



# A Guide to Social Security: Know Your Options; Maximize Your Benefits

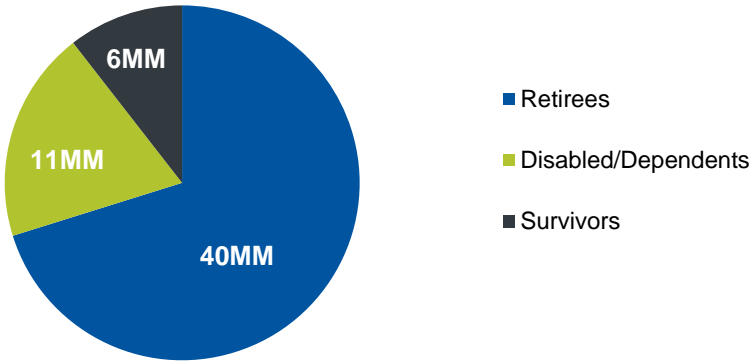
Wealth Management Services  
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## Social Security: Overview

Today there are over 57 million people collecting some form of Social Security Benefits

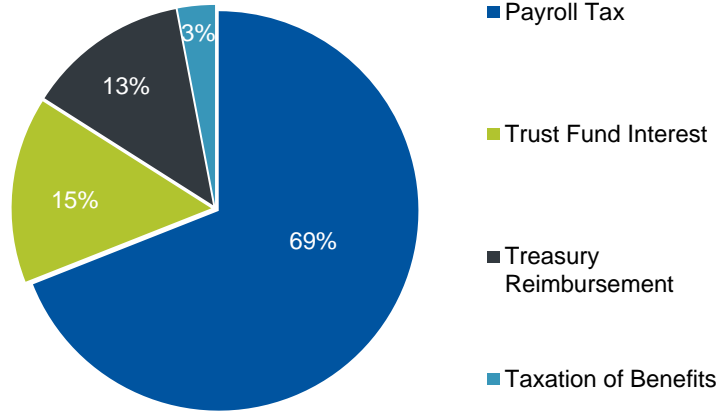
Millions of Social Security Beneficiaries



Source: ssa.gov

## Social Security: Overview

### Where does Social Security Funding Come From?



Source: ssa.gov

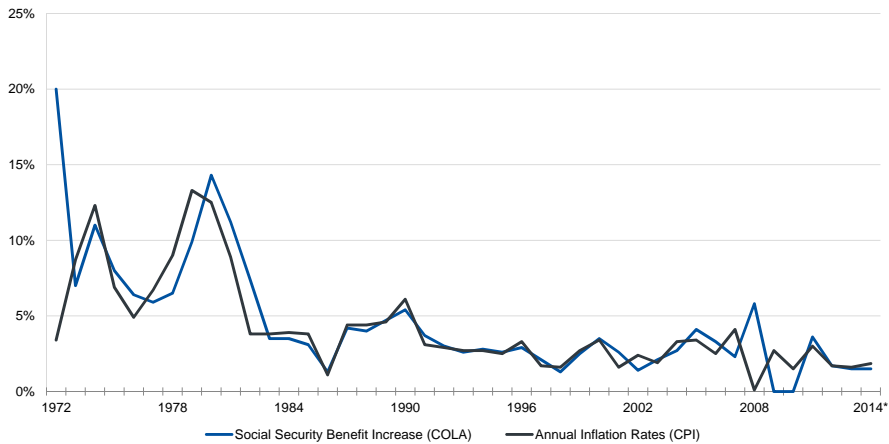
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## Social Security: Overview

### Social Security Benefit Increases

COLA and CPI: 1972- 2014



\*2013 and 2014 CPI data are Federal Reserve Bank Average Estimates  
Source: ssa.gov, Bureau of Labor Statistics

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## Social Security: Overview

### In 2014

- The taxable Social Security wage base is **\$117,000**
- Average monthly beneficiary payment: **\$1,294**
- Maximum monthly benefit at Age 62: **\$1,992**
- Maximum monthly benefit at FRA: **\$2,642**
- Maximum monthly benefit at Age 70: **\$3,425**

Source: ssa.gov.

