MAXIMIZING YOUR SOCIAL SECURITY BENEFITS

Claiming Strategies and Case Studies

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MAKING THE BEST CLAIMING DECISION FOR YOU

Social Security rules are extremely complex; there is a lot of misinformation out there.

Social Security is a reactive organization – not proactive.

It is your responsibility to figure out your best claiming decision.

RAYMOND JAMES

Social Security is administered by the government. It is an extremely complex pension system with numerous rules and nuances. It is not necessarily the job of the Social Security Administration to help you decide upon the best strategy for you and your family; they generally just do what you tell them without providing you with advice. Today we will educate you on the potential benefits of deferring your Social Security claiming age and also provide claiming strategies for those of you who are married, divorced, or widowed. If you fall into one of those categories, pay attention! We invite you to allow us to analyze your personal situation.

WHAT WE WILL COVER

- Social Security Basics
- Rules and Strategies for:
  - Single, Never Married
  - Spouses
  - Divorced
  - Widows and Widowers
- Social Security Bankruptcy

RAYMOND JAMES

Today you will learn how to get the most money from Social Security,
you will learn strategies that most people do not know, and
you will learn how to use Social Security to better protect your family.

You will learn how to avoid mistakes that could cost you a lot of money that you can never get back
and how to use Social Security to help you and your money not run out of money in retirement.

SOCIAL SECURITY: THE BASICS

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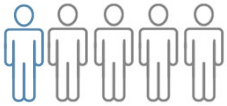
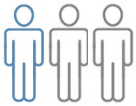
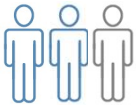
SOCIAL SECURITY AND RETIREMENT INCOME – THE BASICS



For 1 in 5 retirees, Social Security is their *only* source of retirement income.



For 1 in 3 retirees, Social Security is *90%* of their retirement income.



For 2 in 3 retirees, Social Security is more than *50%* of their retirement income.

Source: The American College

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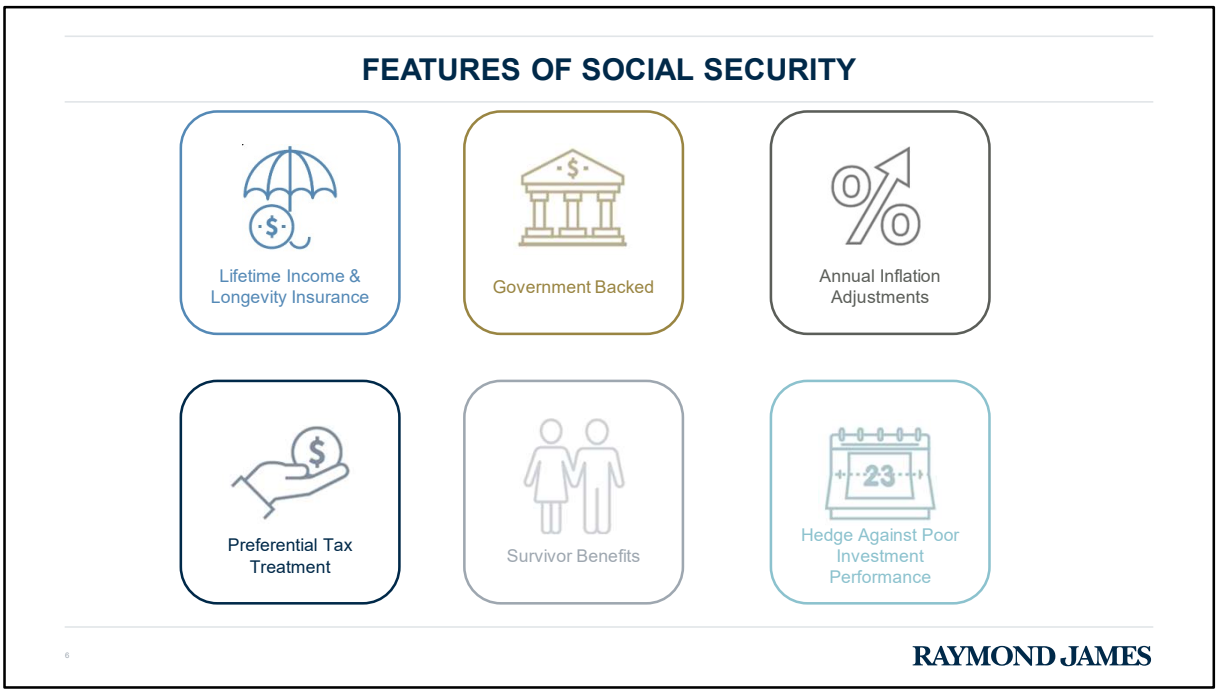
Social Security provides an incredibly large percentage of many Americans' income during retirement. Social Security was not originally designed to play this large of a role in people's retirement. However, since the time of its inception in 1940, fewer and fewer employers provide pensions. Many people now enter retirement with Social Security and whatever money they have been able to accumulate. For this reason, it is critical to make the best claiming decision.

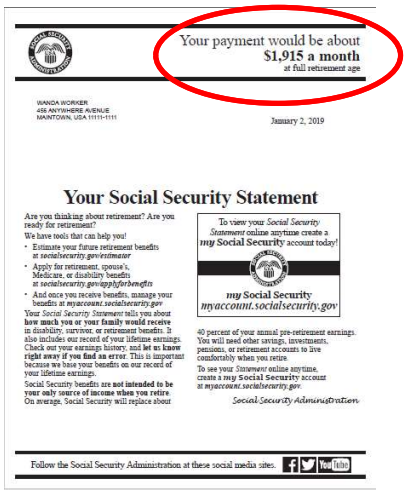
For those without pensions, the three legged stool is now just two – many people enter retirement with only Social Security and whatever money they have been able to save.

Widows, in particular, are often very dependent on Social Security



The more you understand about Social Security benefits, the more you will realize it is a great retirement income source. This slide highlights some of the main features Social Security offers and we will discuss these throughout the presentation.

SOCIAL SECURITY STATEMENT



Your payment would be about
$1,915 a month
at full retirement age

WANDA WORKER
456 ANYWHERE AVENUE
MAINTOWN, USA 11111-1111

January 2, 2019

Your Social Security Statement

Are you thinking about retirement? Are you ready for retirement?

We have tools that can help you!

- Estimate your future retirement benefits at *socialsecurity.gov/estimator*
- Apply for retirement, spouse's, Medicare, or disability benefits at *socialsecurity.gov/applyforbenefits*
- And once you receive benefits, manage your benefits at *myaccount.socialsecurity.gov*

Your *Social Security Statement* tells you about **how much you or your family would receive** in disability, survivor, or retirement benefits. It also includes our record of your lifetime earnings. Check out your earnings history, and **let us know right away if you find an error.** This is important because we base your benefits on our record of your lifetime earnings.

Social Security benefits are **not intended to be your only source of income when you retire.** On average, Social Security will replace about 40 percent of your annual pre-retirement earnings. You will need other savings, investments, pensions, or retirement accounts to live comfortably when you retire.

To view your *Statement* online anytime, create a ***my* Social Security** account at *myaccount.socialsecurity.gov*.

Social Security Administration

To view your *Social Security Statement* online anytime create a ***my* Social Security** account today!

***my* Social Security**
myaccount.socialsecurity.gov

Follow the Social Security Administration at these social media sites.

Source: SSA.gov

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Let's get started with some Social Security basics and discuss some terms we will mention throughout the presentation. The first term to get familiar with is your Primary Insurance Amount or PIA. This is the monthly amount you are eligible to start collecting at your Full Retirement Age (FRA). Your PIA is calculated based on your 35 highest earning years. The higher your 35 highest earning years, the higher your PIA. If you have less than 35 years of earnings, zero's are filled in which will lower your PIA. If you have less than 35 years of work or some years with very low earnings compared to what your currently make, you can increase your PIA by continued work.

Social Security is designed to replace a higher percentage of lower income earners retirement income; see formula that determines PIA and how it replaces only 15% of AIME over $5,397.

SOCIAL SECURITY – PRIMARY INSURANCE AMOUNT

Primary Insurance Amount

- Monthly benefit you are eligible to collect at your full retirement age (FRA)
- Determined by highest 35 earning years *(need at least 40 quarters of $1,410 of earnings or more)*
- Percentage of average monthly earnings (AIME) - indexed
- Higher earners receive smaller percentage (lower income replacement)

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SOCIAL SECURITY – PRIMARY INSURANCE AMOUNT FORMULA

Primary Insurance Amount Example Formulas:

Per Month:

90% of first $960/mo. + 32% of next $4,825/mo. + 15% over $5,785

Per Year:

90% of first $11,520/yr. + 32% of next $57,900/yr. + 15% over $69,420 up to cap

Source: SSA.gov

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Social Security is designed to replace a higher percentage of lower income earners retirement income; see formula that determines PIA and how it replaces only 15% of AIME over $5,397.

DOES IT PAY TO WORK ANOTHER YEAR?

Example

- Bill earns $60,000 from job this year.
- He does not have 35 years of working history.
- If he works this year lifetime benefits will be increased by:
- 1/35 X $60,000 X.32 =

$548/year increase

Example 2

- Bill earns $60,000 from his job this year.
- He already has 35 years of working history.
- This year replaces a $50,000 year. ($10,000 improvement in formula)
- If he works this year, lifetime benefits will be increase by:
- 1/35 X $10,000 X .32 =

$91/year increase

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SOCIAL SECURITY – THE BASICS

In 2020:

- Maximum primary insurance amount: **$3,011 per month** and **$36,132 per year**
- Employee FICA Tax: **7.65% (Self Employed 15.3%)**
  - Breaks down to 6.2% Social Security and 1.45% Medicare
- Maximum Earnings on which Social Security is taxed: **$137,700**
  - (No limit on Medicare portion)

2018 = $132,900
2008 = $102,000

- Visit: SSA.gov/myaccount to check your earnings
- Only individuals who are 60 and over, who aren't receiving benefits and who don't have a my Social Security account online receive paper statements.

Source: SSA.gov

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In 2019, the maximum amount of earnings on which workers pay Social Security taxes is $132,900. This means that someone making an inflation adjusted $132,900 for 35 years and $2M for 35 years would get the exact same amount of Social Security benefits.

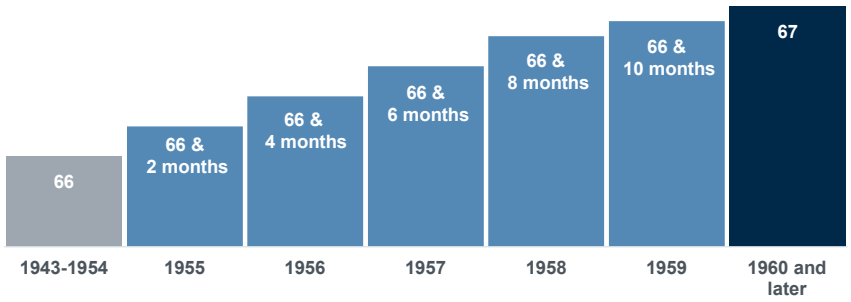
FICA stands for Federal Insurance Contribution Act and is the percentage of earnings that workers pay towards Social Security and Medicare. (discuss percentages).

Note that for 2019, the maximum amount of PIA (again, the amount one receives at full retirement age) is $34,332. It is important to check your earnings; SSA can makes mistakes!

Someone making $132,900 for 35 years (inflation adjusted) and $2M for 35 years get the exact same amount.

