



# CYPEN & CYPEN NEWSLETTER for May 23, 2019

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

## **1. NEW STUDY FINDS THAT MANY FILED FOR SOCIAL SECURITY RETIREMENT BENEFITS OUT OF NECESSITY – BUT THEY WISH THEY HAD FILED LATER:**

In this first-ever survey to uncover regrets and learnings from those who have filed for Social Security retirement benefits, Massachusetts Mutual Life Insurance Company (MassMutual) discovered that indeed there were. The 2019 MassMutual Social Security Pulse Check commissioned in collaboration with [AgeFriendly.com](http://AgeFriendly.com) uncovered a valuable ‘pay it forward’ message from today’s – to tomorrow’s – retirees, especially younger generations. “When to retire and file for Social Security retirement benefits should be your choice, and this study underscores the need to plan ahead for the unforeseen and save as much as you can,” said Mike Fanning, head of MassMutual US. “Many are not saving enough for retirement and need to access funds the minute they can – regardless of the longer term impact of the decision – and in some cases, unforeseen health issues are

complicating the issue.”

Of the startling findings of the survey:

- **Three out of 10** (30%) filed at age 62 or younger
- **Nearly 4 out of 10** (38%) wished they filed later
- **More than half** (53%) filed out financial necessity, such as not saving enough, and another **one-third** (30%) filed as the result of unforeseen issues, such as health issues or employment changes

“People not being able to sustain for very long on what they’ve saved appears to be a common occurrence today,” said Fanning. “This study reveals that many are leaving money on the table that they’re eligible for – and that they could have received for many years to come. Planning ahead for the foreseen – and the unforeseen – appears to be the ‘pay it forward’ message from today’s to tomorrow’s retirees.” In the simplest and most conservative cumulative calculation, a married couple with longevity into their early 90’s could be leaving more than a half million dollars on the table – or as much as \$2,000-4,000 per month for life – by filing for Social Security retirement benefits at age 62 versus filing at age 70. Furthermore, a surviving spouse could receive \$1,000-2,000 per month less for life as a result of filing at age 62. The majority of survey respondents (79%) to the MassMutual Social Security Pulse Check felt that they had the appropriate amount of information about when to file for Social Security retirement benefits, and nearly 6 out of 10 (58%) didn’t get help or advice. “The interesting thing about Social Security modeling is that every person and every couple is different,” said David Freitag, a financial planning consultant with MassMutual. “It is hard to make relevant generalizations about filing strategies. In reality, each person needs to do a careful analysis based on their unique situation in life to help ensure they are not leaving money on the table for years to come, and a financial advisor can help.” MassMutual, May 14, 2019.

## **2. COMMUNICATING RETIREMENT BENEFITS TO FIVE GENERATIONS OF WORKERS:**

The University of Pittsburgh has found stories from peers resonate well with every employee group. Similar to those of other large employers with a growing number of both young and long-tenured employees, the University of Pittsburgh’s retirement program must meet the needs of five generations of workers. Cheryl Johnson, vice chancellor of human resources, says the University of Pittsburgh benefits tremendously from having a diverse workforce from the age and cultural perspective. But it’s also true that having such a diverse workplace means the leadership team in charge of benefits and compensation must work hard to understand the needs and wants of all of Pitt’s employees. “In recent