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## Social Security: Calculating Benefits

Full Retirement and Age 62 Benefit By Year Of Birth			
Year of Birth	Full (normal) Retirement Age	At Age 62	
		The retirement benefit is reduced by	The spouse's benefit is reduced by
1943-1954	66	25.00%	30.00%
1955	66 and 2 months	25.83%	30.83%
1956	66 and 4 months	26.67%	31.67%
1957	66 and 6 months	27.50%	32.50%
1958	66 and 8 months	28.33%	33.33%
1959	66 and 10 months	29.17%	34.17%
1960 and later	67	30.00%	35.00%

The maximum benefit for the spouse is 50% of the benefit the worker would receive at full retirement age. The % reduction for the spouse should be applied after the automatic 50% reduction.

Source: ssa.gov

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## Social Security: Calculating Benefits

### Earned Income Benefit Reduction

#### 2014 Social Security Earned Income Benefit Reduction

***Until a person reaches his or her Social Security full retirement age, Social Security benefits are reduced if the recipient's earnings exceed a certain allowable limit:***

\$1 in benefits withheld for every \$2 in earnings over this limit.	\$15,480 / year
	\$1,290/ month

***The rules for calculating the work penalty are different for the year in which an individual attains full retirement age:***

\$1 in benefits withheld for every \$3 in earnings above this limit.	\$41,400 / year
	\$3,450/ month

Source: ssa.gov

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## Social Security: Qualifying to Collect

### Family benefits if primary beneficiary is deceased, retired or disabled.

#### Child if s/he is:

- Not married and under 18 (up to 19 if full time student still in H.S.)
- Disabled, not married and under 22

#### Spouse if s/he is:

- At least 62 years old (*as early as 60 if survivor*)
- Caring for a disabled child or a child under 16

#### Your Ex-Spouse if:

- S/he is not remarried
- S/he is at least 62 years old (*as early as 60 if survivor*)
- The marriage lasted at least 10 years
- Divorced at least two years

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## Social Security: Qualifying to Collect

### Who is Excluded from Coverage

- Civilian federal employees hired before January 1, 1984
- Railroad workers (who are covered under the railroad retirement system, which is coordinated with Social Security)
- Certain employees of state and local governments who are covered under their employers' retirement systems
- **Provisions To Know:**
  - Windfall Elimination Provision (Worker)
  - Government Pension Offset (Spouse/Survivor)

Source: ssa.gov

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## Social Security: Maximizing Benefits

### Retirement Options:

- **Early Retirement at 62**
- **Full Retirement Age (FRA)**
- **Delayed Retirement (Age 70)**
- **File and Suspend**
- **Restricted Application**



**Maximize**

Source: "Social Security for Dummies", Jonathan Peterson, 2012.

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## Social Security: Maximizing Benefits

### Delayed Retirement

- Delayed retirement credits are awarded up to age 70
- Your benefit will increase automatically from the time you reach your full retirement age until you start receiving your benefits or until you reach age 70

Year of Birth	Yearly Rate of Increase	Monthly Rate of Increase
1933-1934	5.5%	11/24 of 1%
1935-1936	6.0%	12/24 of 1%
1937-1938	6.5%	13/24 of 1%
1939-1940	7.0%	7/12 of 1%
1941-1942	7.5%	5/8 of 1%
1943 or later	8.0%	2/3 of 1%

Source: "Social Security for Dummies", Jonathan Peterson, 2012.

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## Social Security: Maximizing Benefits

### File and Suspend

- At FRA higher income earning spouse files for Social Security Benefits, and s/he suspends the claim
- Lower earning spouse files for spousal benefits. (Must be  $\geq 62$ )
- At age 70, higher earner claims suspended benefits at increased level

### Restricted Application

- One spouse claims spousal benefits only when s/he reaches FRA
- When s/he turns 70, switches back to their own benefits, which have grown to maximum amount due to delayed retirement credits

Source: "Social Security for Dummies", Jonathan Peterson, 2012.