SOCIAL SECURITY – THE BASICS

Full Retirement Age (FRA)



Source: SSA.gov

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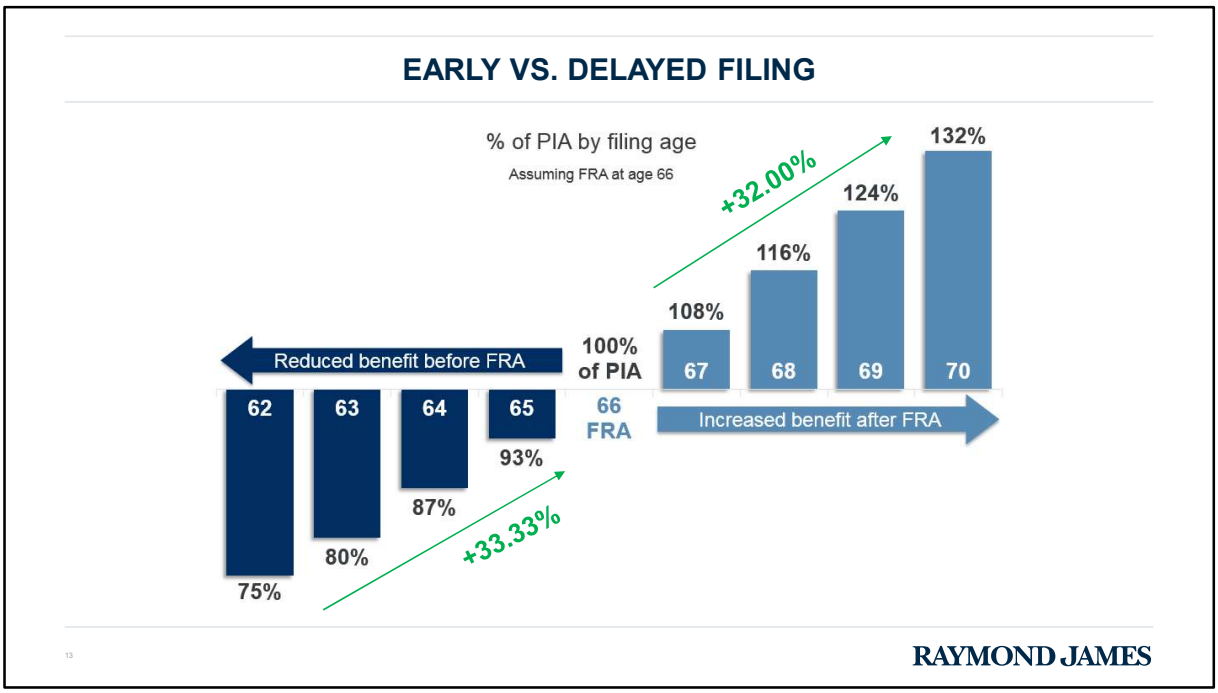
Your Full Retirement Age or FRA, is a key milestone when it comes to Social Security. As you can see on this chart, it is based on the year you were born and should be somewhere between age 66 and 67. Your FRA is when you can collect your full PIA amount, but it also has other implications that we will talk about throughout the presentation. Do not take the term Full Retirement Age too literally, because it does not determine when you should or could retire. There are many other factors aside from Social Security that influence when you truly should or could retire.



You do not have to wait until your FRA to start collecting benefits. You can claim benefits as early as age 62 (and sometimes earlier for certain situations) or as late as age 70.

If you claim benefits prior to your FRA, you will have a permanent reduction in your lifetime benefit amount. For someone who's FRA is 66 starts collecting benefits when first eligible at age 62, they will only receive 75% of their PIA which is a 25% reduction. If your FRA is 67, you would only receive 70% of your PIA amount at age 62.

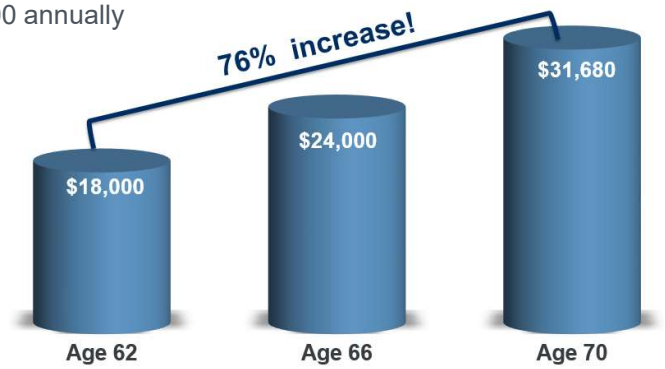
Conversely, if you decide to delay collecting benefits past your FRA, you will receive an 8% annual increase from your PIA amount until age 70, which could be as high as 132% of your PIA if FRA is 66, or 124% if your FRA is 67.

EARLY VS. DELAYED CLAIMING

FRA at age 66

PIA = $2,000 per month

$24,000 annually



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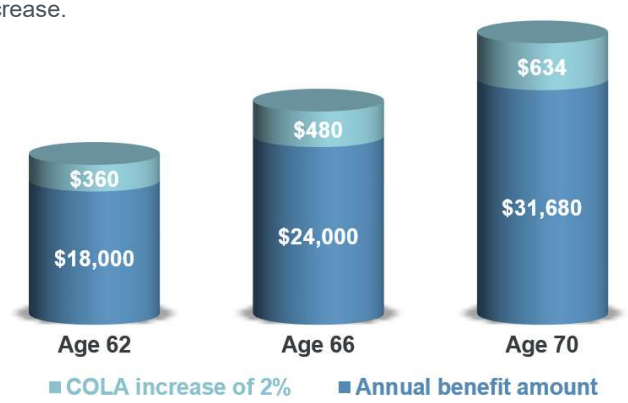
To see how big of an impact your claiming age can make in dollar terms, lets take a look at a simple example. An individual with a PIA of $2,000 per month or $24,000 per year at their FRA of 66, would receive $6,000 less per year if they claimed at age 62. If they waited till age 70, they would receive $7,680 more per year over their FRA amount, and $13,680 more per year vs claiming at 62. So as you can see, the age you decide to claim benefits, can have a significant impact on your annual retirement income.

COST OF LIVING ADJUSTMENT (COLA)

- Annual inflation adjustment to Social Security benefits
- All recipients receive the same COLA % increase, but those with higher benefits receive a larger dollar increase.



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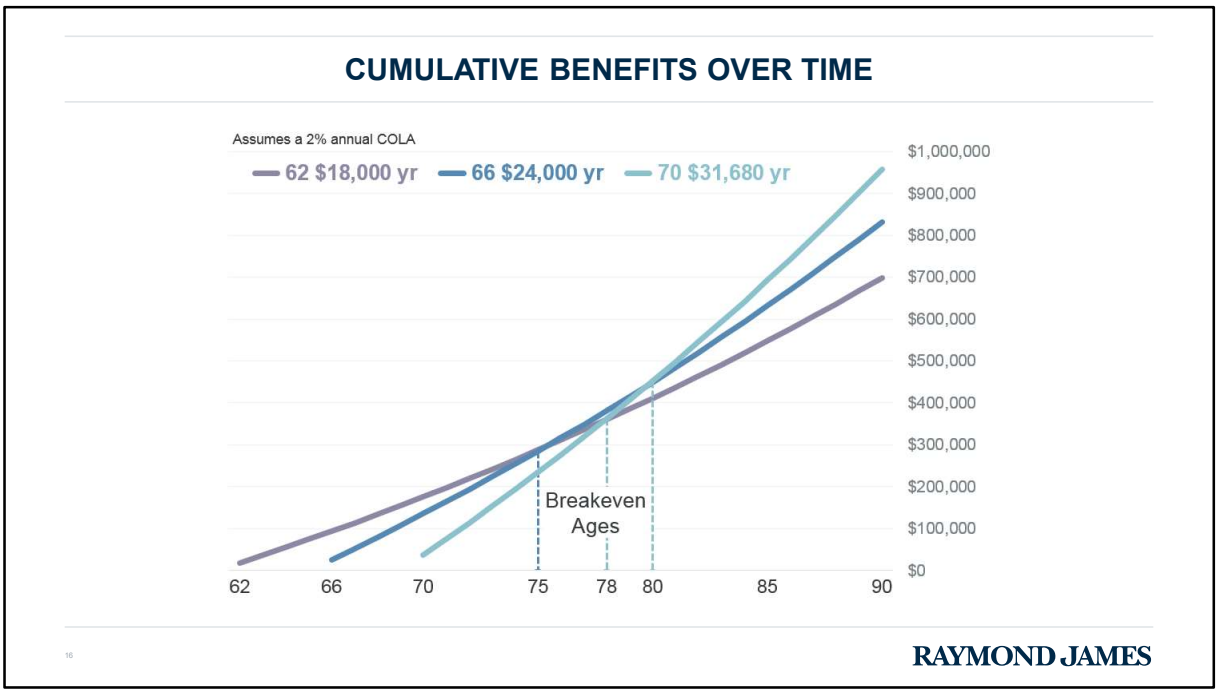
A nice advantage of Social Security retirement benefits are Cost of Living Adjustments or COLAs. A COLA is an annual inflation adjustment to your benefit amount, which is based on the increase in the Consumer Price Index-W. These annual adjustments help you maintain the purchasing power of your benefits and keep up with the price inflation of goods and services. While all recipients of Social Security receive the same annual COLA % increase, those with a larger benefit amount will receive a larger dollar increase. As you can see here, a COLA of 2% is much more at age 70 vs 62 and these COLAs can really add up over time as well. To clarify, you do not have to claim benefits to receive a COLA, they are factored into your benefits even if you have not claimed yet.



If some of you are thinking, well of course you get a higher benefit if you delay, because you'll miss out on getting payments sooner. Let's take a look at how benefits add up over time based on different claiming ages.

I'd like to highlight a few items on this chart starting with the dotted lines.

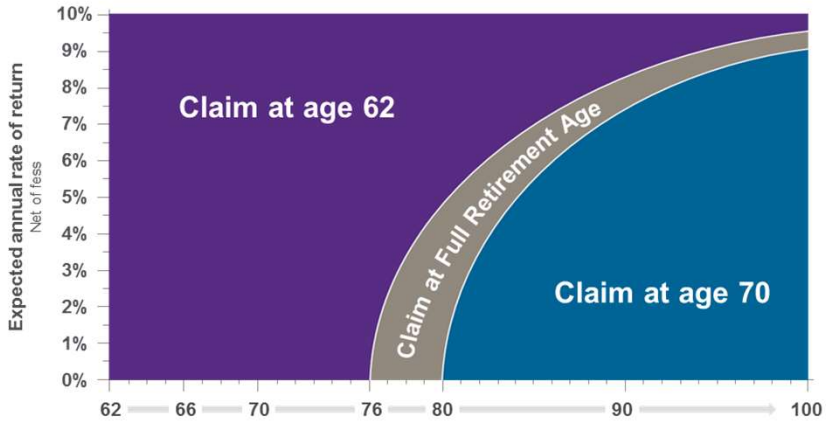
-The first dotted line at age 75 is when total benefits for claiming at age 66 surpass claiming at 62,
-the second line at age 78 is when claiming at age 70 surpasses claiming at age 62,
-and the third dotted line is when claiming at age 70 surpasses claiming at age 66.

After age 80, the differences get larger and larger each year, and by age 90 the difference in lifetime benefits is hundreds of thousands!

This is just one example and breakeven ages will vary based on many factors.

COMPARISON OF CLAIM AGE

Comparison of claim age based on an individual's expected rate of return and longevity
Color represents the claim age with the highest expected lifetime benefits



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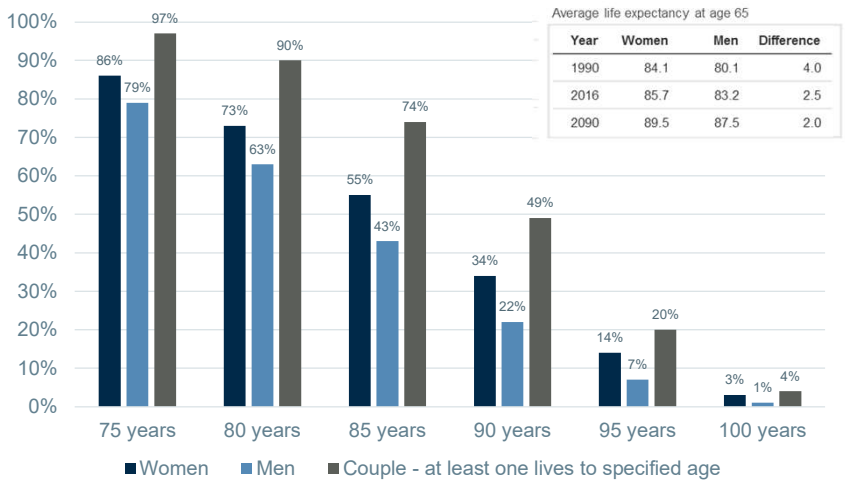
Waiting to take your Social Security benefit increases the size of your checks once you start receiving payments. This chart shows how benefit checks that are started later compare to benefit checks that are started earlier and invested. Generally, the longer you expect to live and the lower your expected investment return, the more it pays to wait to take your benefit. For example, if you expect to receive a consistent return of 5% or less after fees, and you expect to live to age 86 or longer, then you may want to consider waiting to age 70 to claim your benefits, if you are financially able to do so.