years, we have bisected the 25,000-plus staff and faculty in our DC program in news ways,” Johnson says. “One interesting discovery we have made is that we have five generations in our participant base, from Generation Z to traditionalists. This fact has driven our efforts to make plan communications more relevant and targeted.” As Johnson explains, until recently, the way Pitt approached its retirement program was to really emphasize the retirement angle in most communications and outreach. The leadership team did not think as much about how the plan would be viewed and understood by younger workers, for example, or about how the plan could speak to these people in terms of helping their more immediate financial wellness needs. “That was not a wrong approach, necessarily, but we realized that it was important to put an additional emphasis on what the financial needs are for Gen Z, the Millennials and even Generation X,” Johnson says. “Working with TIAA, we have made great strides and we have taken strong steps to ensure that our program is not underappreciated by either younger or older workers.” According to Nichole Dwyer, Pitt’s director of communications for human resources, the retirement program now regularly circulates [messaging that will resonate with different participants](#) depending on their stage in the savings lifecycle--and it has embraced automatic enrollment features. As a result of recent initiatives, overall retirement plan contributions increased by more than 14%, the 403(b) plan participation rate went from 63% to 70%, and faculty and staff booked more than 750 one-on-one sessions with financial consultants, a 54% increase. Recently, Pitt ran a campaign called “Write Your Own Financial Story,” which is fully detailed in the organization’s [2019 PLANSPONSOR Retirement Plan Sponsor of the Year award profile](#). Supplementing the campaign were more than 30 live events, including in-person and digital sessions. One was a campus visit by TIAA President and CEO Roger Ferguson, for a full day of talks and presentations with different university groups. The focus of all of our events was on the importance of retirement savings, best practices and, especially, the “Write Your Own Financial Story.” In support of the theme, the school enhanced its office of human resources website. The site now includes simple explanations of recent retirement program changes, plus a “Their Financial Story” section with real-life examples of how Pitt employees are planning for their financial future. The new section allowed Pitt to present plan enhancements as more about the individuals they were affecting, as opposed to just a list of updates. To gather the stories, the school asked participants to answer questions about their passions, financial goals and hopes for retirement; then it posted some of the responses along with pictures of those employees. Dwyer notes that the campaign was promoted through various social media channels and the related workshops were tailored to resonate with the particular phase of the savings lifecycle that different people are in. So, for example, Millennials would hear more about debt reduction and balancing short- and long-term financial goals. Those workers three or five years out from retirement, on the other hand, would hear more about the retirement transition and planning for a

retirement paycheck. “Knowing our plan is very generous, we also wanted to make that fact known to everyone in the organization,” Dwyer says. “Through our communications, we made sure they understood that we match people at 150% once they are vested. So if you are contributing 8% on your own, that means you are getting a 20% contribution on net into the plan. This is a very strong benefit and to not take advantage of it is to leave significant money on the table. We made sure that message was shared with everyone, to great effect.” According to Johnson, certain individual participants in Pitt’s retirement program have had a strong influence when it comes to getting their peers to contribute fully. “We have a beautiful story of a woman who has been a custodian for us for a long time. She retired a few months ago, and she made it a goal of hers to tell everyone how happy she was to see her retirement replacement income across Social Security and the defined contribution plans,” Johnson says. “She felt that she was really in a good spot, and we saw a big impact on others just from her positive testimony alone. The anecdotes and advocacy from the staff have a big impact and should be encouraged.” Notably, Pitt’s improvements have come not only through communications. “We have embraced automatic enrollment, for example, because we know we need to make it hard for people to make sub-optimal choices,” Johnson says. “We communicate that we want people to start saving at 8% when they walk in the door, because they won’t miss money from the paycheck that they never saw to begin with. Our counselors help younger employees find the right balance between paying down debt and investing for the future. It can be an individualized decision and so the one-on-one guidance is quite helpful.” Dwyer notes that Pitt looks to TIAA for help, but the organization also crafts much of the participant messaging in-house. “We know this is important work to do. In our last campaign, we did interviews of participants on campus across generations, race, sexual orientation, *etc.* We asked different groups about their passions for life and their goals for retirement, and we used this to tailor our messaging across the board,” Dwyer explains. “The answers were sometimes surprising, I should add. These stories help people understand that others are facing similar challenges.” Dwyer and Johnson note that another important aspect to consider is that there are different levels of comfort with financial topics across the workforce. Pitt, like other large employers, has some employees who are familiar with investing and some who are not. And there are different preferences for how much advice people want to get and how much control they want when it comes to self-directing their investments. “With an initiative of this magnitude, we especially wish to acknowledge our appreciation of the leadership and support provided by our chancellor, Patrick Gallagher,” Johnson adds. “In our case, we have a retirement oversight committee that is a cross-functional group of men and women who meet on a quarterly basis. It has been wonderful to work with this group and to gather the different perspectives. It was a refreshing experience to use the cross-functional input and it allowed us to really stretch our thinking about the goals of financial literacy and wellness fitting into the retirement program.” John

Manganaro, Plansponsor, May 14, 2019.

