing pension contributions in a low-revenue-growth environment.

**3. TONTINES COULD BE MAKING A COMEBACK PROVIDING ALTERNATIVE FOR RETIREMENT INCOME:** *Investment News* reports that an investment vehicle popular in the Victorian Age, but plagued by scandals early in the last century, may be coming back. The vehicle is the tontine, a type of investment pool from which members draw annual dividend payments after paying a lump sum, and from which surviving members draw more in dividends as participants die off. In some tontine arrangements, the corporate organizer of the tontine keeps whatever has not been paid out; in others, the remaining survivor gets whatever capital remains. While assets in tontines accounted for about 7.5% of the nation's wealth in

1905, according to a recent article in [The New York Times](#), embezzlement scandals involving insurance companies led to legislation that banned tontines in many states. The current retirement crisis due to inadequate savings coupled with advances in technology and regulation make conditions right for a revival of tontines, say academics. A tontine's appeal is that it provides the regular income of annuity and delivers even more income for living participants because of its structure, simplicity and lower cost of operations. Advocates say that managing tontine operations would be easier today than it was a century ago because of automation, and because developments such as blockchain technology would make for greater transparency and less likelihood of fraud. Because tontines have elements of a lottery, state gambling laws, as well as insurance regulations, would have to be revised to allow for tontines, say those who believe tontines could have commercial appeal. Insurers currently are lukewarm to the idea of reviving the vehicle, perhaps because it is likely to be less profitable than other products. Actuaries, however, are doing research on them, the [Times](#) said.

#### **4. CUBA'S ECONOMY FLAT LINES RETIREMENT HAS BECOME**

**NOTIONAL:** *The Economist* reports that Norberto Mesa, a 66-year-old grandfather, stands in the hot sun 11 hours a day, six days a week, guiding cars in and out of the parking spaces in front of a bustling farm stand. The 4,000 Cuban pesos (\$170 at the official exchange rate) he earns each month in tips is more than ten times his monthly old-age pension of 340 pesos. Without it, the retired animal

geneticist could not afford fruit and meat, or help his children, who work for low salaries, to feed his four grandchildren. Though revolutionary Cuba had one of the region's earliest and most comprehensive pension systems, in recent years retirement has almost vanished. Without further economic reform, and the cheap oil that used to come from Venezuela, the economy has stalled. Pensions have been frozen, and their value eaten up by inflation. According to the most recent government statistics, from 2010, a third of men past retirement age are working. Three-fifths of older people say they often have to go without necessities. The insular socialist paradise supposedly offers a social safety-net, cradle to grave. But it is full of holes. Medical care is free, but most medicine is not. Retirement homes are scarce, and rules that mean residents must give up their pensions and homes put off many, since these are often a lifeline for younger relatives in equally distressed circumstances. So old people can be seen on the streets of Havana selling newspapers and peanuts, or recycling cans. They are scrubbing floors in affluent homes or cooking for a growing number of private restaurants and bakeries. Ernesto Alpízar, an 89-year-old former agronomist, goes door-to-door selling strawberries and flowers. Even so, he remains an ardent "Fidelista", grateful to the island's late dictator for the free cataract surgery that saved his eyesight.

For even as the island's old and infirm must hustle to survive, they have benefited from its success at providing health care. Life expectancy at birth is 79, not far short of most developed countries,

and widely available birth control helps explain why family size has fallen further and faster than in most other countries. The flip side, though, has been a breakneck demographic transition—exacerbated by the large share of young and middle-aged Cubans who have fled to America. Over-65s now make up 14% of the population. The national statistical office estimates that the total number of pensioners will overtake the number of state-sector workers by 2025. A few churches and charities, mostly funded from abroad, are trying to fill the gap. Rodolfo Juárez, a pastor of the International Community Church, a Protestant congregation, helps 60 indigent elderly people in Havana. His scheme provides fruit, vegetables and beans to supplement government rations of a daily piece of bread; and 7lb of rice, 2lb of sugar, five eggs and a piece of chicken a month. Although running it costs just 18,000 pesos a month, funding is a constant problem. Mr Juárez and his wife, at 80 and 75, are older than many of those they help. Between their church duties and his teaching at a seminary, they make 3,600 pesos a month. Though that does not go far, it dwarfs Mr Juárez's pension. As long as Cuba's economy flat-lines, its elderly will have no rest till they drop.

