




Social Security. What's in it for you.
Presented by Michael Mason, March 9, 2016.

Agenda.

1. The role of Social Security
2. Understanding your benefit
3. How to maximize your benefit

What lies ahead?



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

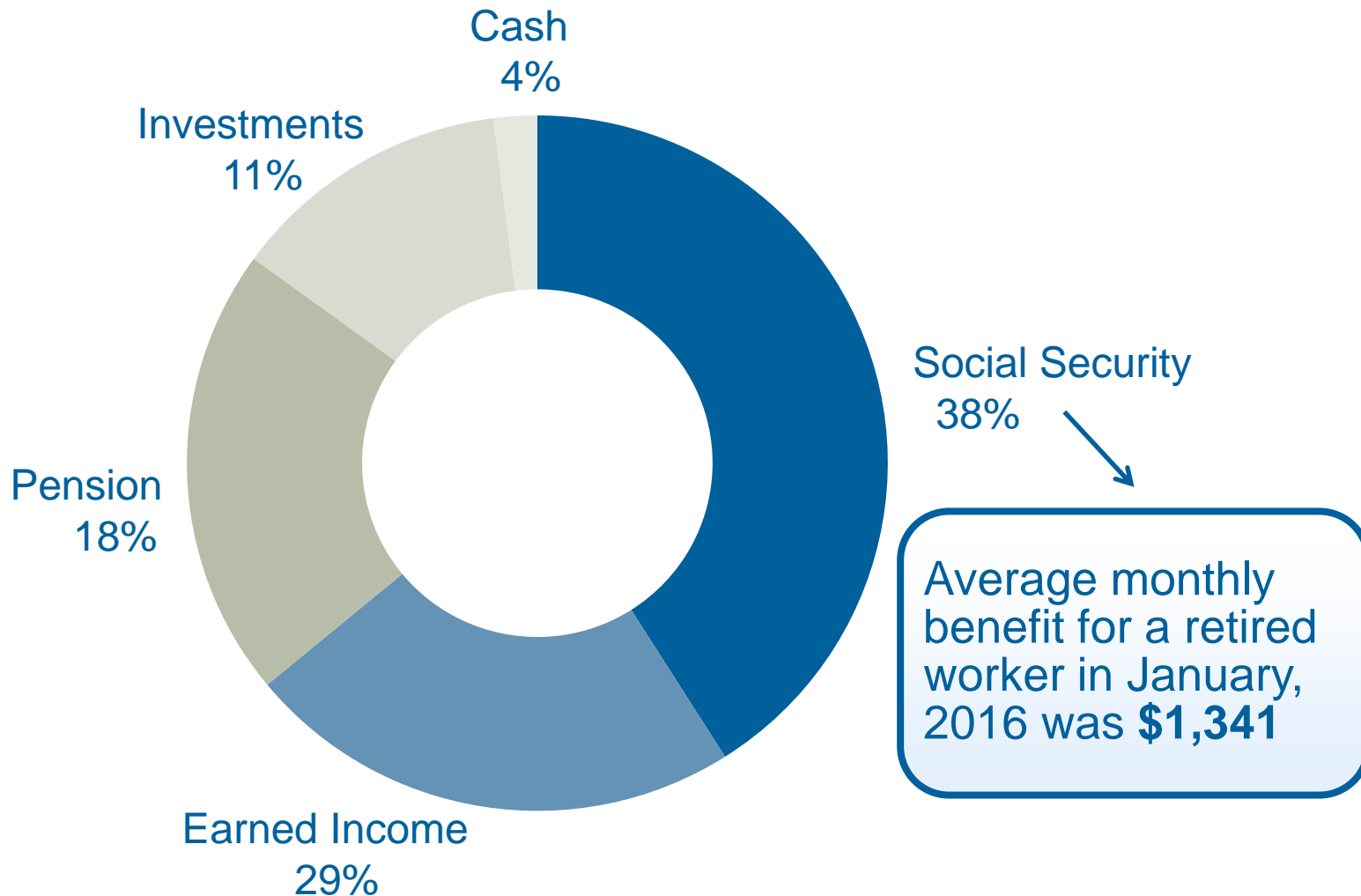
Back in the day.