Consider Portfolio Returns and your life expectancy:

The lower your expected long-term investment return and the longer your life expectancy – the more it pays to wait to take your benefit.

THE PROBABILITY OF LIVING LONGER



Average life expectancy at age 65

Year	Women	Men	Difference
1990	84.1	80.1	4.0
2016	85.7	83.2	2.5
2090	89.5	87.5	2.0

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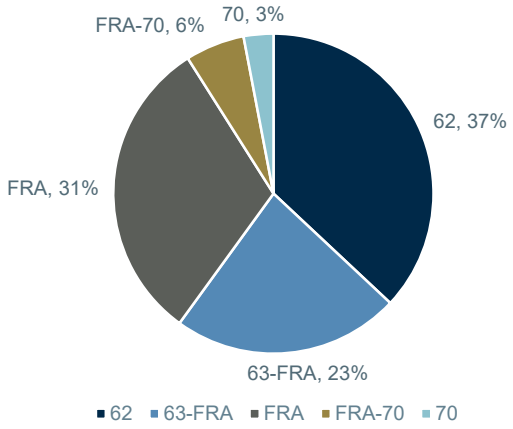
Longevity continues to increase and the odds of at least one of a couple currently age 65 living to age 90 is 49%. If longevity is in your family, delaying benefits generally makes more sense.

SOCIAL SECURITY FILING BY AGE

Most people elect to start receiving benefits early and thus take a lesser amount.



[1] *Source: SS Supplement 2015. Table 6.B5, Social Security Administration, 2014 calendar year.* [2] *FRA = Full retirement age. For this data, FRA is 66.*

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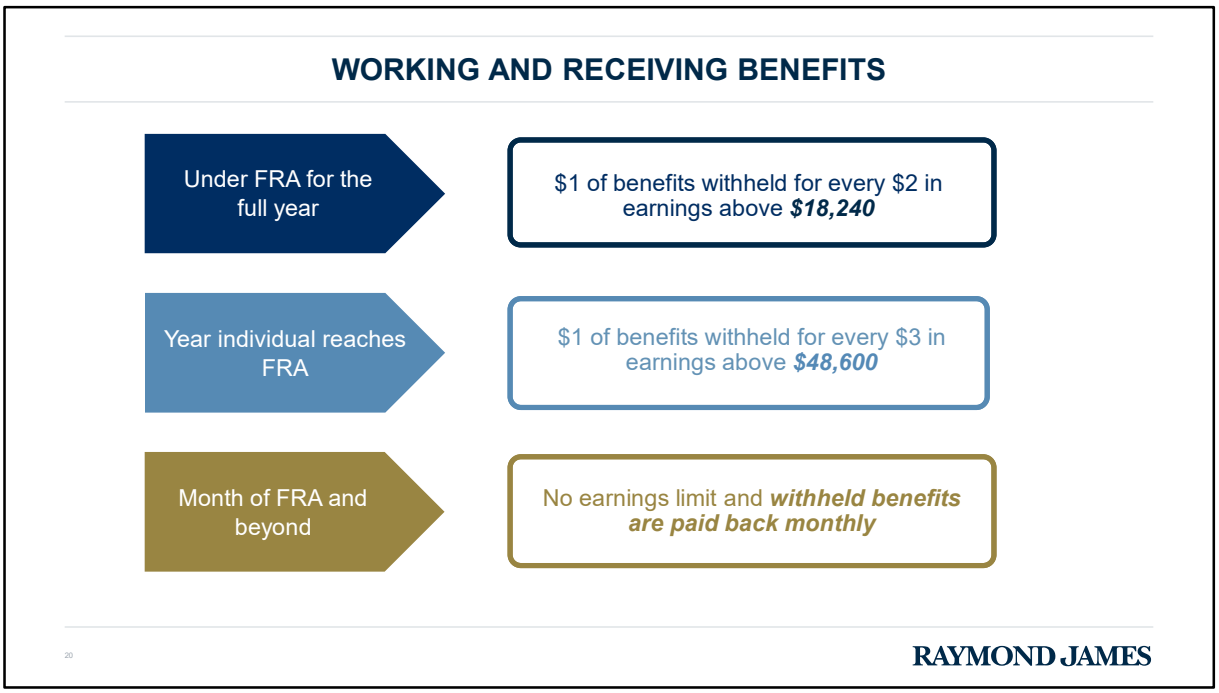
Despite the impressive growth rate of benefits from age 62 to age 70, most people elect to start receiving benefits early. Let's take a closer look at whether that is a good idea or not.



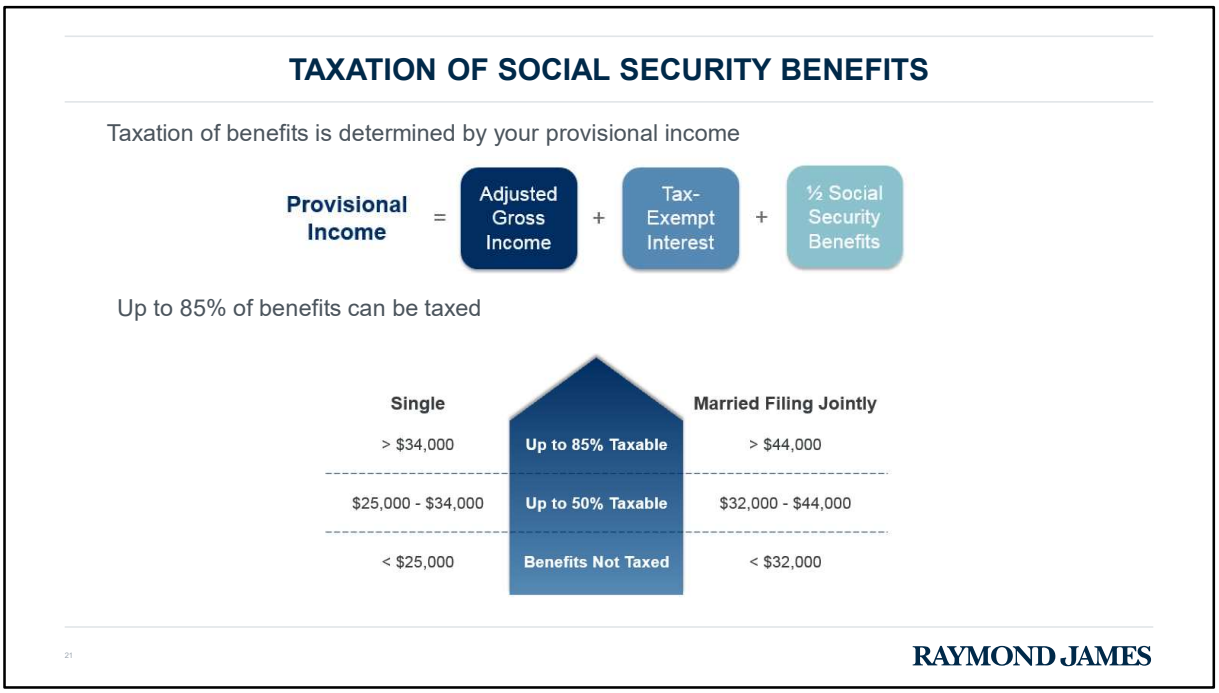
If you claim benefits prior to your FRA and you are still working, Social Security could actually withhold a portion, or even all of your benefits! It depends on if your earnings exceed certain thresholds.

For years prior to FRA, if you earn more than the earnings limit of (<u>$17,640 in 2019</u>), you will have $1 of benefits withheld for every $2 earned over that threshold.

For the year in which you reach full retirement age, a higher earning limit of (<u>$46,920 in 2019)</u> applies and you will have $1 in benefits withheld for every $3 in earnings over the threshold.

If you have benefits withheld, Social Security adjusts your benefit amount at full retirement age to start paying you back for the amount that was withheld on a monthly basis. It is a common misconception that the benefits are permanently lost when withheld due to the earnings test; they are not. It is basically a forced suspension of benefits".

As you can see, claiming early if you are still working is not always a good decision, especially if you will have a large portion of your benefits withheld.



Taxation of Social Security benefits depends your Provisional Income, see the calculation here. For the most part, your provisional income includes all sources of income you have except for Roth IRA or Roth 401K withdrawals, withdrawals from cash balance life insurance, and certain types of deferred annuity income. If you notice, only half of your Social Security benefits are included in your provisional income, making it a more favorable source of income from a tax perspective and I'll explain why.

If your provisional income falls below the first threshold on this chart, your benefits are tax-free, which is a good deal.
If your provisional income exceeds the first threshold, up to 50% of your benefits could be taxed.
And if your provisional income exceed the 2rd threshold up to 85% of your benefits could be taxed.

However, even if you exceed one of these thresholds, it does not mean your benefits are instantly taxed at 50% or 85%.
Social Security income is tax-efficient in two ways:

- Only half of benefits are counted in your provisional income
- At most, 85% of benefits are taxed which is still better than many other forms of income which are fully taxed(like traditional IRA's, earnings, taxable bond interest)

To relieve the burden of having to pay out taxes on April 15, you may opt to have income taxes withheld from your Social Security benefits throughout the year.

CLAIMING STRATEGIES

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CASE STUDY #1

Mary

- Single, 62 years old, never married
- Retired
- Assume live to 90
- Mary's primary insurance amount is $20,000

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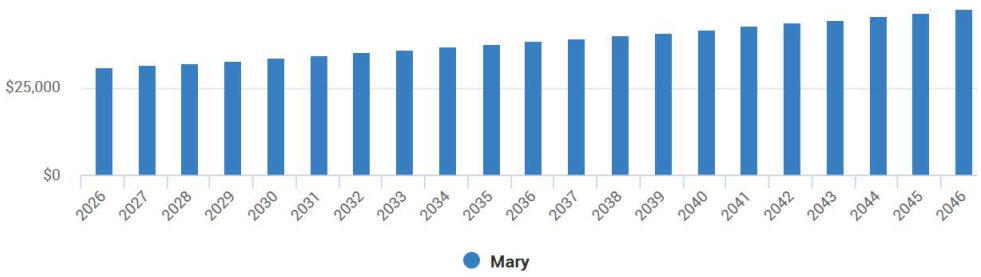
Let's look at our first case study (go over information of case).

CASE STUDY #1



Year	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Ages/Event	70	71	72	73	74	75	76	77	78	79
Mary	$30,786	$31,463	$32,155	$32,862	$33,585	$34,324	$35,079	$35,851	$36,640	$37,446

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As with each case we analyze, we start by inputting Mary's case into our Social Security calculator. Because of Mary's assumed mortality age of 90, our calculator says the best strategy, purely mathematically, is for her to delay taking benefits until age 70. At that time, assuming a 2.2% COLA, her benefit will be approximately $30,786.