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## Social Security: Maximizing Benefits

### Hypothetical Examples

#### Scenario 1 and 2:

1. John: \$2000/mo & Sally: \$1500/mo
2. John: \$2000/mo & Sally did not work

Assume life expectancy of 79 for John, 84 for Sally and both spouses are the same age.

#### Strategies:

1. Both Retire at 62
2. Both Retire at FRA
3. Both Defer to 70
4. File and Suspend
5. Restricted Application

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## Social Security: Maximizing Benefits

### Hypothetical Example: John and Sally are the same age

	Total Monthly Benefits	
	Both Spouses Work	Sally Does Not Work
Early Retirement 62/62	J: \$1,508 S: \$1,131 Total: \$2,639	J: \$1,508 S: \$704 Total: \$2,212
Full Retirement Age 66/66	J: \$2,000 S: \$1,500 Total: \$3,500	J: \$2,000 S: \$1,000 Total: \$3,000
Delayed Retirement 70/70	J: \$2,640 S: \$1,980 Total: \$4,620	J: \$2,640 S: \$1,000 Total: \$3,640
File & Suspend 66/70 & 66/70	J: \$0 / \$2,640 S: \$1,000 / \$1,980 Total: \$1,000 / \$4,620	J: \$0 / \$2,640 S: \$1,000 Total: \$1,000 / 3,640
Restricted Application 66/70 & 66	J: \$750 / \$2,640 S: \$1,500 Total: \$2,250 / \$4,140	N/A: Due to Sally not working

Calculations from ssincomeplanner.com.  
Hypothetical example for educational and illustrative purposes only.

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## Social Security: Maximizing Benefits

### Hypothetical Example: John and Sally are the same age

	Total Lifetime Benefits	
	Both Spouses Work	Sally Does Not Work
Early Retirement	\$628,836	\$541,728
Full Retirement Age	\$669,500	\$591,000
Delayed Retirement	\$661,980	\$555,160
File & Suspend	\$709,980	\$603,160
Restricted Application	\$717,660	N/A

Hypothetical example for educational and illustrative purposes only.  
Calculations from [ssincomeplanner.com](http://ssincomeplanner.com).

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## Social Security: Maximizing Benefits

### Break-Even Ages

- Break-even is the age when total Social Security income from two strategies is the same
- The calculations are highly dependent upon several variables including inflation rates, marginal tax rates and **life expectancy**
- Example:
  - Scenario #1 break-even ages comparing Full Retirement (66/66) strategy

Break Even Age	Comparison Strategy
77 & 11 months	Retire @ 62
78 & 10 months	F&S w/Restricted App
77 & 8 months	Restricted Application

Source: [ssa.gov](http://ssa.gov)

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## Social Security: Maximizing Benefits

### Request for Withdrawal of Application

- If you have applied for benefits and change your mind, complete the Request for Withdrawal Form and re-apply at a future date
- Must be less than 12 months since started collecting
- Must repay all benefits you and your family have received
- Limited to one withdrawal in your lifetime

Source: ssa.gov.

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## Next Steps

1. Spend the time to prepare a detailed social security benefit analysis.
2. Integrate detailed social security strategies into retirement income planning.
3. Review SS file for accuracy, particularly the earnings record.
4. Be prepared to defend desired strategy when filing.
5. Consider bringing a trusted advisor to your meeting with a SS agent when appropriate.

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## Resources

Social Security Administration: [www.ssa.gov](http://www.ssa.gov)

"Social Security for Dummies", Jonathan Peterson, 2012

"Social Security, Medicare & Government Pensions", Joseph Matthews, 2013

Online Calculators:

[www.ssincomeplanner.com](http://www.ssincomeplanner.com)

<http://www.maximizemysocialsecurity.com>

<http://www.ssa.gov/estimator/>

<http://www.ssa.gov/pubs/10070.html#a0=0>

<http://www.socialsecurity.gov/planners/benefitcalculators.htm>

[www.livingto100.com](http://www.livingto100.com)

[www.bluezones.com](http://www.bluezones.com)

<http://www.socialsecurity.gov/OACT/population/longevity.html>

<http://www.exrx.net/Calculators/HealthAge.html>

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