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

FDR Library, courtesy of the National Archives and Records Administration

Retirement income sources.



“2015 Social Security Changes,” Social Security Administration, 2015

Know the facts before you apply.



Nearly 80% 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.

- ✓ Pre-determined steady income
- ✓ Income you cannot out live
- ✓ Annual inflation adjustments
- ✓ 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

Eligibility.

Social Security -
covered job for 10
years

Accumulate 40
credits at 4 credits
per year

Benefit amount is
based on earnings
history



Insurance amount.

35

Highest years of earnings

Your “Average Indexed Monthly Earnings” (AIME) is calculated

Your “Primary Insurance Amount” (PIA) is determined



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.

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

Full benefits available if you wait until **full retirement age**



62

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%	\$2,000
65	93.3%	\$1,866
64	86.7%	\$1,734
63	80.0%	\$1,600
62	75.0%	\$1,500

Delaying your retirement.

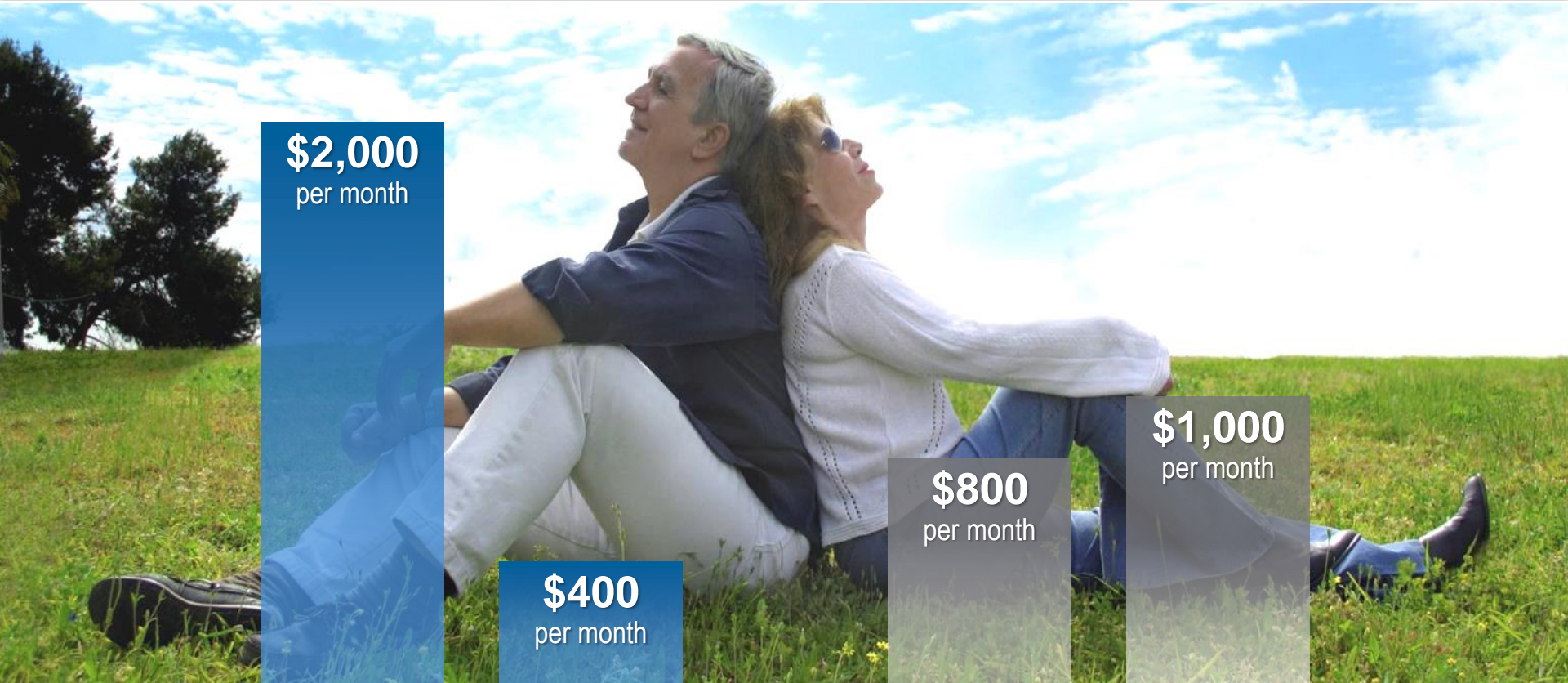
You can earn “credits” by delaying your start date for benefits. Increase your benefits by 8% per year, up to age 70.