CASE STUDY #1

	Strategy Used in Scenario	As Soon As Possible	At Retirement	At FRA	At Age 70
Start age Mary	70	62	62	66	70
First year benefit Mary	$25,867	$14,917	$14,917	$20,000	$25,867
Total lifetime benefit (in current dollars)	$543,200	$432,583	$432,583	$500,000	$543,200
Break Even Point Mary	79	N/A	N/A	76	79
	Detail	Detail	Detail	Detail	Detail

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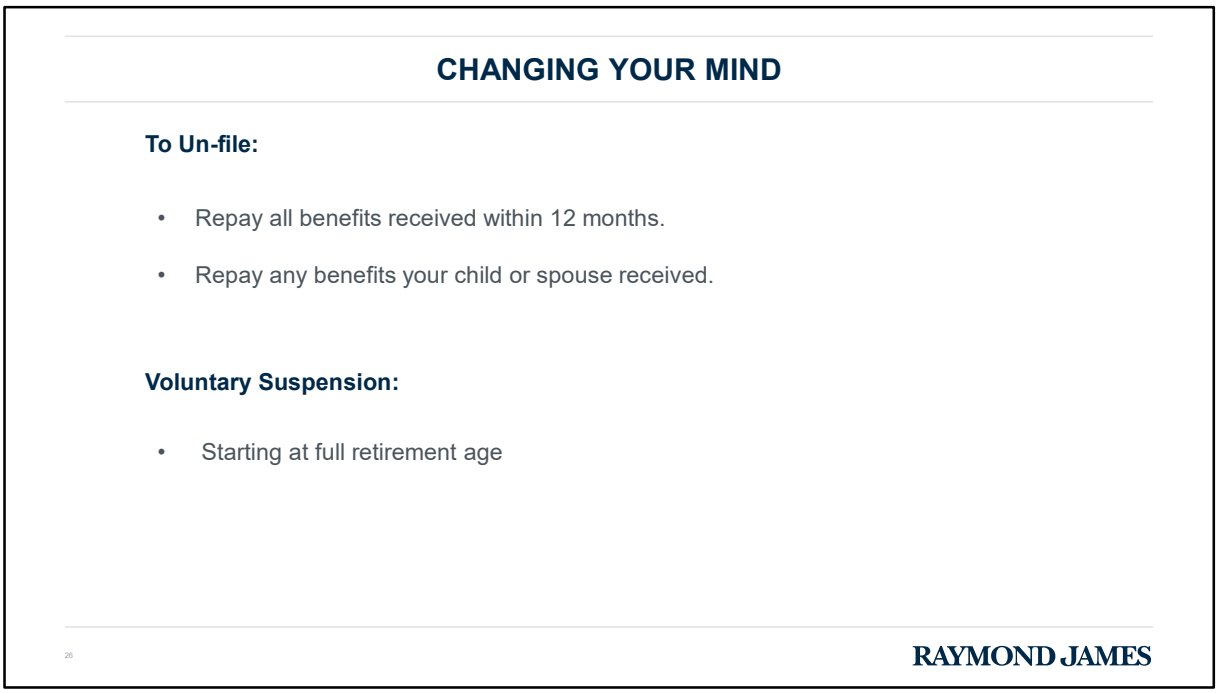
This chart shows that if Mary starts her benefits at age 70 and lives until age 90, she will receive $543,200 in lifetime benefits. If she were to start benefits at age 62, she would receive $432,583 and at age 66, $500,000. Also note the breakeven ages of 79 and 76.



If you file for Social Security then change your mind about receiving benefits just yet, you can withdraw your application up to 12 months after the time you filed for benefits. But there's a catch. You must pay back any benefits you received in the interim, as well as any benefits your child or spouse received based on your earnings record.

2. What was the loophole? As described above, retirement benefits grow for each month you delay claiming, between full retirement age (currently 66) and 70. A loophole allowed a worker at full retirement age or older to apply for retirement benefits and then voluntarily suspend payment of those retirement benefits, which allowed a spousal benefit to be paid to his or her spouse while the worker was not collecting retirement benefits. The worker would then restart his or her retirement benefits later, for example at age 70, with an increase for every month retirement benefits were suspended.
How is the law changing? Under the new law, you can still voluntarily suspend benefit payments at your full retirement age (currently 66) in order to earn higher benefits for delaying. But during a voluntary suspension, other benefits payable on your record, such as benefits to your spouse, are also suspended. And, if you have suspended your benefits, you cannot continue receiving other benefits (such as spousal benefits) on another person's record.

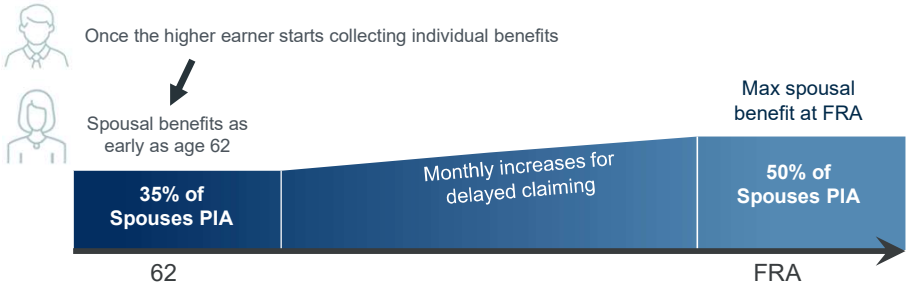
If you do elect to voluntarily suspend your benefits, you would need to pay your

Medicare premiums during the period of suspension out of pocket.

SPOUSAL BENEFITS

Married individuals can collect Social Security on their spouses' earning record if:

- Married for at least one year
- At least age 62 (unless caring for a child under age 16 or who is disabled)
- **The other spouse has started collecting their individual benefits**
- Always based on the **PIA** of the spouse who has already filed



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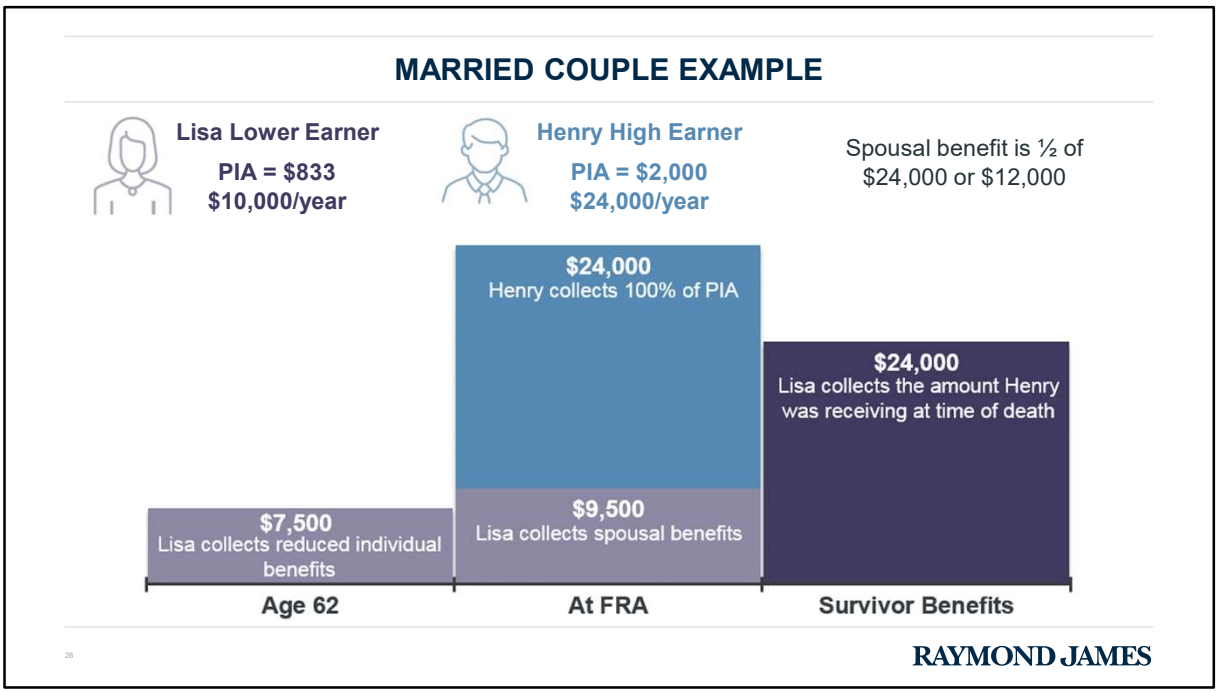
Let's transition now to Social Security for married couples. This is where things can get a little more complex but the concepts are extremely important to understand so you do not overlook any options that are available to you

Spousal benefits are valuable for couples if one spouse does not qualify for individual benefits, if they have a much lower PIA amount (less than 50% of the higher earners PIA) or if restricted application is an option, which we will discuss in more detail later.

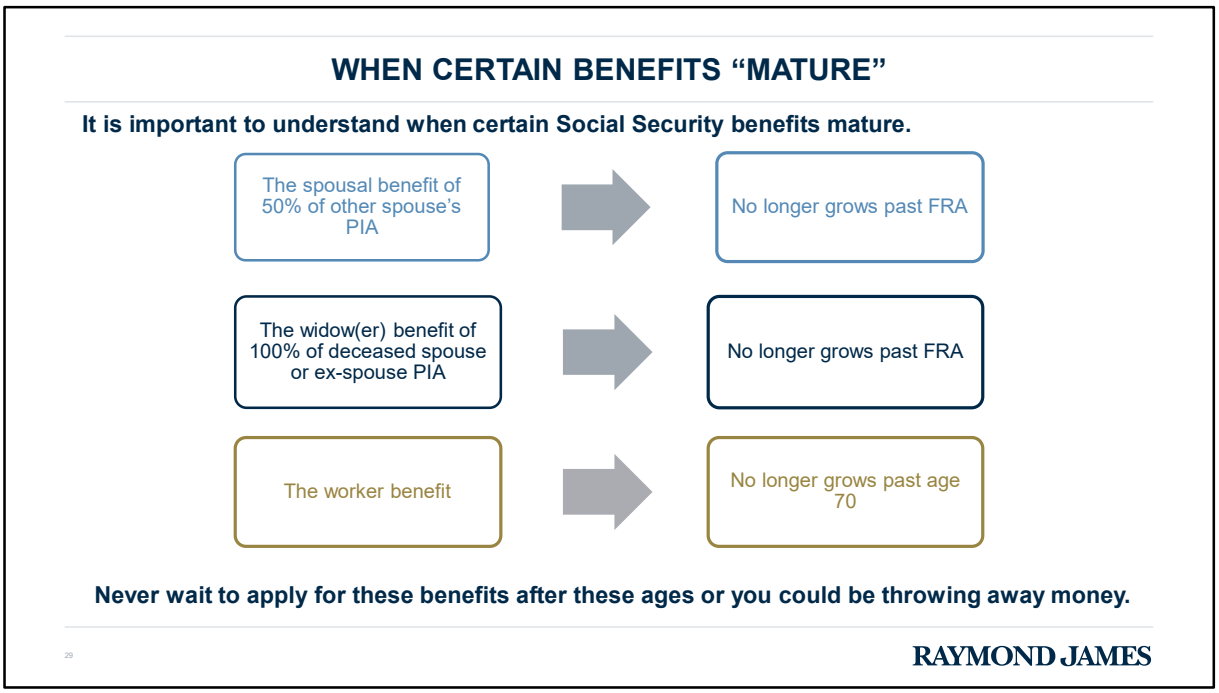
Married individuals are eligible to claim spousal benefits, which are benefits based on the other spouse's earnings history, if:
-they have been married for at least one year
-at least age 62
-And most importantly, the spouse whose earning record is being collected on, must have started receiving their individual Social Security benefits

The maximum spousal benefit that can be received is 50% of the other spouse's PIA amount, which is achieved by waiting until FRA to collect spousal benefits. Spousal benefits can be available as early as age 62 but will be reduced for each month prior to FRA. The minimum spousal amount at age 62 is 32.5% (FRA 67) -

35% (FRA66) of the other spouses PIA.



In this example, Lisa collects as soon as she is eligible at age 62, and will receive 75% of her PIA, or $7,500/yr. Henry then collects at FRA(66), and receives his full PIA. When Henry starts collecting his benefits, this allows Lisa to get a spousal benefit increase. Then if Lisa survives Henry, she can step up into the benefit Henry was entitled to.



It is important to note the age of "maturity" for certain benefits and be certain not to delay taking benefits past the respective maturity ages.

FILE AND SUSPEND AND RESTRICTED APPLICATION

- As of April 30, 2016, the strategy known as "File and Suspend" is gone.
- "Restricted Application" concept lives on.

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RAYMOND JAMES

1. If you file for Social Security then change your mind about receiving benefits just yet, you can withdraw your application up to 12 months after the time you filed for benefits. But there's a catch. You must pay back any benefits you received in the interim, as well as any benefits your child or spouse received based on your earnings record.

2. What was the loophole? As described above, retirement benefits grow for each month you delay claiming, between full retirement age (currently 66) and 70. A loophole allowed a worker at full retirement age or older to apply for retirement benefits and then voluntarily suspend payment of those retirement benefits, which allowed a spousal benefit to be paid to his or her spouse while the worker was not collecting retirement benefits. The worker would then restart his or her retirement benefits later, for example at age 70, with an increase for every month retirement benefits were suspended.
How is the law changing? Under the new law, you can still voluntarily suspend benefit payments at your full retirement age (currently 66) in order to earn higher benefits for delaying. But during a voluntary suspension, other benefits payable on your record, such as benefits to your spouse, are also suspended. And, if you have suspended your benefits, you cannot continue receiving other benefits (such as spousal benefits) on another person's record.