### **3. IN SEARCH OF A SIMPLE FIX FOR SOCIAL SECURITY:**

Should Congress increase the full retirement age to 70? There's no question that if things stay as they are, the two programs that make up Social Security will have enough money coming in by 2035 to pay only 80 percent of benefits. Can you imagine the financial chaos if beneficiaries saw a 20 percent reduction in benefits? Things could get ugly. The total annual cost of the Old-Age and Survivors Insurance Trust Fund (OASI), which pays retirement and survivor benefits, and the Disability Insurance Trust Fund is projected to exceed total annual income in 2020, for the first time since 1982, according to a report released recently by trustees of the Social Security and Medicare trust funds. The Disability Insurance Trust Fund is projected to have enough money coming in to cover 91 percent of scheduled benefits when its reserves are depleted in 2052. The situation is grimmer for OASI. Without reform, the safety net for retirees will have enough continuing tax income to meet only 77 percent of scheduled payment. A number of changes have been discussed to solve Social Security's problem, including increasing the age at which the full retirement benefit can be collected. The full benefit age is 66 years and 2 months for those born in 1955. It will rise gradually to 67 for those born in 1960 or later. But could the full retirement age rise to 70 to help a broken system? A change in 1956 allowed women to collect benefits as early as age 62. In 1961, amendments made men eligible also at age 62. But if you collect early, you get a reduced benefit. If you start your retirement benefits at 62, your monthly check is reduced by about 30 percent. One favorite fix proposed for the Social Security shortfall is raising the income threshold on which the tax applies. For 2019, that is \$132,900. So earnings above that amount are not subject to the Social Security tax, which is 6.2 percent for employees. Employers kick in a matching 6.2 percent. Whatever legislation Congress passes to solve the problem -- and a solution has to be found -- there will be people who won't be happy. Here's what some readers feel about the need to strengthen Social Security and how they would address the problem. Jim Shaffer of Charlotte wrote: "When I started my career in 1976 after graduation from college, the dire warnings about social security running out of money were everywhere. As a result, I planned throughout my career assuming Social Security was a myth, and I'd get nothing from it. I placated myself with the idea that my taxes were going to my mother, though she died before collecting much. I'm 65 now, and Social Security is the foundation of my retirement planning." "I think the least painful 'fix' would be to remove the cap on earnings subject to FICA tax, just as the cap was removed for Medicare taxes," wrote Tom Uttormark of Roman Forest, Tex. "Social Security would immediately become solvent for the foreseeable future, and the increase in taxes would fall onto those most able to pay them." Robert Hussey of Wake Forest, N.C., wrote: "Eliminate the [income] limit. And if the angry taxpayers are just those affected by a limit, as Rhett Butler said so eloquently,

‘Frankly my dear, I don’t give a damn.’” John Eyles of Chapel Hill, N.C., wrote: “Eliminate the cap on wages that are subject to the 6.2 percent FICA tax. I’m guessing a lot of Americans don’t even know about this cap, because they don’t make enough money to suddenly see the FICA deduction disappear from their paycheck late in the year or early in the year for very high wage earners.” “Means testing will limit payments to wealthy recipients,” said Dan Waylonis of Mountain View, Calif. Tom Irvine of Lewes, Del., wrote: “Raising the retirement age should not be on the table as blue collar working people need the earlier retirement age. With the demise of pensions, it is now even more important that Social Security remains progressive and geared toward the needs of the working class.” Much of the anguish over Social Security is not new,” wrote Mark Pashia of Sullivan, Mo. “I too worried about it when I was a young worker, but the ‘fix’ in 1984 pushed the problem out into the future. The actuaries calculated the amount needed to get us to 2050 or so and estimated the needed funds increase to do so. I must say they did an admirable job of estimating considering the changes that they could not envision. They could not know that wages would be flat for the next 35 years, or that we would have a major recession second only to the Great Depression, etc. If wages had grown, the minimum wage adjusted for inflation, no monkey business on Wall Street and so on, the taxes raised would have been more than enough.” Lynn Saxton of Warsaw, N.Y., wrote: “Eliminating the cap on Social Security would go a long way toward eliminating the problem. Do our politicians fear the reactions of the rich, or is it that they are the rich? I am 63 and plan to wait until at least 66 to take my benefits. I certainly hope by then the issue has been addressed.” But “removing the cap would undermine Social Security by turning it from an earned benefit, which it is now, into mass welfare,” Allan Sloan, a columnist for The Washington Post, wrote recently. Alan Homer of Mesa, Ariz., listed five ways he thinks Social Security could be made sound.

