

A woman with short, light-colored hair is smiling and looking towards a laptop screen. The background is a soft-focus indoor setting. A dark blue banner is overlaid at the bottom of the image, containing white text.

Social Security. What's in it for you.
Presented by Cindi Hill, Aug. 5, 2015.

Agenda.



1. The value of Social Security



2. Rules of the road

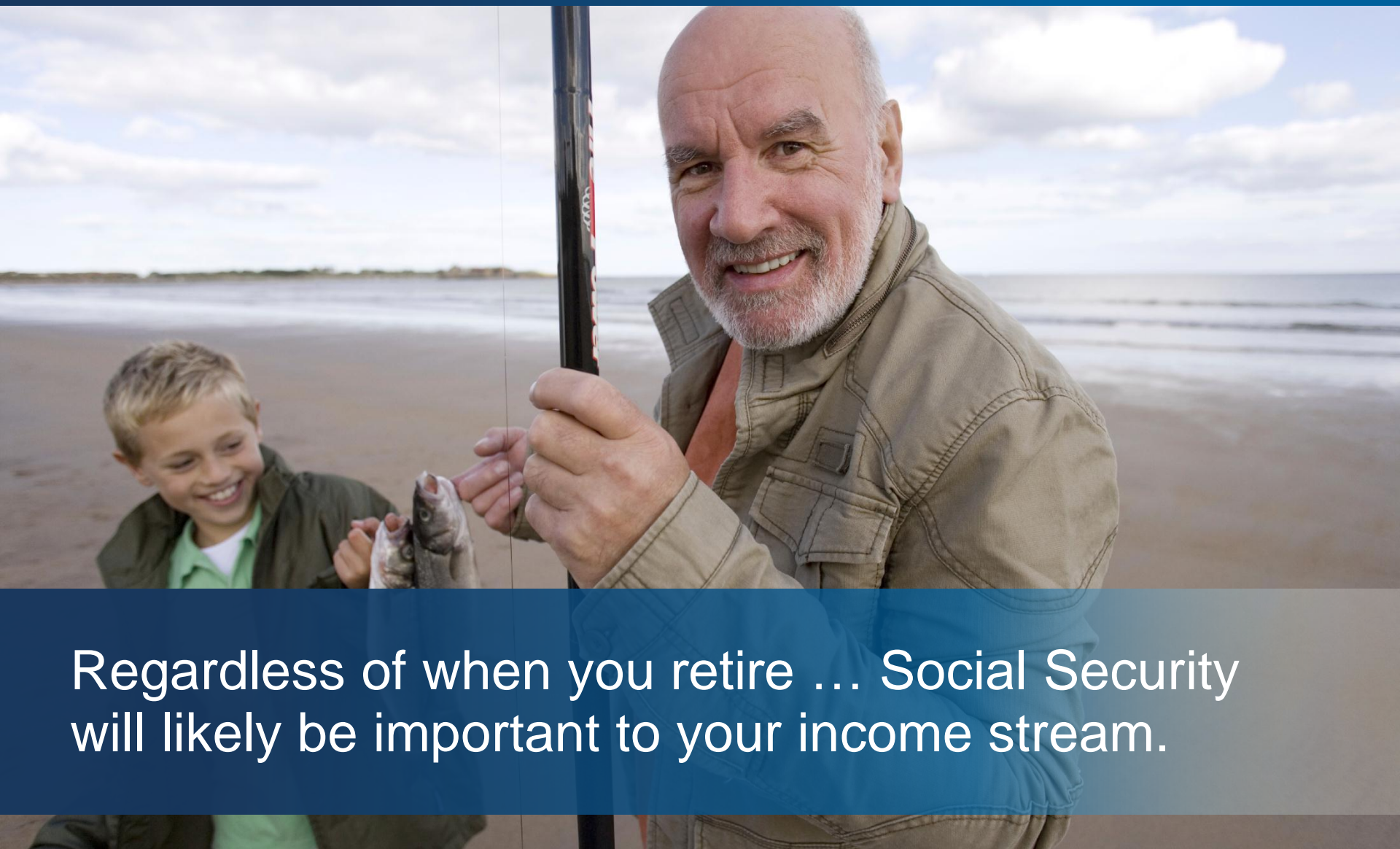


3. Ways to maximize benefits



4. Summary

What lies ahead?