Delayed retirement credits.

Start age	Percentage applied to PIA	Increased ongoing benefit
66	100%	\$2,000
67	108%	\$2,160
68	116%	\$2,320
69	124%	\$2,480
70	132%	\$2,640

Spousal benefits.



\$2,000
per month

\$400
per month

\$800
per month

\$1,000
per month

Ted's personal benefit

Ted's spousal benefit (50% of Sarah's benefit)

Sarah's personal benefit

Sarah's spousal benefit (50% of Ted's benefit)

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

Survivor benefits.

- A survivor can claim spouse's benefits at death if higher
- Couple must have been married for at least 9 months (except in case of accident)
- Survivor must be at least age 60 for reduced benefits (50, if disabled)



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.



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 2016
- Until the year you turn full retirement age, \$1 is withheld for every \$2 you earn over your “earnings test” (in the year of your full retirement age, \$1 is withheld for every \$3 you earn over \$41,880)
- At full retirement age, your benefit is increased to account for withheld benefits
- No benefits are withheld after reaching your full retirement age

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

Taxation depends on your income.

Single or Head of Household	Married – filling jointly
<ul style="list-style-type: none">• 50% taxable if \$25,000 combined income	<ul style="list-style-type: none">• 50% taxable if \$32,000 combined income
<ul style="list-style-type: none">• 85% taxable if \$34,000 combined income	<ul style="list-style-type: none">• 85% taxable if \$44,000 combined income

Not tax advice. Consult your tax advisor.

Combined income is adjusted gross income + non-taxable interest + half Social Security benefit

Tax information is available at www.irs.gov.

Inflation adjustment.

- COLA adjustments are announced each year in October for the following January
- With negative inflation (deflation), your benefit will not decrease
- COLA is based on increase in the Consumer Price Index (CPI)