- 1. For anyone younger than 50, phase in full retirement age to 68; similar to the previous phased increase from age 65 to age 67.
- 2. Increase the age of Medicare eligibility from 65 to 67, or at least have a graduated cost for people taking Medicare earlier than 67.
- 3. Increase both the employee and employer contribution to FICA by one percentage point.
- 4. Increase the earliest age of Social Security eligibility from 62 to 64.
- 5. Limit the annual cost-of-living adjustment (COLA) for Social Security recipients to 90 percent of the calculated increase.

“Doing these five actions will put social security in better financial shape,” Mesa said. “Everyone shares in the pain of fixing the issue.” Michelle Singletary, Columnist, The Washington Post, May 13, 2019.

#### 4. 'MEDICARE FOR ALL'? HOW ABOUT 'MEDICAID FOR MORE'?:

On Monday, Washington Gov. Jay Inslee signed the nation's first "public option" health insurance bill. Other states aren't far behind. Colorado and Washington state both passed legislation in April that could offer a new health insurance option to people who make too much money to qualify for Medicaid but not enough to afford private health coverage. Most Medicaid recipients pay no premiums, but the idea of letting some people buy a form of Medicaid is gaining steam. The public option was first introduced in Nevada in 2017 at a time when Congress seemed poised (yet ultimately failed) to repeal the Affordable Care Act and leave millions of people without health coverage. The state legislature passed a bill that would have let anyone buy publicly run insurance. It was vetoed by then-Gov. Brian Sandoval, but similar proposals have since been introduced in states across the country. In addition to Colorado and Washington, [legislation to study or start a public option or Medicaid buy-in program](#) is currently pending in Connecticut, Maine, Massachusetts, Minnesota, Missouri, New Hampshire, New Jersey and Oregon. No state, however, has pushed the proposal further than Colorado, where the bill has been sent to Gov. Jared Polis, or Washington, where Gov. Jay Inslee -- a 2020 candidate for president -- recently [signed the bill](#). The expansion of public health insurance is a key talking point among Democrats running for president -- several of whom have endorsed a "Medicare for All" bill in the U.S. Senate. "It's a landmark move, and [states] are a great testing ground to see how much the public option can reduce costs," says Tara Straw, a senior policy analyst for the liberal Center on Budget and Policy Priorities. According to a [survey by the United States of Care](#), a significant majority of voters -- Democrats and Republicans -- support Medicaid buy-in. Advocates believe a public option could offer a lower-cost alternative to the health-care marketplace and spur enough competition to lower premiums overall. Critics, including the insurance industry, argue that introducing a public option would force private insurers off the marketplace, resulting in fewer options for care. "Introducing the concept of a public cure for what is broken in Obamacare seems hypocritical," Jim Smallwood, a Colorado state senator and insurance broker, [told the Associated Press](#). No two of the proposed Medicaid buy-in bills are the same. Minnesota's would allow people to sign up for Medicaid if they don't qualify for tax subsidies on the exchange or live in a county with only one plan. Washington's will have the agency that runs Medicaid contract directly with at least one private health insurer to offer a "qualified health coverage" plan that meets Affordable Care Act standards on the state's marketplace. It will expand subsidies to people making up to 500 percent of the federal poverty line, or \$62,450 a year, for a single person. Colorado's bill, on the other hand, is lighter on details. It directs the state's departments of Health Care Policy and Regulatory Agencies to draft a public option that would compete with private insurance plans. It's unclear whether this public option would be sold on or off the marketplace and whether it

would offer subsidies. Some say the subsidies are key. "If you don't offer tax credits, I don't think there's a super good chance for them to be competitive," says Emily Johnson, director of health policy analysis at the Colorado Health Institute. Subsidies aren't the only element of Medicaid buy-in that states would have to decide. There are many other questions surrounding eligibility, benefits and whether the federal government would greenlight their plans. If states want to offer federal tax subsidies, they may need the federal government's permission to implement Medicaid buy-in. Washington, however, won't need its approval since the state would contract with a private insurer. While the head of the Centers for Medicare and Medicaid Services, Seema Verma, reiterates that she wants to give states more health-care flexibility, she has [publicly lambasted "Medicare for all."](#) Colorado's proposal is due by November. Some observers commend the state's "pass first, figure out the details later" tactic. "It's a smart approach to complicated policy," says Straw. "It's understandable they want time to figure out what's going to work best." Both Colorado and Washington have a blue trifecta -- Democratic governors and majorities in the House and Senate. It's a level of power that Democrats have only had in Colorado since November. "This is the year to do stuff like this," says Johnson. "Also our bill is the study of the state option, not the actual design of the state option, making it a bit easier to pass." Mattie Quinn, *Governing*, May 13, 2019.