If you do elect to voluntarily suspend your benefits, you would need to pay your

Medicare premiums during the period of suspension out of pocket.

SPOUSAL BENEFITS - "RESTRICTED APPLICATION"

Make a note:

- The spouse taking the restricted application should switch over to fully maximized work record benefit at age 70.
- **This does not happen automatically!**

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RAYMOND JAMES

In 2015, Congress eliminated two strategies that married individuals could use to increase their benefits. However if anyone turned 62 prior to 2016, you still have access to a strategy known as Restricted Application.

CASE STUDY #2- RESTRICTED APPLICATION

Kathy and Ken

- Married
- Both age 66 (birthdates of 12/1/53)
- Retired, Assume live to 90
- Ken's primary insurance amount is $30,000
- Kathy's primary insurance amount is $10,000

Restricted application opportunity:

- Kathy files for SS, Ken files a restricted application for spousal benefits.
- At 70, Ken files for his maximized benefit amount and Kathy must also file for spousal benefits on Ken.

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RAYMOND JAMES

Let's look at a case study for restricted application. If you or your spouse were born before 1/1/54 and have not yet filed for benefits, note that this strategy could be the best one for you.

CASE STUDY #2

Year	2019	2020	2021	2022	2023	2024	2025	2026	
Ages/Event	66 / 66	67 / 67	68 / 68	69 / 69	70 / 70	71 / 71	72 / 72	73 / 73	
Ken	$5,110	$5,222	$5,337	$5,455	$44,152	$45,123	$46,116	$47,131	$
Kathy	$10,220	$10,445	$10,675	$10,909	$16,724	$17,092	$17,468	$17,852	$

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RAYMOND JAMES

For Ken and Kathy, let's look at the numbers of what restricted application would look like. The calculator says this is the winning strategy. At her FRA of 66, Kathy will file for her worker benefits and Ken will file a restricted application for spousal benefits only. At age 70, Ken will switch over to his maximized worker benefits and Kathy needs to file for spousal benefits off Ken's record. Note how large Ken's benefit grew to and how he was "paid to wait" from age 66 to 70. Ken's large benefit is also great widow protection for Kathy.

CASE STUDY #2

Social Security Strategy	1 Strategy Used in Scenario	2 As Soon As Possible	3 At Retirement	4 At FRA	5 At Age 70	6 Ken begins at age 70 and Kathy begins at FRA
Start age						
Ken	70	64	64	66	70	70
Kathy	66	64	64	66	70	66
First year benefit						
Ken	$5,000	$27,833	$27,833	$30,000	$39,600	$39,600
Kathy	$10,000	$13,861	$13,861	$15,000	$15,000	$10,000
Total lifetime benefit (in current dollars)	$1,206,600	$1,084,056	$1,084,056	$1,125,000	$1,146,600	$1,186,600

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RAYMOND JAMES

Note the difference in total lifetime benefits of the restricted application strategy vs. other claiming strategy ages.

CASE STUDY #3 - RESTRICTED APPLICATION

Diane and Mark

- Married
- Mark is 67 and Diane is 62

- Retired
- Assume live to 90

- Mark's PIA is $30,000
- Diane's PIA is $10,000

- Diane filed at 62
- Mark is waiting until age 70

Mark needs to file a restricted application or he will forego receiving ½ of Diane's PIA for 3 years.

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RAYMOND JAMES

In this case study, Kathy has already filed for her benefits and Ken is waiting until age 70 to get his benefit as large as possible. Ken needs to file for a restricted application for spousal benefits on Kathy's record or he will simply forego the money he would have received. You will not be alerted by SSA that you are missing out – you have to tell them what to do.

THE SIX MONTH RETROACTIVE CHECK

- **Available after full retirement age**
- **Can assist if you wait too long to file**
- **For example:**
  - You wanted to file at 70 but forgot for six months – they will pay you back for up to six months of lost benefits
- **Be careful though, it might permanently reduce your benefits.**
- **For example:**
  - You wanted to file at 70 but when you try, they offer you a check for the last six month's worth of benefits
    - You will permanently reduce your lifetime benefits by 4% (your age 69 ½ benefit amount)

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RAYMOND JAMES

You may be wondering what retroactive benefits are and why they exist. The purpose of retroactive benefits is to allow people who have missed their planned filing date to push back their retirement date by up to six months. Most people do not use retroactive benefits in line with their original purpose. They find out it's available to them when they file for benefits after full retirement age, and the lure of a lump sum payment becomes very tempting.

Retroactive benefits comprise a one-time payment the Social Security Administration (SSA) will send you when you delay filing for retirement benefits beyond your full retirement age. In other words, when you file for benefits after your full retirement age, you can choose to be paid a lump sum for the months that occurred between your full retirement age and your filing date.

CASE STUDY #4 – SPOUSAL – NO RESTRICTED APPLICATION

Katie and Rick

- Married
- Both 65 (birthdates of 12/1/54)

- Retired
- Assume live to 90

- Rick's PIA is $30,000
- Katie's PIA is $0

- Rick has decided to wait until 70
- Katie must also wait until age 70 for spousal.

- Now that "File and Suspend" is gone, both spouses must wait together in this case

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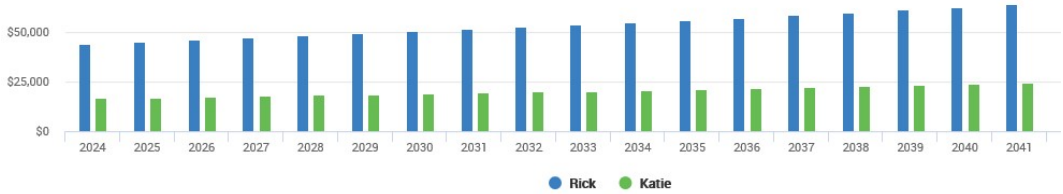
RAYMOND JAMES

Let's look at a case study for restricted application. If you or your spouse were born before 1/1/54 and have not yet filed for benefits, note that this strategy could be the best one for you.

CASE STUDY #4 – SPOUSAL – NO RESTRICTED APPLICATION



Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Ages/Event	70 / 70	71 / 71	72 / 72	73 / 73	74 / 74	75 / 75	76 / 76	77 / 77	78 / 78	79 / 79	80 / 80	81 / 81	82 / 82	83 / 83	84 / 84
Rick	$44,152	$45,123	$46,116	$47,131	$48,167	$49,227	$50,310	$51,417	$52,548	$53,704	$54,886	$56,093	$57,327	$58,588	$59,877
Katie	$16,724	$17,092	$17,468	$17,852	$18,245	$18,647	$19,057	$19,476	$19,905	$20,342	$20,790	$21,247	$21,715	$22,193	$22,681

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RAYMOND JAMES

In this case study, Kathy has already filed for her benefits and Ken is waiting until age 70 to get his benefit as large as possible. Ken needs to file for a restricted application for spousal benefits on Kathy's record or he will simply forego the money he would have received. You will not be alerted by SSA that you are missing out – you have to tell them what to do.

CASE STUDY #5 – SPOUSAL – NO RESTRICTED APPLICATION

Katie and Rick

- Married
- Both 65 (birthdates of 12/1/54)

- Retired
- Assume live to 90

- Rick's PIA is $30,000
- Katie's PIA is $10,000

- Rick has decided to wait until 70
- Katie should file no later than 66

The mistake would be if Kathy waited until 70 to file for spousal benefits

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RAYMOND JAMES

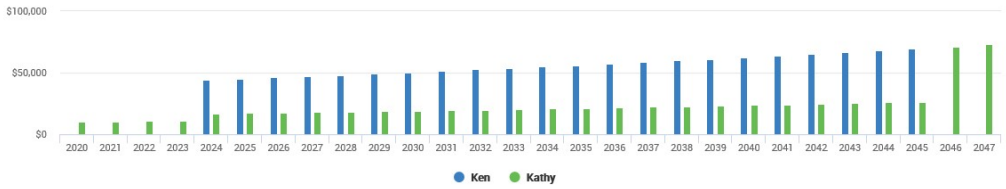
Let's look at a case study for restricted application. If you or your spouse were born before 1/1/54 and have not yet filed for benefits, note that this strategy could be the best one for you.

CASE STUDY #5 – SPOUSAL – NO RESTRICTED APPLICATION

Results

Create Report

Yearly Benefits Summary



Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	203
Ages/Event	66 / 66	67 / 67	68 / 68	69 / 69	70 / 70	71 / 71	72 / 72	73 / 73	74 / 74	75 / 75	76 / 76	77 / 77	78 / 78	79 / 79	80 / 80	81 / 81	82 / 82	83 /
Ken					$44,152	$45,123	$46,116	$47,131	$48,167	$49,227	$50,310	$51,417	$52,548	$53,704	$54,886	$56,093	$57,327	$58,5
Kathy	$10,220	$10,445	$10,675	$10,909	$16,724	$17,092	$17,468	$17,852	$18,245	$18,647	$19,057	$19,476	$19,905	$20,342	$20,790	$21,247	$21,715	$22,1

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Let's look at a case study for restricted application. If you or your spouse were born before 1/1/54 and have not yet filed for benefits, note that this strategy could be the best one for you.

CASE STUDY #6 – SPOUSAL AGE AND PIA GAP

Wilma and Fred

- Married
- Fred is 62 and Wilma is 52

- Working
- Assume live to 90

- Fred's PIA is $30,000
- Wilma's PIA is $20,000

- Fred should consider waiting until age 70 for widow protection.
- Wilma should consider filing for her benefits at 62. Her breakeven age is approximately 80 at which time Fred will be 90.
- Fred will most likely die before she makes it to her breakeven age – at that time she will switch to 100% of his benefit.

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RAYMOND JAMES

In this case, we have a man (men live shorter on an actuarial basis), with a higher work record than his wife. If Fred waits to age 70, Wilma should consider filing at age 62. By the time she reaches her breakeven age of approximately 80 (depending on assumed ROR on money), Fred will be 90. The odds are that Fred will die before Wilma's breakeven age and she will switch over to a widow benefit.

They don't qualify for restricted application

CASE STUDY #6 – SPOUSAL AGE AND PIA GAP

Wilma and Fred

- Delaying the higher earner's benefit will "win" as long as either person is alive at the breakeven age.
- Delaying the lower earner's benefit will only win if both of them are alive at the breakeven point.

RAYMOND JAMES

In this case, we have a man (men live shorter on an actuarial basis), with a higher work record than his wife. If Fred waits to age 70, Wilma should consider filing at age 62. By the time she reaches her breakeven age of approximately 80 (depending on assumed ROR on money), Fred will be 90. The odds are that Fred will die before Wilma's breakeven age and she will switch over to a widow benefit.

They don't qualify for restricted application

CASE STUDY #7 – SPOUSAL AGE AND PIA GAP

Wilma and Fred

- Married
- Ralph is 80 and Mary is 65

- Both retired
- Assume live to 90

- Ralph is receiving $22,576
- Mary's PIA is $14,964; has not filed yet

Mary should consider filing now.

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RAYMOND JAMES

In this case, we have a man (men live shorter on an actuarial basis), with a higher work record than his wife. If Fred waits to age 70, Wilma should consider filing at age 62. By the time she reaches her breakeven age of approximately 80 (depending on assumed ROR on money), Fred will be 90. The odds are that Fred will die before Wilma's breakeven age and she will switch over to a widow benefit.

They don't qualify for restricted application

CASE STUDY #7 – SPOUSAL AGE AND PIA GAP

Yearly Benefits Summary

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	203
Ages/Event	80 / 65	81 / 66	82 / 67	83 / 68	84 / 69	85 / 70	86 / 71	87 / 72	88 / 73	89 / 74	Ralph's Plan Ends	- / 76	- / 77	- / 78	- / 79	- / 80	- / 81	- / 8
Ralph	$22,576	$23,073	$23,580	$24,099	$24,629	$25,171	$25,725	$26,291	$26,869	$27,460	$28,064							
Mary	$13,966	$14,274	$14,588	$14,909	$15,237	$15,572	$15,914	$16,265	$16,622	$16,988	$17,362	$28,682	$29,313	$29,958	$30,617	$31,290	$31,979	$32,6

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RAYMOND JAMES

In this case, we have a man (men live shorter on an actuarial basis), with a higher work record than his wife. If Fred waits to age 70, Wilma should consider filing at age 62. By the time she reaches her breakeven age of approximately 80 (depending on assumed ROR on money), Fred will be 90. The odds are that Fred will die before Wilma's breakeven age and she will switch over to a widow benefit.