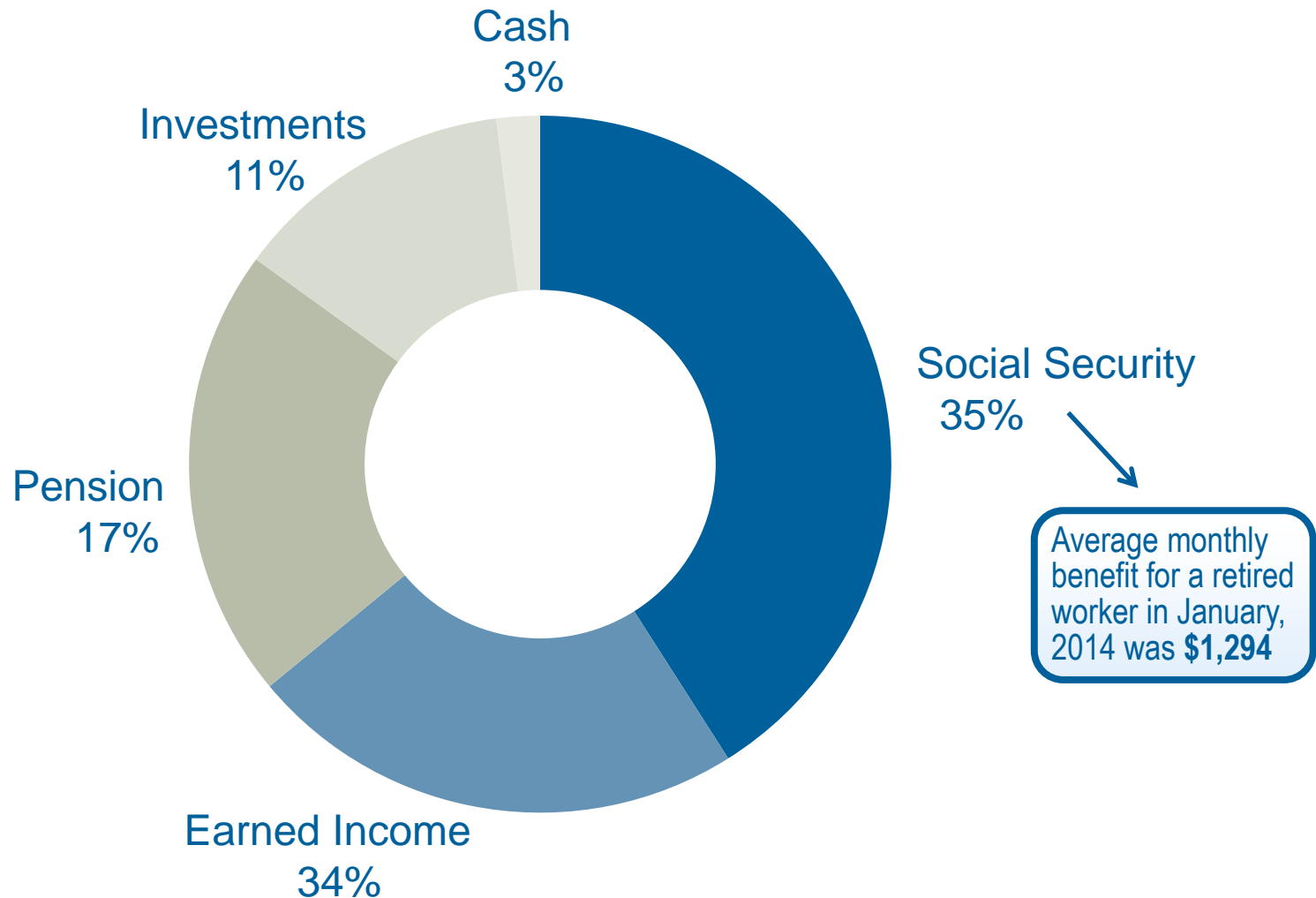
Regardless of when you retire ... Social Security will likely be important to your income stream.

Back in the day.



Established during the Great Depression
to help alleviate poverty for seniors.

Retirement income sources.



Fast Facts and Figures About Social Security, Social Security Administration, 2014

Know the facts before you apply.