##### **5. SMALL BUSINESSES CAN BENEFIT FROM DEDUCTING VEHICLE COSTS ON THEIR TAXES:**

Businesses that use a car or other vehicle may be able to deduct the expense of operating that vehicle on their taxes. Businesses generally can use one of the two methods to figure their deductible vehicle expenses:

- Standard mileage rate
- Actual car expenses

For 2019, here are the standard mileage rates for calculating the deductible costs of operating an automobile for business, charitable, medical or moving purposes:

- 58 cents per mile driven for business use
- 20 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

Of course, business taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates. Here are some facts to help business owners understand the differences between the two methods of figuring their deductible vehicle expenses:

- Businesses that want to use the standard mileage rate for a car they own must choose to use the standard mileage rate in the first year they use the vehicle. Then, in later years, they can choose to use either the standard mileage rate or actual expenses.
- If a business wants to use the standard mileage rate for a car they lease, they must use this rate for the entire lease period.
- The business must make the choice to use the standard mileage rate by the due date of their return, including extensions. They can't revoke the choice.
- A business that qualifies to use both methods may want to figure their deduction both ways to see which gives them a larger deduction.

Here are some examples of actual car expenses that a business can deduct:

- Licenses
- Gas
- Oil
- Tolls
- Insurance
- Repairs
- Depreciation - limitations and adjustments may apply

Businesses can see [Publication 463, Travel, Gift and Car Expenses \(PDF\)](#), for a full list of actual expenses and how to calculate them. Issue Number: Tax Tip 2019-57, IRS Taxtips, May 10, 2019.

#### **6. NEW SINGLE-EMPLOYER GUARANTEE STUDY AND DATA TABLES UPDATE:**

PBGC released a new [Single-Employer Guarantee Study](#). This comprehensive study examines how well the single-employer guarantee protects pensions of participants in PBGC-trusted plans. The analysis shows that 84 percent of participants receive their full pension benefit while 16 percent see reductions. The average cutback is 24 percent for those who do receive a reduced pension. Findings of the new study are broadly comparable and support those of the 2008 study, while broadening the original study's scope and methodology. Additionally, PBGC updated the [2016 Data Tables](#) that provides detailed statistics for PBGC-insured single-employer and multiemployer plans. The tables include data that quantifies the number of people and plans that PBGC protects, the people receiving or eligible to receive benefits from PBGC and the benefits paid to them, the funded status of PBGC-protected plans, and other vital statistics. Pension Benefit Guaranty Corporation (PBGC), May 10, 2019.

## **7. GET A ONE-RING CALL? DON'T CALL BACK:**

A while back, we warned you about the [“one ring” scam](#). That’s when you get a phone call from a number you don’t know, and the call stops after just one ring. The scammer is hoping you’ll call back, because it’s really an international toll number and will appear as a charge on your phone bill — with most of the money going to the scammer. Well, the scam is back with a vengeance, and the FCC just issued a new [advisory](#) about it. Read the FCC’s advisory for more detail, but the advice from both agencies remains the same if you get one of these calls:

- Don’t call back
- Report the robocall to the FTC at [www.donotcall.gov](http://www.donotcall.gov) and to the FCC at [www.fcc.gov/complaints](http://www.fcc.gov/complaints)
- Always check your phone bill for suspicious or unusual charges

Michael Atelson, Acting Assistant Director, Division of Consumer & Business Education, Federal Trade Commission, May 7, 2019.

## **8. DID YOU KNOW BENJAMIN FRANKLIN SAID THIS?:**

A house is not a home unless it contains food and fire for the mind as well as the body.

## **9. PONDERISMS:**

If money doesn't grow on trees, then why do banks have branches?

## **10. INSPIRATIONAL QUOTES:**

Put your heart, mind, and soul into even your smallest acts. This is the secret of success. - Swami Sivananda

## **11. TODAY IN HISTORY:**

On this day in 1958, Mao Zedong starts the "Great Leap Forward" movement in China.

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

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