

Surviving shrinking Social Security checks

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You're retired. Your home value is down. Your health care costs are up. And you just found out your monthly Social Security check is about to get smaller.

For seniors across the country, the announcement this week that cost-of-living adjustments for Social Security payments are being frozen for at least two years could not have come at a worse time.

That, coupled with rising Medicare drug premiums, means lower payments for millions of seniors.

It's all the more reason why seniors need to re-evaluate their budgets. By taking advantage of seniors-only rebates and cutting out non-essentials, they can save hundreds of dollars a year, according to Dennis O'Brien, president and owner of Coastal Financial Advisors in Farmingdale.

"You could come out on top," he said.

Your Business spoke with three financial advisers: O'Brien; Peter Passalacqua, chief executive of Frontier Financial Planning in Hillsborough; and Bill Walsh, president of Hennion & Walsh in Parsippany, on what seniors living on a fixed income can do to lessen the sting of a zero-inflation increase.

Five short-term changes:

- Apply for property tax benefits. The state Homestead Rebate gives residents 65 and older a tax rebate of up to \$1,200 a year for households with income of less than \$150,000, according to Passalacqua. Another program, called the Senior Freeze, allows residents to freeze increases on real estate taxes. Municipalities also offer annual deductions of up to \$250 for seniors with household incomes of less than \$10,000, excluding Social Security benefits and government pensions.
- Apply for prescription drug rebates. The state's Pharmaceutical Assistance to the Aged and Disabled program, or PAAD, gives residents 65 and older a co-pay of \$6 for generic drugs and \$7 for brand-name drugs, Passalacqua said. Seniors must have an income of less than \$24,000 for singles, or \$30,000 for couples, and be enrolled in Medicare Part D. Some drug companies also offer special deals to seniors, but they must call the companies directly, added Passalacqua.
- Apply for utility rebates. The New Jersey Lifeline Credit Program gives PAAD recipients an annual credit of up to \$225 for gas and electric bills, Passalacqua said. Alternatively, they can apply for a monthly utility credit of up to \$18.75.
- Reduce insurance payments. Consider increasing the deductibles on your homeowner's and automobile insurance policies to decrease monthly payments, O'Brien said. If you're driving your car less than before, ask your insurance company to adjust your rate or consolidate both policies with one company to save a few bucks.
- Cut back on cable TV, internet and phone services. Drop channels you're not watching, and stay away from bundled packages that offer cable, internet and land-line services if you don't use them all, O'Brien said. If you rarely use the internet, cut the service and use library computers instead. Also, if you have a cell phone, drop the land line.

Five long-term changes:

- Give up the home and move into age-restricted housing. Moving out of a home means you do away with expensive maintenance costs, O'Brien said. Moving into age-restricted housing also means you save on transportation, since such housing is usually near mass transit. When budgeting for housing, follow the "PITI" rule, Passalacqua added: Principle, interest, taxes and insurance should comprise no more than 35 to 40 percent of total income.
- Re-evaluate your investments. Consider moving money out of low-yielding bank CDs, but don't risk it on high-yielding junk corporate bonds, either, Walsh said. Explore two types of municipal bonds: General obligation bonds, which are backed by the taxing power of the

municipality; and revenue bonds, which are funded by infrastructure projects.

- Riding mass transit can cut costs by saving on gasoline and car maintenance, according to O'Brien. Start with simple steps, like taking a bus to the grocery store.
- Earn rewards for energy efficiency. Consider upgrading appliances, windows, doors and insulation around the house, O'Brien said. Not only will you save on utility bills, but you might also be eligible for energy tax credits.
- Shop around for lower interest payments on debt. This is the best time to find and lock in lower rates for mortgages and other types of debt, Passalacqua said. Focus on finding a fixed rate loan, not an adjustable rate loan because "that's an accident waiting to happen," he said.

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