Over 70% of retirees receive reduced benefits.

2014 Social Security Statistical Supplement

Knowledge is power.



Take the guess work out of drawing your benefits.

The value of Social Security.

1. Pre-determined steady income

2. Income you cannot outlive

3. Annual inflation adjustments

4. Spousal and survivor benefits

“Rules of the road.”

1. Eligibility

2. Insurance amount

3. Full retirement age

4. Start date

5. Spousal Benefits

6. Survivor benefits

7. Earnings test

8. Pension Income

9. Taxation

10. Inflation adjustments

1. Eligibility.

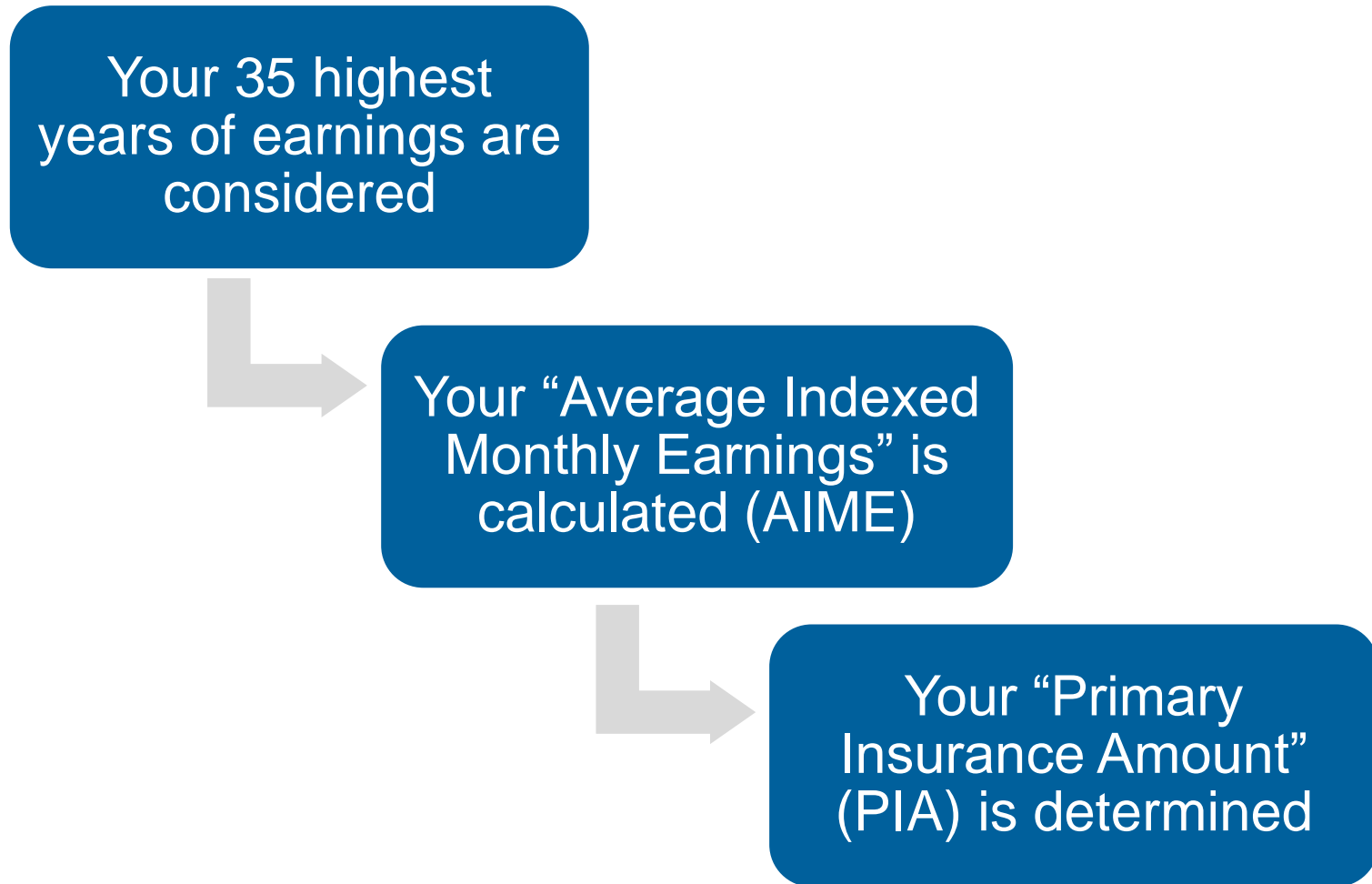


Social
Security-
covered job
for 10 years

Accumulate
40 “credits”,
at 4 credits
per year

Benefit
amount is
based on
your earnings
history

2. Insurance amount.



3. Your full retirement age.

Year of Birth	Full Retirement Age
---------------	---------------------

1937 and prior	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-54	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Those born on January 1 should use the full retirement age for the previous year.

4. Your start date.

Anyone can start receiving benefits as early as age 62.*

If you start before your full retirement age, your benefit will be **reduced**

And that **reduction** will continue for life ... your benefit won't go up once you reach full retirement age



Early Retirement

*Assumes an individual born between 1943 and 1954 with a full retirement age of 66.

Early retirement and your benefit.

Start age	Percentage applied to PIA	Reduced ongoing benefit
66	100.0%	\$2,320
65	93.3%	\$2,166
64	86.7%	\$2,011
63	80.0%	\$1,856
62	75.0%	\$1,740

Continuing our example with \$2,320 PIA at full retirement age ...

Delaying your retirement.