#### **5. IRS REMINDER TO TAXPAYERS WHO HAVE NOT FILED 2013**

**RETURNS:** Time is running out; Agency has \$1 Billion in Refunds.

The Internal Revenue Service reminds taxpayers that unclaimed federal income tax refunds totaling more than \$1 billion may be waiting for an estimated 1 million taxpayers who did not file a 2013 federal income tax return. But time is running out. To claim this

money, taxpayers must file a 2013 federal tax return by April 18, 2017. The law provides most taxpayers with a three-year window of opportunity for claiming a refund. If they do not file a return within three years, the money becomes the property of the U.S. Treasury. The law requires them to properly address mail and postmark the tax return by April 18. Some people, such as students and part-time workers, may not have filed because they had too little income to require them to file a tax return. They may have a refund waiting if they had taxes withheld from their wages or made quarterly estimated tax payments. Some taxpayers could also qualify for certain tax credits, such as the Earned Income Tax Credit (EITC), but they need to file a tax return to claim the credit. Low-and moderate-income workers whose incomes fall below certain limits often qualify for the EITC, which for 2013 was worth as much as \$6,044. The income limits for 2013 were:

- **\$46,227 (\$51,567 if married filing jointly) for those with three or more qualifying children;**
- **\$43,038 (\$48,378 if married filing jointly) for people with two qualifying children;**
- **\$37,870 (\$43,210 if married filing jointly) for those with one qualifying child, and;**
- **\$14,340 (\$19,680 if married filing jointly) for people without**

## **qualifying children.**

There is no penalty for filing a late return for those receiving refunds. The IRS estimates that half the potential unclaimed refunds are worth more than \$763. The IRS may hold 2013 refunds if taxpayers have not filed tax returns for 2014 and 2015. The U.S. Treasury will apply the refund to any federal or state tax owed. Refunds may also be held to offset unpaid child support or past due federal debts such as student loans. Taxpayers who are missing Forms W-2, 1098, 1099 or 5498 for tax years 2013, 2014 or 2015 should request copies from their employer, bank or other payer. Taxpayers who are unable to get missing forms from their employer or other payer should go to IRS.gov and use the "[Get Transcript Online](#)" tool to obtain a Wage and Income transcript. See [state-by-state estimates](#) of individuals who may be due 2013 tax refunds and learn more about unclaimed refunds at IRS.gov.

**6. THERE IS PLENTY YOU SHOULD KNOW ABOUT SOCIAL SECURITY DISABILITY BENEFITS:** Life is unpredictable. When something interrupts your plans, it is good to know there is a way to supplement your income, in case of an unexpected life event, says the Social Security Administration. Social Security has a strict definition of disability based on your inability to work and provide for yourself and your family. Disability benefits are available only to people with impairments so severe that they prevent any kind of

significant, profitable work. Social Security pays only for total disability. No benefits are payable for partial disability or for short-term disability. We pay disability via two programs: the Social Security Disability Insurance program, for people who have worked and paid Social Security taxes long enough to be eligible, and the Supplemental Security Income program, which pays benefits based on financial need. When you apply for either program, we will collect medical and other information from you. Our disability examiners will make a decision about whether or not you can do work that you did before, adjust to other work because of your medical condition, and if your disability has lasted or is expected to last for at least one year or is likely to result in death. Certain factors may speed or delay the decision in your case, like the nature of your disability and how quickly we can get your medical records. We may also need to send you for an additional medical examination at no cost to you. If you would like to apply for disability benefits, you can use our [online application](#). It has several advantages, including immediately starting the process, no waiting to get an appointment, and no trip to a Social Security Office. It is easy, convenient, and secure. You can find out everything there is to know about disability benefits [online](#).

**7. NEW OFFICE ADDRESS:** Please note that Cypen & Cypen has a new office address: Cypen & Cypen, 975 Arthur Godfrey Road, Suite 500, Miami Beach, Florida 33140. All other contact information remains the same.

**8. CRAZY STATE LAWS:** *Good Housekeeping* reminds us that there are crazy laws in every state. In Indiana it is illegal to ride a horse above 10 MPH. I hope your horse has a speedometer. No horse shall be driven at a speed above 10 MPH, due to high-speed horse races back in the day.

**9. ZEN PROVEN TEACHINGS TO LIVE BY:** If you lend someone \$20 and never see that person again, it was probably well worth it.

**10. PONDERISMS:** Does pushing the elevator button more than once make it arrive faster?

**11. OLD CEMETERIES & EPITAPHS:** A truly happy person is one who can enjoy the scenery on a detour and one who can enjoy browsing old cemeteries. For example, on the grave of Ezekial Aikle in East Dalhousie Cemetery, Nova Scotia: Here lies Ezekial Aikle, Age 102. Only the good die young.

**12. TODAY IN HISTORY:** This day in 1976 The United States Treasury Department reintroduces the two-dollar bill as a Federal Reserve Note on Thomas Jefferson's 233rd birthday as part of the United States Bicentennial celebration.

**13. KEEP THOSE CARDS AND LETTERS COMING:** Several readers regularly supply us with suggestions or tips for newsletter items. Please feel free to send us or point us to matters you think

would be of interest to our readers. Subject to editorial discretion, we may print them. Rest assured that we will not publish any names as referring sources.

**14. PLEASE SHARE OUR NEWSLETTER:** Our newsletter readership is not limited to the number of people who choose to enter a free subscription. Many pension board administrators provide hard copies in their meeting agenda. Other administrators forward the newsletter electronically to trustees. In any event, please tell those you feel may be interested that they can subscribe to their own free copy of the newsletter at <http://www.cypen.com/subscribe.htm>.

**15. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.**