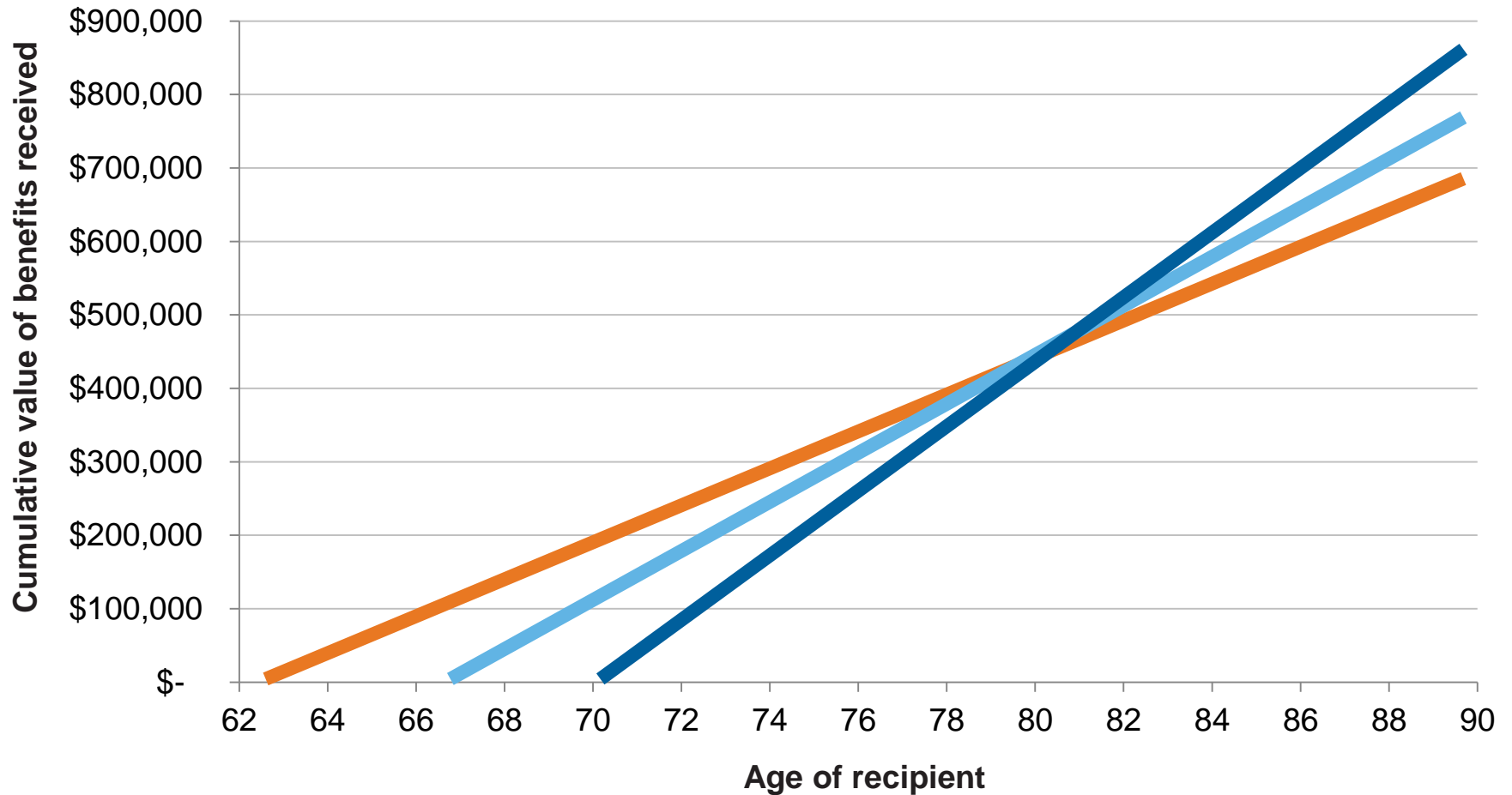


History of COLAs.

Year	COLA	Year	COLA	Year	COLA	Year	COLA
1976	8.0%	1987	1.3%	1998	2.1%	2009	5.8%
1977	6.4%	1988	4.2%	1999	1.3%	2010	0.0%
1978	5.9%	1989	4.0%	2000	2.5%	2011	0.0%
1979	6.5%	1990	4.7%	2001	3.5%	2012	3.6%
1980	9.9%	1991	5.4%	2002	2.6%	2013	1.7%
1981	14.3%	1992	3.7%	2003	1.4%	2014	1.5%
1982	11.2%	1993	3.0%	2004	2.1%	2015	1.7%
1983	7.4%	1994	2.6%	2005	2.7%	2016	0.0%
1984	3.5%	1995	2.8%	2006	4.1%		
1985	3.5%	1996	2.6%	2007	3.3%		

www.ssa.gov, Social Security Administration

Breaking even.



Source: Estimates based on data from ssa.gov, shown in today's dollars, using SSA's Quick Calculator as of May 4, 2015 for someone born May 1, 1953 with earned income equal to or greater than the maximum Social Security wage base. No cost of living adjustment is included. Time value of money is not considered in the example.

Coordinate benefits with your spouse.

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



Bob and Betty (age 66)

CLAIMING AT 66

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

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

At 66, Bob and Betty have a combined payment of \$3,000 at the end of retirement*

Total of \$840,000**

CLAIMING AT 70

Bob makes his claim at age 70, increasing his PIA to \$2,640


Betty starts receiving her benefit of \$800 at age 66 and at age 70 received the higher spousal benefit of \$1,000

At 70, the combined payment is \$3,640 at the end of retirement*

Total of \$895,680**

*Assumes Bob lives to 85 and Betty lives to 90.
**Assumes no cost-of-living adjustments (COLAs).

File and suspend.

A photograph of a middle-aged couple standing on a pier or balcony overlooking the ocean. The woman is on the left, wearing a grey sweater, and the man is on the right, wearing a light blue shirt and a grey vest. They are both smiling and looking at each other. The background shows the ocean and a railing.