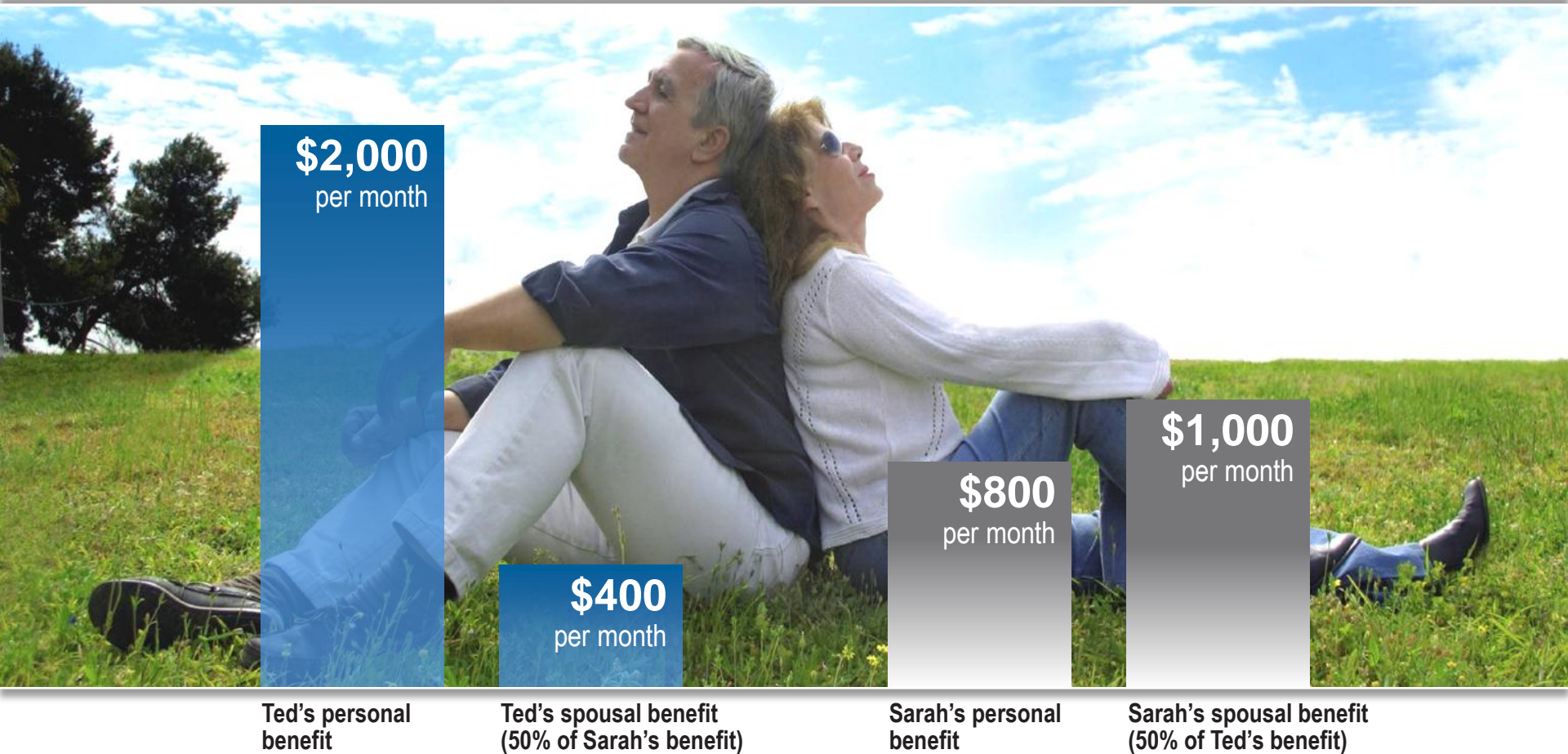


You can earn “credits” by delaying your start date for benefits. Increase your benefits by 8% per year, up to age 70.

Delayed retirement credits.

Start age	Percentage applied to PIA	Increased ongoing benefit
66	100%	\$2,320
67	108%	\$2,506
68	116%	\$2,691
69	124%	\$2,877
70	132%	\$3,062

5. Spousal benefits.



Rules for spousal benefits.

1. You're entitled to the higher of your own or your spousal benefit
2. The primary worker applies for benefits before the spouse can claim spousal benefits
3. Same age rules apply for spousal benefits
4. Delayed retirement credits not available for spousal benefits

Divorced spouses.

If you're divorced, you can claim spousal benefits as long as ...

You were married for
10 years or more

You remain unmarried

Rules for ex-spouses.

1. Same spousal benefit calculations apply for ex-spouses
2. An ex-spouse can claim benefits if divorced more than 2 years and both parties are over age 62 (even before the worker retires)
3. More than one ex-spouse can receive benefits based on the same worker's record (no one's benefits are impacted)
4. Divorced spouse benefits stop if the receiver of benefits remarries

6. Survivor benefits.

**Survivor can claim
their spouse's
benefit at death if
it's higher**

**Survivor must be at
least age 60 for
reduced benefits
(50, if disabled)**

**Couple must have
been married for at
least 9 months
(except in case of
accident)**

Ex-spouse survivor benefits are available if married over 10 years.

Continuing to work.



Claiming and retiring are not the same thing.
You can continue to work while receiving benefits.

7. Working and receiving benefits.

