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June 30, 2023

Managing Your Money

STAN'S WORLD—SECURITY IN THE WORLD OF AI

Many years ago, a former neighbor forwarded me an email she had received. She wondered about the legitimacy of the email, and what actions she should take.

The email she forwarded was allegedly from Nigeria, explaining that she had won a lottery. To collect her winnings, she had to contact the individual who sent her the email.

I asked her if she remembered entering a lottery in Nigeria, and she replied “No.” I then suggested that any reply would trigger a subsequent email requesting a tax that she would have to pay prior to her receiving her winnings and that she would ultimately lose a lot of money and gain nothing in return. To this day, I can only hope she took my advice. Sadly, the quest to separate us from our money has only gotten worse.

To that point, I suspect you may have heard of AI, or artificial intelligence. It's the next ‘thing,’ destined, or so we're told, to change the world around us. We've all heard the upside is unlimited, with yet unknown advances in medicine and science. While the upside may be unlimited, we've already seen AI used to target victims who might fall prey to its more devious side.

Imagine how you'll react when you receive a phone call from a grandchild, child, sibling, or parent, who explains - in their own voice - that they're in desperate trouble. They answer your very detailed questions, effectively validating they are who they say they are. This isn't someone simply trying to imitate your grandson in jail, but your very real relative who needs you. And at least some of your money. Now.

Sadly, it's not your relative, but a computer-generated voice. A voice that was able to take some words spoken by your relative and convert those words into dialogue. To be clear, we're dealing with technology that has the capability to research a person's life and then speak, in his/her own voice, about friends, work, and relatives. This is a technology with the potential ability to deceive you each and every time.



STAN'S WORLD— SECURITY IN THE WORLD OF AI (CONT'D)

How do they capture someone's voice? One common way is by getting them to answer a robocall. Have you ever answered a call, said "Hello?" and received no answer? And then said "Hello? Are you there? Who is this?", waiting for someone to respond? That interaction alone can give a fraudster a good foundation (called a "voiceprint") to start recreating someone's voice.

On multiple occasions, we've written about steps you can take to minimize the likelihood that you'll be the victim of a hacker. (We're happy to share those steps again and again; just ask.) To add to those lists, here are 7 Smart Security Steps as proposed by Consumer Reports¹. Please consider adding all to your daily routine.

1. **Slow down:** The goal of a scammer is to cause panic and to get you to do something in haste that will benefit them and cause you loss. Don't respond to pop-ups, emails, or texts. Rather, call a person back on your phone, using a number in your contact list. If the message is from a bank or credit card company, go to the company's website (or a monthly statement) to get their contact number. When it comes to relatives who might 'call' as a result of an AI scam, give your family members a code word to use to verify it's them. If they're really in trouble, tell them to use that code word so you can confirm the call is legitimate. (And then call them back anyway just to make sure.)
2. **Share less of your personal info:** If you have a Facebook account, don't share all your personal information. Scammers can, and will, use it against you (or against one of your relatives).
3. **Delete old accounts:** The bigger your digital footprint, the greater the odds you'll be hacked. Delete accounts you rarely use, including bank accounts, investment accounts, and social media – essentially anything that has your contact information and requires login credentials.
4. **Allow automatic software updates:** Your virus program, for example, can't help you if you don't allow upgrades to fight the latest viruses.
5. **Double up:** When available, use multi-factor authentication. Log into your credit card account online, for example, but include a one-time code that you must enter that is texted to your phone. Using multi-factor authentication can save you from becoming a victim.
6. **Stick with safe payment methods:** If you pay a hacker with cryptocurrency, money orders, gift cards, or wire transfers, you'll never get your money back. Credit card charges can be disputed, which is the reason you should use them.
7. **Use anti-virus protection:** If you're reading this on a computer without anti-virus protection, stop reading and buy an anti-virus program. McAfee (mcafee.com) and Norton (norton.com) are good places to start.



SOCIAL SECURITY: BURSTING THE BUBBLE ON A FEW MYTHS

“Unless Congress acts to fix the program, Social Security will be unable to pay retirees full benefits starting in 2034, a year earlier than projected in 2022, according to the annual report of the Social Security Board of Trustees. ...If the trust fund is depleted, Social Security will be able to pay retirees only about 77% of their scheduled benefits...Separately, Medicare’s Board of Trustees said Medicare’s hospital trust fund has sufficient funds to cover 100% of bills until 2031, which is three years later than last year’s projection.”

| Key Findings of the 2023 Trustees Reports | Social Security | Medicare |
|--|----------------------------------|---|
| Type of benefit paid by the trust fund | Retirement and survivor benefits | In-patient hospital and post-acute care |
| Full scheduled benefits are expected to be payable until | 2033 | 2031 |
| Percentage of scheduled benefits payable at time of reserve depletion | 77%* | 89%** |

Source: Solheim, Mark. “Social Security Trust Fund Countdown.” Kiplinger’s Personal Finance, June 2023.

*The percentage of scheduled benefits payable is projected to decline to 71% by 2097.

**The percentage of scheduled benefits payable is projected to decline to 81% by 2047 before gradually increasing to 96% by 2097.