They don't qualify for restricted application

CASE STUDY #7 – SPOUSAL AGE AND PIA GAP

Social Security Analysis

Social Security Strategy	1 Strategy Used in Scenario	2 As Soon As Possible	3 At Retirement	4 At FRA	5 At Age 70
Start age					
Ralph	80	80	80	80	80
Mary	65	65	65	66	70
First year benefit					
Ralph	$22,576	$22,576	$22,576	$22,576	$22,576
Mary	$13,966	$13,966	$13,966	$14,964	$19,752
Total lifetime benefit (in current dollars)	$740,606	$740,606	$740,606	$736,616	$705,491
Break Even Point					
Ralph	N/A	N/A	N/A	93	95
Mary	N/A	N/A	N/A	78	80
	Detail	Detail	Detail	Detail	Detail

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CASE STUDY #8 – FILING TIMING ERROR

Belinda and Steve

- Married
- Both are 75
- Belinda filed at 62, and Steve filed at 66.
- Steve's benefits are $27,000
- Belinda's benefits are $6,000 (Much smaller than Steve's)
- When Belinda filed at 62, she wasn't eligible for spousal benefits.
- When Steve filed at 66, Belinda failed to file for spousal benefits.
- Therefore, she is still receiving her small benefit amount, even though the spousal benefit would be larger.

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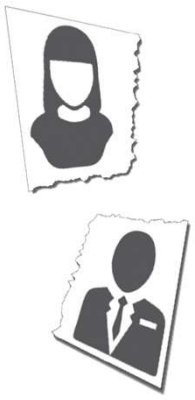
RAYMOND JAMES

In this example, when Belinda filed for her work benefits, Steve had not filed for his benefits yet. Therefore, she was not eligible for spousal benefits and SSA only paid her a small retirement benefit that was less than ½ of Steve's benefit. When Steve finally filed for his benefits, now Belinda was eligible for spousal benefits. But unless she files for them, she will continue to receive only her small worker benefit.

DIVORCED SPOUSAL BENEFITS

A divorced spouse can receive benefits on an ex-spouse's earnings record if:

- Married for at least 10 years
- Currently unmarried
- Both at least age 62
- Ex-spouse does not have to file beyond two years after divorce
- There is no impact on ex-spouse's benefit



Divorced spousal benefits work similar to regular spousal benefits, but one advantage is not having to wait for the ex-spouse to claim first.

*This benefit is not payable if the divorced spouse is remarried, unless the marriage is to a person receiving benefits as a widow, widower, parents, or disabled adult child.

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Did you know you can receive spousal benefits on an ex-spouse if:

-you had a marriage that lasted at least 10 years
-you have been divorced for at least 2 years (unless your ex-spouse had already filed for benefits at the time of divorce; in that case, you do not need to wait two years)
-you are currently unmarried

And if you have been divorced a few times you can even choose what ex-spouse earnings history to claim benefits on.

Divorced spousal benefits work similar to regular spousal benefits, but one advantage is not having to wait for the ex-spouse to claim individual benefits first.

DIVORCED SPOUSAL BENEFIT STRATEGIES

- **Claim spousal benefit from ex-spouse if:**
  - ½ of their benefit is more than 100% of own work benefit
- **File a "restricted application" for spousal benefits only at FRA**
  - Then switch to fully maximized work benefit at age 70 (must be born before January 2, 1954)

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RAYMOND JAMES

The restricted application strategy applies to both divorced spouses (unlike if they were still married only one of them could potentially utilize the strategy).

CASE STUDY #9 – DIVORCED WIDOW BENEFIT

De and Greg

- Married 15 years,
- Divorced ten years ago
- Both are 62
- De is single and looking to file for benefits
- De's work benefit is more than ½ of Greg's
- However, Greg's work benefit is greater than De's

- If De files now, she will receive her own work benefit (reduced), but will not receive a spousal benefit from Greg.
- However, if Greg dies, De can file for survivor benefits on Greg's work record (100% of Greg's benefit)

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RAYMOND JAMES

Even if you don't qualify for spousal benefits off of your ex (because 100% of your benefit is more than 50% of theirs), you may qualify for a survivor benefit when they file – but you have to file for it in order to receive it.

SURVIVOR BENEFITS

A surviving spouse can receive the deceased spouse's benefit if:

- Married for at least 9 months
- At least 60 years old, unless disabled (50) or caring for deceased spouse's child
- Not remarried prior to age 60

- Divorced spouses qualify if married for more than 10 years – **even if they remarry after age 60** – make sure you file your claim if your ex dies!

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RAYMOND JAMES

Survivor benefits are extremely valuable if the lower earning spouse survives the higher earning spouse.

A widow(er) may receive survivor benefits as early as age 60 or prior if he or she has a child under age 16 or disabled.

Full survivor benefits are available at FRA, and are equal to either 100% of benefit they were receiving or eligible to receive at death. If survivor benefits are claimed prior to the surviving spouses FRA, a monthly reduction applies. At age 60, minimum amount equal to 71.5% of deceased spouses benefit can be claimed. Should the widow(er) remarry, the Social Security benefit for the widow(er) may terminate – but the benefit for the eligible child will not.

If surviving spouse is eligible for their own benefits, there can be opportunities to:
-claim survivor benefits and let their individual benefit grow to age 70
-or claim individual benefits early and claim full survivor benefit at FRA

Survivor benefits are available to a divorced spouse unless remarriage occurred before age 60. As with a divorced spouse retirement benefits, the marriage must have lasted 10 years.

SURVIVOR BENEFITS

Bob,

Random question so forgive me in advance. My grandmother in law just passed away and I found out that the whole time she was getting benefits off of her work history (which was minimal) instead of ex husband's (who she was married to over 40 years).

He passed away over 8 years ago. Is there anything the family would be entitled to? She should have been receiving benefits off of his social security this whole time ☹

I reached out to a friend who works for Social Security Admin office and she said no one is entitled to the missed money. Basically you miss, you lose. Devastating!

RAYMOND JAMES

Survivor benefits are some of the most flexible to work with as they can be taken in concert with worker benefits. It is crucial to work with an advisor and maximize these benefits by implementing them correctly for your unique situation.

SURVIVOR BENEFIT STRATEGIES

Survivor benefits can be received independent of work benefits

Strategy 1:

- Begin survivor benefits as early as 60
- Own work benefit grows until 70
- Switch to maximized work benefits

Strategy 2:

- Begin work benefit as early as 62
- Survivor benefit grows until 66 (or FRA)
- Switch to maximized survivor benefit

*Must be mindful of earned income test

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RAYMOND JAMES

Survivor benefits are some of the most flexible to work with as they can be taken in concert with worker benefits. It is crucial to work with an advisor and maximize these benefits by implementing them correctly for your unique situation.

CASE STUDY #10 – WIDOW BENEFIT AT 60

Emily

- 60
- Emily is retired and has a good work record (no earned income test).
- Emily's husband recently died.

1. **Emily can turn on widow benefit now (reduced for taking before FRA), then, at 70, switch to her fully maximized work benefits.**
2. **She will receive 10 years of widow benefits while she waits for her excellent work record to fully mature at 70.**

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In this case, Emily can receive a widow benefit from age 60 to age 70 and then switch over to her maximized work benefit.

CASE STUDY #11 – WIDOW BENEFIT AT FRA

Jane

- 64 years old.
- Her husband died when she was 60.
- Jane was told to wait until age 66 to turn on widow benefits as at that time they would reach the 100% amount.

Jane did not tell SSA to turn on her worker benefit at age 62 so she missed 2 years of benefits.

RAYMOND JAMES

In this case, Jane can start her small work benefit at age 62 and then switch over to the maximized widow benefit at age 66.

CASE STUDY #12 – WIDOW BENEFIT MISTAKE

Beth

- Beth is age 72
- Her husband died when she was 66. At that time, he had already filed for his benefits but she had not.
- At the time of his death, his benefit amount was $26,000 and her PIA was $24,000.
- Beth decided to turn on her widow benefits at age 66

1. **By the time Beth turned 70, her own benefits exceeded the widow benefit amount but Beth failed to request that SSA switch her benefits to her own.**
2. **Every month that Beth fails to contact SSA, she will be losing money.**

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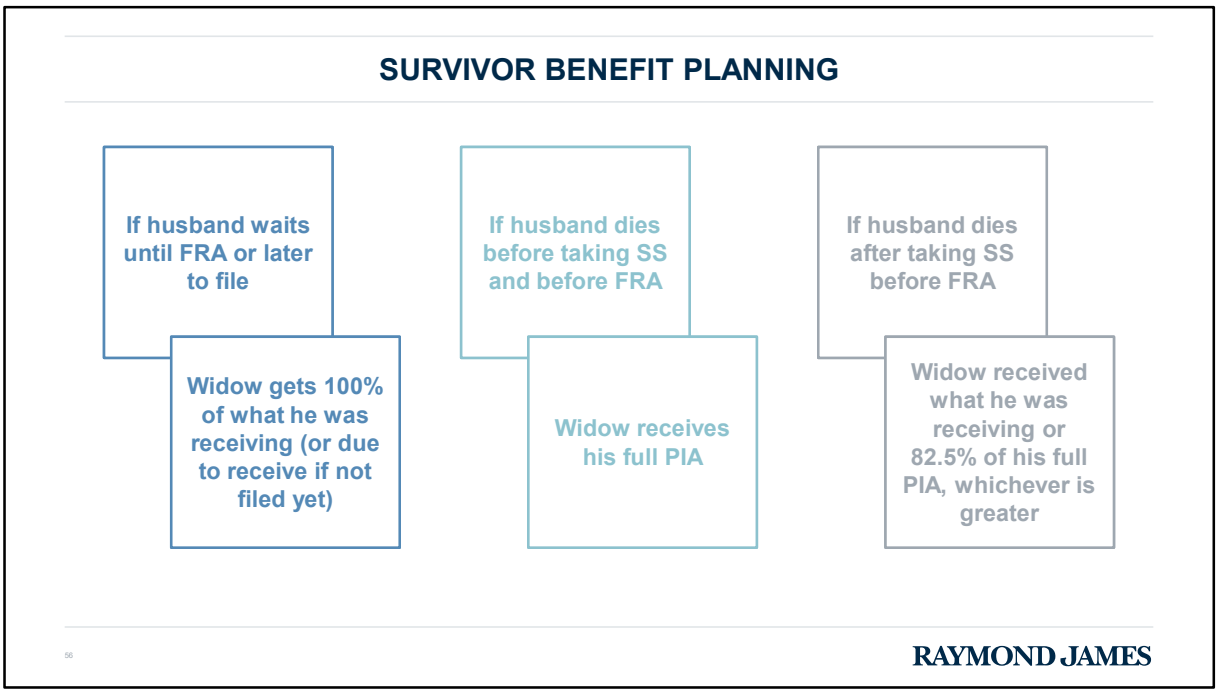
In this case study, Beth has made a mistake in not claiming her maximized work record benefits at age 70 – which are at that time larger than her widow benefit. Every month she does not file for her work benefit, she can be losing money.



This slide illustrates the danger of the high income earner taking benefits at age 62 and then dying early – the surviving spouse will only receive what the deceased spouse had taken (subject to a minimum amount of 82.5%). If they had died prior to FRA – the spouse would have received the full PIA.

CASE STUDY #13 - ILLNESS

Jennifer and John

- Married, both just turned 62
- John's PIA is $30,000 per year
- Jennifer's PIA is $10,000 per year
- John was diagnosed with cancer and is expected to live 6 months therefore decided to turn on his benefits.
- John receives 75% of $30,000 or $22,500 per year.
- John dies, Jennifer's benefit will be $24,750 (82.5% of PIA minimum).

If John had not started benefits, Jennifer's widow benefit would be $30,000.

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This case study illustrates that taking benefits early due to a terminal illness might intuitively seem like the best thing to do, but can be a mistake due to the reduced widow benefits.