If you work and receive benefits before full retirement, some benefits may be withheld ...

The maximum amount you can earn before benefits are withheld is your “earnings test”, \$15,720 in 2015

Until the year you turn full retirement age, \$1 is withheld for every \$2 you earn over your “earnings test” up to \$41,880 (then it’s \$1 withheld for every \$3 earned)

At full retirement age, your benefit is increased to account for withheld benefits

8. Pension income.

1. If you receive a pension from a former employer, your Social Security benefits are not affected as long as you contributed to Social Security while at that job
2. Other income, like distributions from your IRAs and 401(k) plans, do not affect Social Security
3. If you receive a pension from a job where you didn't contribute to Social Security — and also worked 10+ years in a job where you did contribute — your benefits may be reduced

9. Taxation.

Your Social Security benefits may be taxable, depending on how much other income you earn

Single or head of household

50% taxable if \$25,000 combined income

85% taxable if \$34,000 combined income

Married, filling jointly

50% taxable if \$32,000 combined income

85% taxable if \$44,000 combined income

This is not tax advice. Consult your tax advisor.

Combined income is your adjusted gross income plus nontaxable interest plus 1/2 of your Social Security benefits

Tax information is available at www.irs.gov.

10. Inflation adjustments.

**COLA adjustments
are announced each
year in October for
the following
January**

**COLA is based on
increase in the
Consumer Price
Index (CPI)**

**With negative
inflation (deflation),
your benefit will not
decrease**

History of COLAs.