Here are five Social Security myths you may not realize are false²:

1. There are no taxes on Social Security benefits: “That hasn’t been true in nearly 40 years. Yet people still believe it...According to the Social Security Administration, about 40% of people who receive benefits must pay income tax. Income limits dictate who pays income tax on benefits and what portion of the benefits is taxable.”
2. Filing decisions are final: “(Claimants) can change their mind about filing and withdrawing within the first 12 months of collecting. This is allowed only once, and they must pay back what they collected...People who have reached their full retirement age but aren’t yet 70 can also suspend their benefits. They can earn delayed retirement credits for each month that benefits are suspended, leading to a higher benefit in the future.”
3. Every worker is eligible for Social Security benefits: “Particular railroad and government employees, including some teachers at public schools and universities, do not pay the taxes used to fund Social Security benefits and are not eligible for them.”



SOCIAL SECURITY: BURSTING THE BUBBLE ON A FEW MYTHS (CONT'D)

4. Social Security is only for people who are no longer working: “If clients collect Social Security before their full retirement age, the Social Security Administration may deduct their benefit by \$1 for every \$2 they earn over an income cap set annually (for 2023, it is \$21,240). In the year that clients reach their full retirement age, the income cap is higher (it’s set at \$56,520 in 2023), and \$1 is deducted from their benefits for every \$3 earned. Once clients reach full retirement age, there is no limit or penalty for earning income.”
5. When a spouse dies, the widowed spouse is eligible for both a survivor’s and their own benefit: “In short, there is no double dipping with Social Security.” If a spouse dies while he and his spouse are both collecting benefits from Social Security, the surviving spouse will collect the higher of the two benefits, but that’s all.

REGARDLESS OF YOUR AGE, NOW IS THE TIME TO START PLANNING YOUR RETIREMENT

Go back even one generation and you’ll find that retirement was fairly well defined. After working for perhaps 40 or so years, retirees could look forward to an additional 10 or so years of retirement. While those numbers were certainly not absolutes, retirement ages and life expectancy were fairly common. If you fast forward to today, a lot has changed, for several reasons. They include:

Life expectancy: Advances in medicine, such as greatly improved treatments for a variety of cancers, have helped to extend life expectancy. In addition, a drop in smoking, improved diets, and increased exercise have all added years to our lives.

Employment: Worker loyalty to their employer, and employer loyalty to their employees, is no longer taken for granted. The notion of working for the same employer who will take care of you ‘from cradle to grave’ is no longer a given. With multiple employers likely during a working career, neither is there a guarantee that you will either (a) be gainfully employed to age 65, and/or (b) that you will be covered by a company-funded pension.

Assuming your retirement will encompass potentially many years, one question to ask is whether you should plan to keep working after you retire from your primary career.

- “A cushion for your savings:” It never hurts to reduce withdrawals from your savings due to the cash that could be earned from a part-time job.
- “A sense of purpose: Research shows that people with a sense of purpose feel younger in retirement.”



REGARDLESS OF YOUR AGE, NOW IS THE TIME TO START PLANNING YOUR RETIREMENT (CONT'D)

- “Exercise for your brain: The University of Michigan’s Health and Retirement Study (HRS), which has been tracking participants over age 50 for decades, pretty strongly shows that continuing to work has benefits for cognition... “Learning new things – psychologists call it novelty processing - may help slow cognitive decline.”
- “Overall health: The transition to partial employment or volunteer work unrelated to your prior career also appears to be associated with fewer physical declines and better mental health.”
- “A sense of community: The Harvard Study of Adult Development has been tracking generations of families since 1938, and one of its major findings has been how much retirement well-being depends on having good-quality relationships.”
- “A chance to give back: A 2021 study of retirees in England found that volunteer work in retirement was associated with less depression and higher satisfaction and quality of life.”
- “Good times:” ...a job can be fun, especially if it provides you with a community of people that you can enjoy. A job in retirement can provide opportunities that were never available to you when your focus was on money and benefits.
- “Serving the greater good”: With so many opportunities for employment, working a job in retirement can help to serve the greater good while still providing opportunities for growth and learning.

To those who are already retired, don’t assume all the above no longer pertains to you. Publications such as the AARP Magazine³, the Wall Street Journal, and the New York Times are filled with stories about seniors who have made incredible contributions during their so-called golden years. In fact, the end of your primary career can open the door to so much more.



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S.F. Ehrlich Associates, Inc. has been providing financial advice on a fee-only, independent basis for over 25 years.

Managing Your Money is compiled entirely by Stanley F. Ehrlich and John Zeltmann.

Questions or comments are always welcome (and encouraged!).

Did we mention? If you have a friend or family member who you think might benefit from a discussion with us about financial planning and asset management, please pass along our phone number and email address. Long-term growth is not only crucial to portfolios, it's also critical to a business.

If you have a friend, co-worker, or relative who's in need of financial advice due to a pending or actual job loss, please give them our contact information. We're always glad to speak **pro bono** with people who need a hand.

CLIENTS: Please remember to contact S.F. Ehrlich if: a) there are any changes in your financial situation or investment objectives, b) you wish to impose, add or modify any reasonable restrictions to our investment management services, or c) you've changed your permanent residence.

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1 "Scam Protection Guide - 7 Smart Security Steps." Consumer Reports, Aug. 2023.

2 Dorosky, Alyson. "Five Social Security Myths That Might Be Steering Your Clients Wrong ." Financial Advisor Magazine, January/February 2023.

3 Lankford, Kimberly. "Why to Keep Working after Retirement." AARP Bulletin, June 2022.

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