SOCIAL SECURITY BANKRUPTCY

RAYMOND JAMES

SOCIAL SECURITY BANKRUPTCY

1940 = 159 workers per beneficiary
(Life expectancy 61 & 65)

1945 = 42 workers per beneficiary

1950 = 16 workers per beneficiary

1974-2008 = 3.2 – 3.4 workers per beneficiary

2017 = 2.8 workers per beneficiary

2035 = 2.2 workers per beneficiary

Source: SSA.gov

Looking ahead:

Once baby boomers retire, numbers are still expected to slowly decline due to increased longevity;

2090 = approximately 2 workers per beneficiary

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There are now far more workers per beneficiary than when Social Security was started.

SOCIAL SECURITY BANKRUPTCY

Board of trustees 2019 report:

- Trust fund scheduled to run out of money in 2034 (14 years with no changes)
- For the first time since 1982, Social Security is now dipping into the trust fund
- Important to remember that the majority of benefits will still be funded through the Social Security tax system.
- Approximately 79% of benefits come from taxes; so going "bankrupt" doesn't mean your benefits will go to zero.

Source: crfb.org/papers/analysis-2018-social-security-trustees-report

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Social Security is now scheduled to go "bankrupt" by the year 2034; at that time, committed benefits will be funded by payroll taxes only. If not changes are made to the system, payroll taxes can cover approximately 75% of committed benefits.

SOCIAL SECURITY BANKRUPTCY

Will your benefits be cut 14 years from now?

Proposals put forth do not suggest cutting benefits for those of you 55 years or older.

Options include:

1. Raising the payroll tax percentage from current 6.2% (gradually raising 2% would increase solvency 75 years)
2. Raising the limit on the amount of pay that is taxed from current $137,700
3. Raising the full retirement age from current 67
4. Lowering cost of living adjustments
5. Cutting benefits – the last option politically

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Congress has various options to improve the solvency of the program.

SOCIAL SECURITY BANKRUPTCY

- 1935 = 2% payroll tax - $3,000 wage base
- 1950 = 3% payroll tax - $3,600 wage base
- 1971 = 9.2% payroll tax - $7,800 wage base
- 1990 = **12.4% payroll tax (to present)** - $51,300 wage base
- 2008 = - $102,000 wage base
- 2020 = - $137,700 wage base

- 1965 = Medicare tax = .7%; **1986 – present = 2.9%**

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Today's presentation will cover the following topics: Social Security basics, rules and strategies for spouses, rules and strategies for divorced spouses, rules and strategies for widows and widowers, dependent children benefits, disabled individuals benefits, and Social Security bankruptcy.

SOCIAL SECURITY BANKRUPTCY

- Claiming decisions should not be affected by trust fund bankruptcy.
- Even if benefits were cut, which is unlikely, it wouldn't change whether you should take a reduced amount at 62 or defer until a later date.
- Try not to let this noise cloud your decision about what is the best claiming strategy for you and your family.

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Claiming decisions should not, in our opinion, necessarily be altered due to the financial difficulties of the program.

SUMMARY

- Social Security is an important component of a retiree's retirement income plan.
- The Social Security pension system is complex.
- Social Security Administration will not help you make the right decision.
- Mistakes can be costly and cause lost benefits forever.
- We strongly recommend you seek the counsel of your Financial Advisor as the starting point to making your decision.
- It is imperative to undergo a personalized analysis through your financial advisor.

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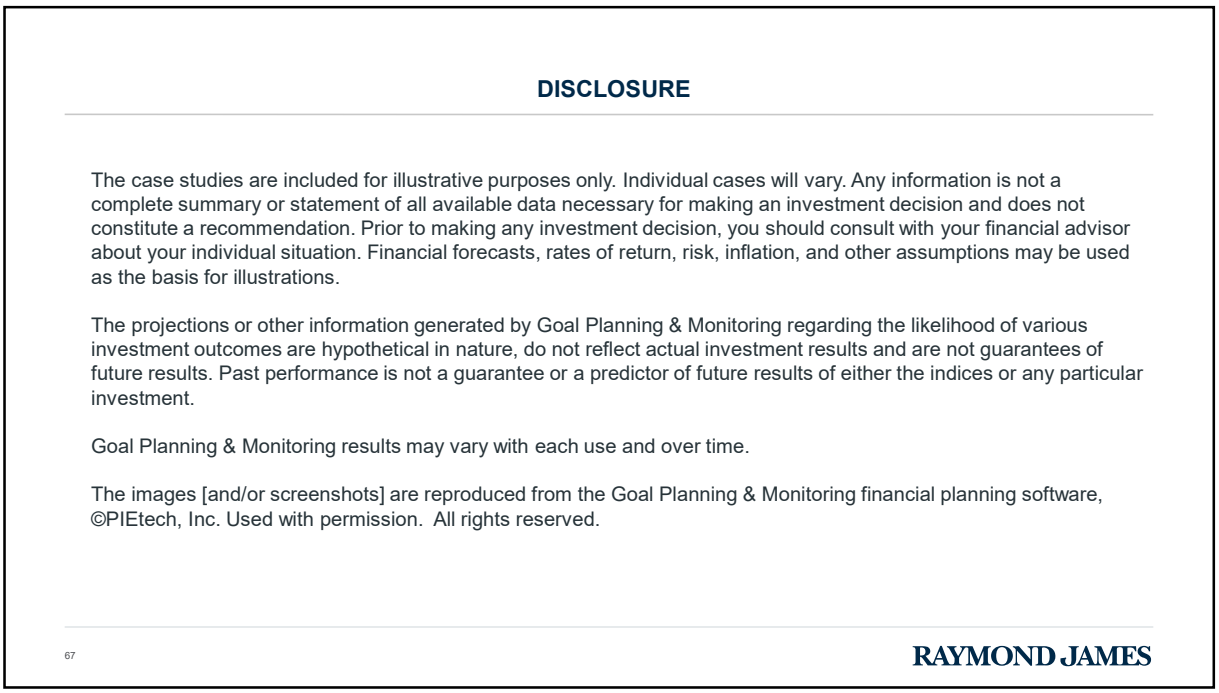

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DISCLOSURE

The projections and other information generated by the Goal Planning & Monitoring Social Security Calculator (the "Calculator") regarding the likelihood of various potential benefits are hypothetical in nature and are not guarantees of future Social Security benefits.

The results of the Calculator will vary as inputs and assumptions vary

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GPM CALCULATION DISCLOSURE

IMPORTANT: The projections and other information generated by the Goal Planning & Monitoring Social Security Calculator (the "Calculator") regarding the likelihood of various potential benefits are hypothetical in nature and are not guarantees of future Social Security benefits. The results of the Calculator will vary as your inputs and assumptions vary.

Calculator Assumptions and Limitations

Information Provided by You

Information you provided about your employment income, dependent children, age to begin benefits, expected Cost of Living Adjustment (COLA), and other information regarding your personal situation are key assumptions for the calculations and projections in this Report. If any of the assumptions are incorrect, you should notify your financial advisor
or, if you have access to the Calculator, correct the assumptions and create a new Report. Even small changes in assumptions can have a substantial impact on the results shown in this Report. The information provided by you should be reviewed periodically and updated when either the information or your circumstances change.

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GPM CALCULATION DISCLOSURE

Assumptions and Limitations
This Report shows your hypothetical lifetime retirement, spousal, and survivor Social Security benefits, based on the inputs and assumptions you provided. The Calculator estimates for retirement and spousal benefits include different strategies to assist you in maximizing your Social Security benefits. Spousal benefits may be applicable if you are married, or if you are divorced and currently unmarried. Survivor benefits include widow/widower benefits and, if applicable, benefits for dependent children. All Social Security benefits are based on your Primary Insurance Amount (PIA). The PIA is the retirement benefit amount you would receive if you begin benefits at your Full Retirement Age (FRA), and is also used to determine spousal and survivor benefits. The PIA is shown in pre-tax, current dollars. The Calculator can estimate your PIA by two different methods: 1) Using your current age and current employment income, and estimating your income history using the SSA National Average Wage Index; or 2) Using the year-by-year wage history you enter for past employment. If your actual wage history has fluctuated, has gaps, or is substantially different from an annual increase at the National Average Wage Index, the Calculator estimate using only your current age and employment income may not be a reasonable
estimate. Rather than using either Calculator estimate for your PIA, you can enter the estimate provided to you by the Social Security Administration (SSA).The Calculator COLA assumption is used as the expected annual rate of increase in benefits. The SSA uses the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) as the basis for the benefit increase in each year, so the COLA used in this Calculator is a simplifying assumption. The COLA assumption in this Report cannot and does not predict the actual SSA COLA that will be used in any future year. As the annual SSA COLA varies from the COLA assumption in the Calculator, your actual results will vary (perhaps significantly) from those presented in this Report. Social Security disability benefits, if applicable, are not estimated and are not included in the Calculator.

Calculator Methodology and Results

Results
Based on your marital status, eligibility for spousal benefits, and eligibility for widow/widower benefits, the Calculator creates results for the applicable strategies and displays them on the Social Security Analysis page. The Maximized Benefit column on that page shows the strategy with the highest total lifetime benefit.

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The Detailed Results page shows the year-by-year estimated benefit amounts for the strategy you selected.
The Executive Summary page summarizes your personal information and your estimated Social Security benefits for the strategy selected.

Other Retirement Income Affecting Social Security Benefits

If you have a federal, state, or municipal pension with a Government Pension Offset (GPO), the Calculator reduces the spousal or widow/widower's portion of the Social Security benefit, if applicable, by two-thirds of the pension amount.
If you are receiving retirement or survivor Social Security benefits prior to your Full Retirement Age (FRA), part-time work over certain amounts may reduce your benefit temporarily. The reductions are dependent on the year in which you attain FRA, and the Calculator includes the appropriate reductions based on current SSA laws.

Results Are a Snapshot and Do Not Provide Legal, Tax, or Accounting Advice

This Report provides a snapshot of your estimated lifetime Social Security benefits, based on the information you provided and current laws governing benefit amounts. Future benefits may vary based on: 1) the actual SSA COLA for each year; 2) changes in laws that define SSA benefits; and 3) if you are still working, your future earnings. Because the results are calculated over many years, small changes can create large differences in future results. You should use this Report to help you focus on the factors that are most important to you. This Report does not provide legal, tax, or accounting advice. Before making decisions with legal, tax, or accounting ramifications, you should consult appropriate professionals for advice that is specific to your situation.

For More Information

See the official Social Security website www.socialsecurity.gov to access Social Security publications, general information on benefits, or estimates of your benefits.