Year	COLA	Year	COLA	Year	COLA	Year	COLA
1976	8.0%	1986	3.1%	1996	2.6%	2006	4.1%
1977	6.4%	1987	1.3%	1997	2.9%	2007	3.3%
1978	5.9%	1988	4.2%	1998	2.1%	2008	2.3%
1979	6.5%	1989	4.0%	1999	1.3%	2009	5.8%
1980	9.9%	1990	4.7%	2000	2.5%	2010	0.0%
1981	14.3%	1991	5.4%	2001	3.5%	2011	0.0%
1982	11.2%	1992	3.7%	2002	2.6%	2012	3.6%
1983	7.4%	1993	3.0%	2003	1.4%	2013	1.7%
1984	3.5%	1994	2.6%	2004	2.1%	2014	1.5%
1985	3.5%	1995	2.8%	2005	2.7%	2015	2.7%

www.ssa.gov, Social Security Administration

Routes to take to maximize benefits.



Let's consider the options that could help you get more out of your social security benefits.

When should I start my benefits?



Applying for benefits at the optimal time can make a big difference.

Check your breakeven age.

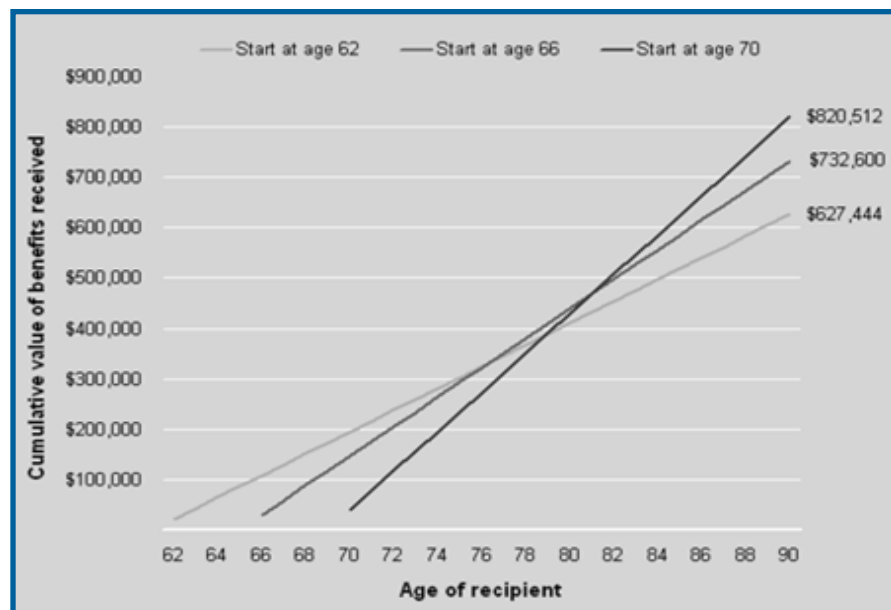


No one knows the right time for certain, but checking the breakeven crossover point may be a start – there are calculators that can help you evaluate your breakeven age

Comparing **62** to **66**, breakeven age is between ages 76 and 77

Comparing **62** to **70**, breakeven age is between ages 78 and 79

Comparing **66** to **70**, breakeven age is around 81




Coordinate benefits with your spouse.



The rules for spousal and survivor can help raise the benefits of the lower earning spouse.

File and suspend.

A photograph of a middle-aged couple standing on a wooden pier or walkway overlooking the ocean. The woman, on the left, has short brown hair and is wearing a light gray sweater. The man, on the right, has gray hair, wears glasses, a light blue button-down shirt, and a gray vest. They are both smiling and looking at each other. The background shows the ocean and a cloudy sky.

At full retirement age, higher earning spouse can claim benefits, then suspend. This allows lower earner to start spousal benefits, while higher earner builds delayed credits.

Bob and Betty, both age 66.

IF BOTH CLAIM AT 66



- ▶ Bob claims his full retirement age PIA of \$2,000 at 66



- ▶ Betty has her own PIA of \$800, but begins the higher \$1,000 spousal benefit at age 66 based on Bob's benefit



- ▶ At 66, Bob and Betty have a combined payment of \$3,000 – 20 years later at age 86, they will have received a total of \$720,000

IF BOB FILES AND SUSPENDS TO 70

- ▶ Because Bob filed for his PIA of \$2,000 at 66 but suspended it until age 70, at 70 he's earned delayed credits that increase his PIA to \$2,640

- ▶ Because Bob filed at age 66 but suspended, Betty could still begin her spousal benefit of \$1,000 at 66

- ▶ At 70, their combined payment is now \$3,640 – 20 years later Betty will have received \$240,000 and Bob \$506,880, for a total of \$746,880


Assumes no cost-of-living adjustments (COLAs).