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.

Claim now, claim more 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.



2016 Budget changes signed into law.

- Bipartisan Budget Act signed into law on November 2, 2015
- **File and Suspend** strategy will end around May 1, 2016
- Anyone doing **File and Suspend** at that time will be grandfathered
- The **Claim Now, Claim More Later** strategy (“restricted application”) will end for those turning 62 in 2016 or later
- For those already age 62 and older in 2016, “restricted application” is still available until 2020

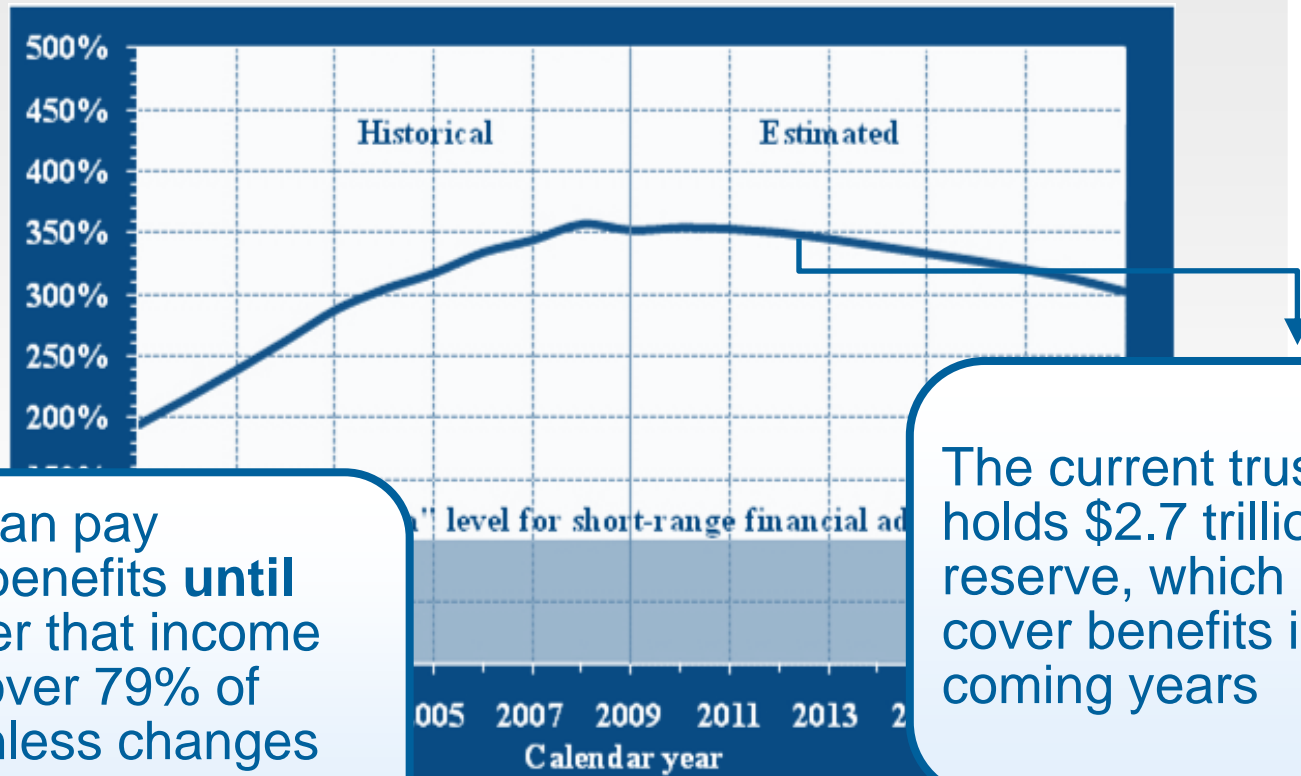
Your retirement income sources.

- 
- 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 79% 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, 2015

Help is a phone call away.

Work with your
financial advisor or
contact the Investor
Guidance Center at
800.999.8786.

(Monday through Friday,
7:00 a.m. to 6:00 p.m., CT)



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