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EXTRA SLIDES

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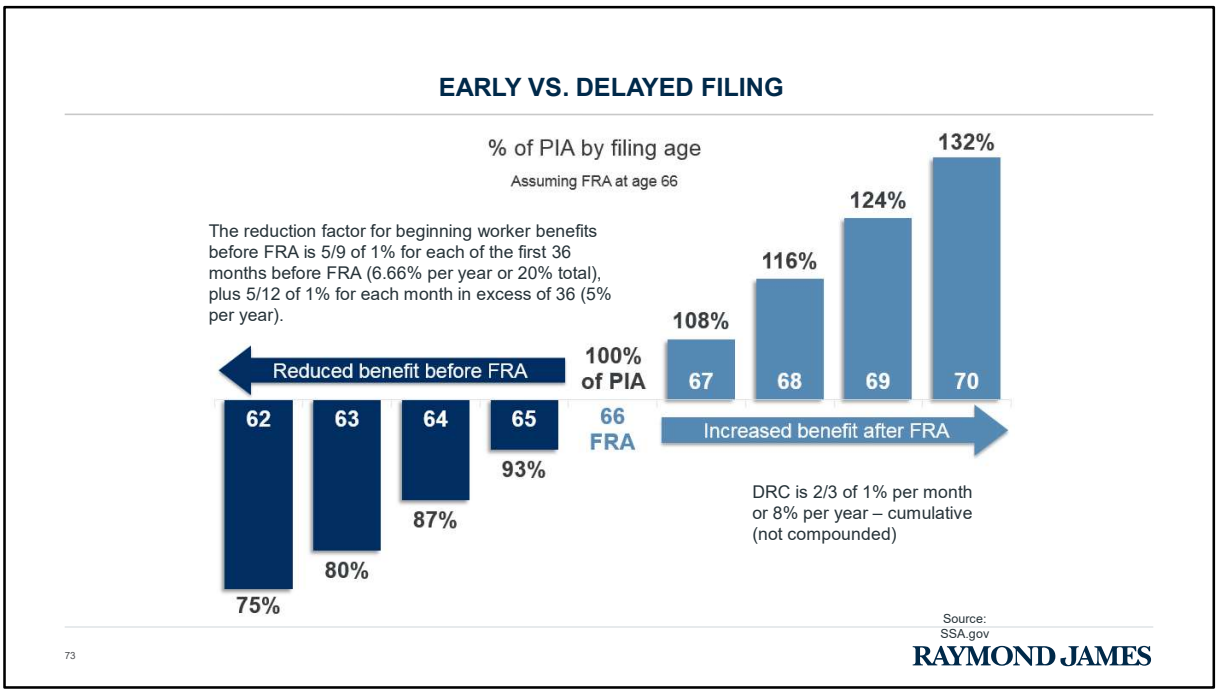
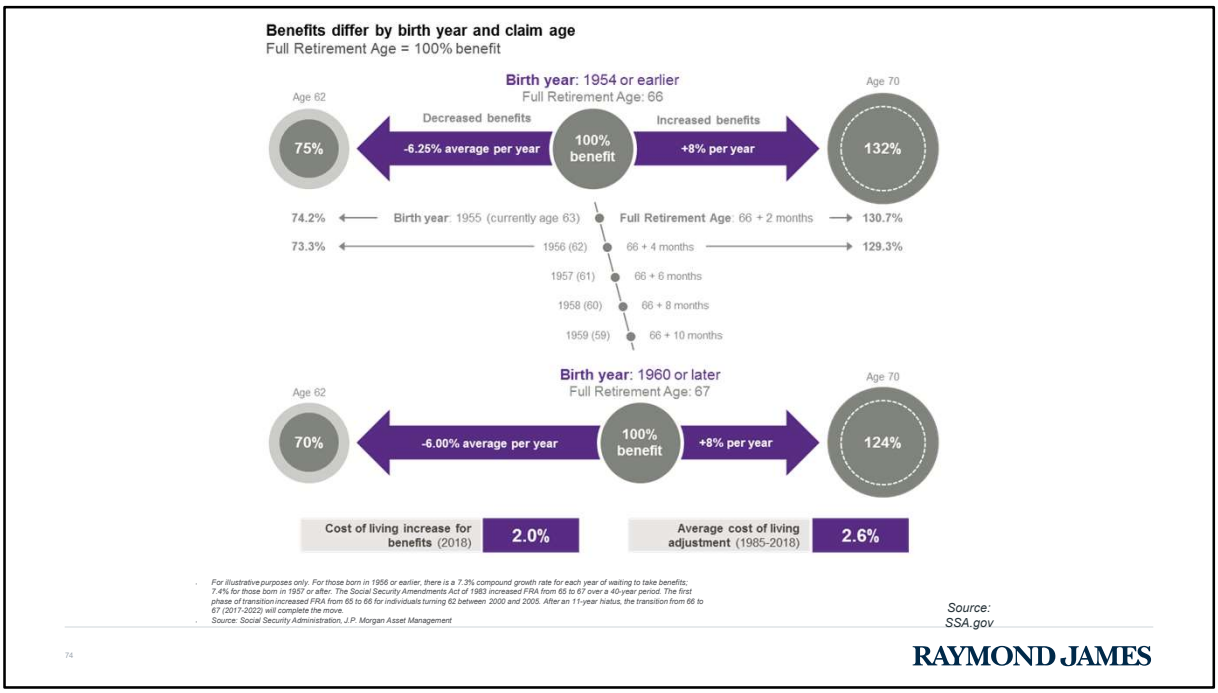


You do not have to wait until your FRA to start collecting benefits. You can claim benefits as early as age 62 (and sometimes earlier for certain situations) or as late as age 70.

If you claim benefits prior to your FRA, you will have a permanent reduction in your lifetime benefit amount. For someone who's FRA is 66 starts collecting benefits when first eligible at age 62, they will only receive 75% of their PIA which is a 25% reduction. If your FRA is 67, you would only receive 70% of your PIA amount at age 62.

Conversely, if you decide to delay collecting benefits past your FRA, you will receive an 8% annual increase from your PIA amount until age 70, which could be as high as 132% of your PIA if FRA is 66, or 124% if your FRA is 67.



Surprisingly few Americans understand the benefits and tradeoffs related to claiming Social Security at various ages. The top graphic illustrates these tradeoffs for people who are 62 and older whose full retirement age (FRA) is 66. Delaying benefits results in a much higher benefit amount: Waiting to age 70 results in 32% more in a benefit check than taking benefits at full retirement age. Likewise, taking benefits early will lower the benefit amount. At age 62, beneficiaries receive only 75% of what they would get if they waited until age 66. Full retirement age for individuals turning 62 in 2018 is 66 and 4 months, and it will continue to move 2 months every year until 2023, when it will reach and remain at age 67. The Social Security Amendments Act of 1983 increased FRA from 65 to 67 over a 40-year period. The first phase of transition increased FRA from 65 to 66 for individuals turning 62 between 2000 and 2005. After an 11-year hiatus, the transition from 66 to 67 will complete the move.

The bottom graphic shows the trade-offs for younger individuals, which will penalize early claiming to a greater degree. The percentages shown are “real” amounts—cost-of-living adjustments (COLA) will be added on top, providing an even greater difference between the actual dollar benefits one would receive. The average annual COLA for the past 33 years has been 2.6%.

Understand the Tradeoffs

Deciding when to claim benefits will have a permanent impact on your benefit.

Claiming before your full retirement age can reduce your benefit, while delaying increases it.

In 2017, full retirement age began transitioning from 66 to 67 by adding two months each year for six years. This makes claiming early even more of a benefit reduction.

SPOUSAL BENEFITS REDUCTION

A spousal benefit is reduced 25/36 of one percent for each month before normal retirement age, up to 36 months = 8.33% per year or 25% total reduction.

- If the number of months exceeds 36, then the benefit is further reduced 5/12 of one percent per month = **5% per year reduction.**

- As the FRA gradually increases to 67, the percentage of the worker's PIA payable to the spouse at age 62 will gradually decrease to **32.5%** for people born in 1960 and later.

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SURVIVOR BENEFIT REDUCTION

- **The survivor benefit reduction is 28.5% at age 60**
  - (prorated for months between age 60 and FRA).
- **The disabled survivor benefit reduction is 28.5% at ages 50-59**

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Survivor benefits are some of the most flexible to work with as they can be taken in concert with worker benefits. It is crucial to work with an advisor and maximize these benefits by implementing them correctly for your unique situation.

MAXIMUM EARNINGS FOR FICA TAX

- **2008 = $102,000**
- **2016 = $118,500**
- **2019 = $132,900**
- **2020 = $137,700**

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Survivor benefits are some of the most flexible to work with as they can be taken in concert with worker benefits. It is crucial to work with an advisor and maximize these benefits by implementing them correctly for your unique situation.

AVERAGE LIFE EXPECTANCY

- According to the 2014 Current Population Survey (CPS), husbands are, on average, 2.3 years older than their wives
- Women are projected to live two years longer than men.
- We use these measures as an "average" throughout the following case studies.

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In 2015, Congress eliminated two strategies that married individuals could use to increase their benefits. However if anyone turned 62 prior to 2016, you still have access to a strategy known as Restricted Application.

Each couple and each person is unique and individual differences in age, health, work record, etc. must be considered in each individual analysis..

CASE STUDY – DIVORCED RESTRICTED APPLICATION

Jennifer and John

- Divorced
  - Married 20 years
  - Divorced five years ago
- Jennifer and John are both 66

- **John and Jennifer can both file a "restricted application" for spousal benefits and get ½ of each other's PIA until they are 70.**
- **Then switch over and get their maximized PIA.**

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In this case, John and Jennifer can both file a restricted application for spousal (ex) benefits, and then at age 70 switch over to their maximum worker benefits.

DEPENDENT CHILDREN

Eligible child:

- Under age 18
- Up to 19, if in high school
- At any age, if disabled before 22

- Each eligible child is entitled to 50% of the parent's PIA when receiving retirement or disability benefits.
- Each eligible child is entitled to 75% of deceased's parent's PIA.
- Family maximum of 150%-188% of PIA they are filing from.
- Grandparents who have adopted children of deceased parents qualify.

Source: SSA.gov

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Dependent children are covered under Social Security. If the parent is age 62 and has eligible children, they can get their own retirement benefit and the children too can get a percentage of their PIA – up to a family maximum. This also applies to grandparent guardians of parents who are deceased. Again, you must apply for it to get it.

DISABILITY

- **Disability Benefits:**
  - Based upon current PIA at time of disability
  - At FRA, disability benefit becomes retirement benefit
  - Other spouse can still claim spousal and survivor benefits off of disabled benefit.
- **For disabled spouse, if spousal or survivor benefit is more, can switch over.**

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Here are a few considerations for those of you receiving disability benefits.

MONTHLY EARNED INCOME TEST

- There is a special earnings limit rule for those who begin Social Security mid-year prior to full retirement age.
- Social Security applies a monthly earnings test.
- $18,240 / 12 = $1,520.
- Social Security will consider you retired for any month in which you earn no more than $1,520.
- **Example:**
- 64 year-old client makes $100,000 from January through September.
- Retires and begins Social Security in October
- Earned income test will not apply even though he earned $100,000 for the year

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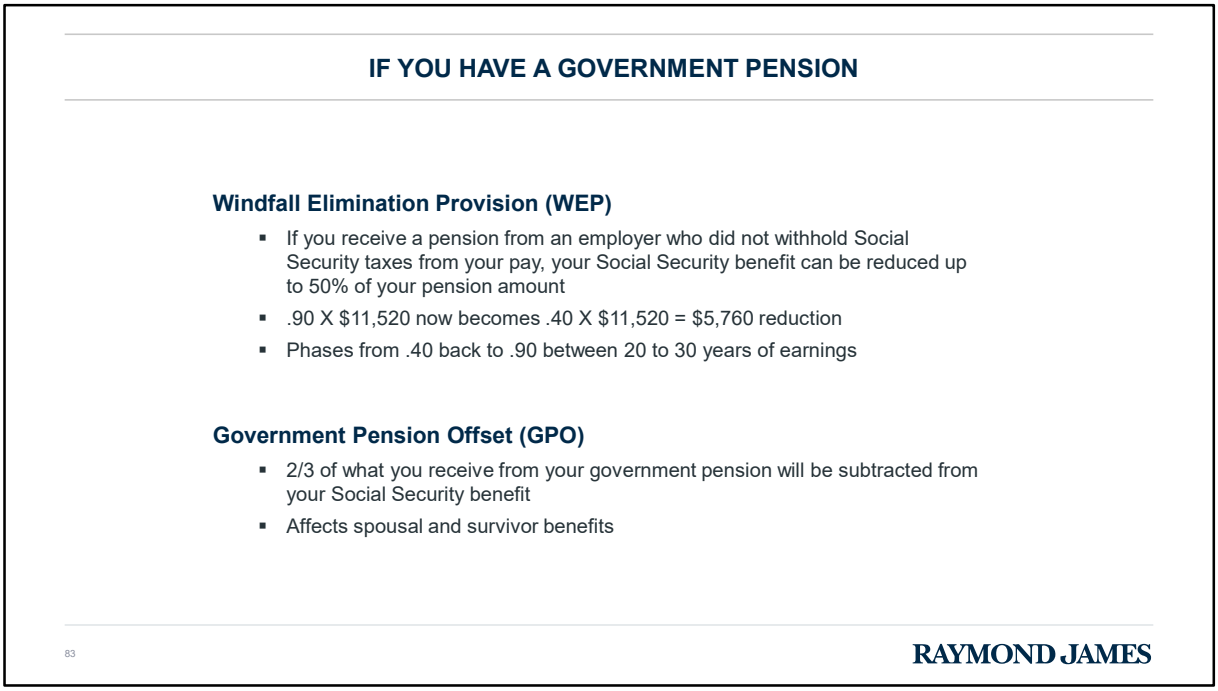

Were you or your spouse a federal, state, or local government employee at some time?

If so, it is possible that certain downward adjustments will be made to your Social Security benefits. If the government entity you or your spouse worked for did not participate in the Social Security system, these adjustments will most likely apply to you. We won't spend a lot of time on them today because they are fairly rare. But just know that if these adjustments may apply to you, seek guidance from your financial professional.