Claim now and later.



At full retirement age, higher earning spouse can claim spousal benefits, then switch to primary benefit at age 70. Lower earning spouse must have already started their own benefit.

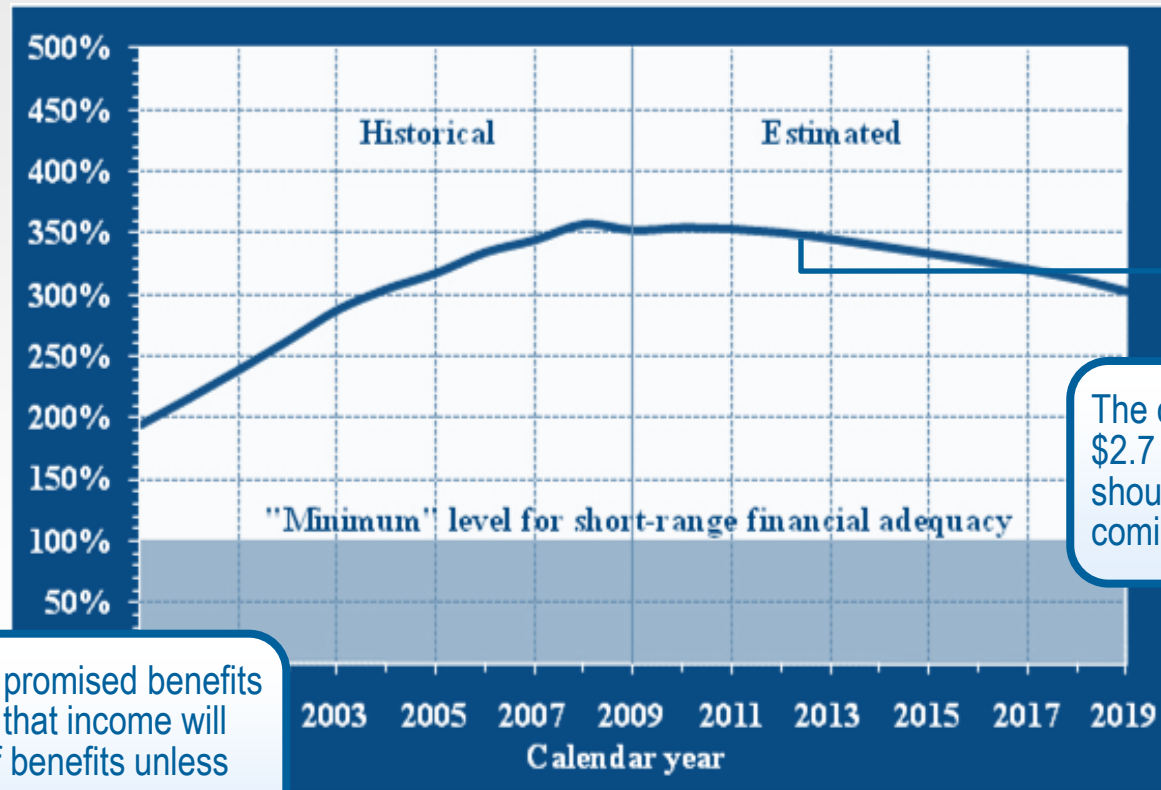
Your retirement income sources.

- 
- 1 Social Security payments from the government
 - 2 Any pension or retirement savings from your employer
 - 3 Income from your own personal savings

Will Social Security last?

Short Range Social Security Trust Fund

Assets as a percentage of annual expenditures



The fund can pay promised benefits **until 2034** – after that income will only cover 75% of benefits unless changes are made

The current trust fund holds \$2.7 trillion in reserve, which should cover benefits in the coming years

“OASDI Trustee’s Report,” Social Security Administration, 2012

Personalized support resources.



Make the most of RetireOnTarget and resources on Benefits for You.



Call the Investor Guidance Center, 800.999.8786, Mon. – Fri., 7 a.m. – 5 p.m. CT.

Thank you.

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