SOCIAL SECURITY SOLUTIONS
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What Would You Do With $100,000 More?

Why a Smart Strategy for Claiming Social Security Benefits Matters

Social Security Solutions, Inc.
www.SocialSecuritySolutions.com

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Social Security benefits are a big deal. The average American couple will receive around $1 million in lifetime cumulative benefits. That's a game-changing amount of money for your retirement.

Do you know how much money you may be giving up by making a poor choice about how and when to collect your benefits? If you're like most Americans, you aren't an expert on all of the complicated rules of Social Security, and you need help using all of the rules to your advantage.

That's where we come in, We're here to help. We've put together thousands of Social Security plans for people just like you. On average, a dual-income couple can add $100,000 or more to their lifetime cumulative Social Security benefits by using the Social Security rules to their advantage.

We are the experts on Social Security. Our research has been published in several esteemed journals including the *Journal of Financial Planning*, the *Financial Analysts Journal*, and others. We've also published a book: *Social Security Strategies: How to Optimize Retirement Benefits*.

We know more about Social Security claiming strategies than just about anyone. And we know Americans are collectively foregoing billions of dollars in lifetime retirement income simply because they do not know about the choices available to them.

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The bottom line: a smart strategy can get you more in Social Security benefits. We can not only create this smart strategy for you, we can show you exactly how to make it happen.

Let's take a look at the rules that can be used to help you get more.

WHAT DIFFERENCE DOES AGE MAKE?

Social Security assigns you a Full Retirement Age (FRA) based on your birth year. At your FRA, you get your full Social Security benefits. The amount of your monthly benefit at FRA is also called your Primary Insurance Amount (PIA).

Collecting Early

Social Security allows you to start collecting benefits as early as age 62. If you start collecting benefits at 62, instead of at your FRA, you get a permanent decrease in your monthly benefits of 20-30 percent. The reduction amount is dependent on your birth year, as you can see in the table below.

Year of Birth*	Full Retirement Age (FRA)	Per Month Reduction if Benefits Begin Prior to Full Retirement Age	Age 62 Benefits as a % of PIA	Per Month Delayed Retirement Credits	Age 70 Benefits as % of PIA
1941	65 and 8 mos	5/9% for 36 mos.+5/12%/mo.**	76 2/3%	0.625%	132 ½%
1942	65 and 10 mos	5/9% for 36 mos. +5/12%/mo.**	75 5/6%	0.625%	131 ¼%
1943-54	66	5/9% for 36 mos. +5/12%/mo.**	75%	2/3%	132%
1955	66 and 2 mos	5/9% for 36 mos.+5/12%/mo.**	74 1/6%	2/3%	130 2/3%
1956	66 and 4 mos	5/9% for 36 mos.+5/12%/mo.**	73 1/3%	2/3%	129 1/3%
1957	66 and 6 mos	5/9%for 36 mos.+5/12%/mo.**	72 ½%	2/3%	128%
1958	66 and 8 mos	5/9% for 36 mos.+5/12%/mo.**	71 2/3%	2/3%	126 2/3%
1959	66 and 10 mos	5/9% for 36 mos.+5/12%/mo.**	70 5/6%	2/3%	125 1/3%
1960 or later	67	5/9% for 36 mos.+5/12%/mo.**	70%	2/3%	124%

**Social Security considers people born on January 1 to have been born in the prior year.*
***The monthly reduction is 5/9% for the first 36 months prior to Full Retirement Age, and 5/12% for every month after the first 36 months.*

As an example, let's consider someone who was born in 1949 and their PIA or monthly benefit from Social Security is $1,000 at FRA. This person decided to file at 62, rather than waiting for their FRA. They will only receive $750 a month.

Collecting Late

Social Security also allows you to collect benefits after your FRA and provides you with delayed retirement credits for choosing to delay Social Security. Delayed retirement credits do not accumulate after age 70. If you choose to wait until 70 to take your Social Security benefits, you're delayed retirement credits will increase your monthly benefit by 24-32 percent. Using our same example from above, that same person with the PIA of $1,000 would receive $1,320 a month if they waited to file for Social Security until age 70.

WHAT IS A "BREAKEVEN AGE" AND DOES IT MATTER?

You may have heard the term "breakeven age" used in conversations about a smart Social Security strategy. The breakeven age is the age at which one Social Security claiming strategy will ultimately have paid out more in cumulative lifetime benefits than another. The table below shows you the breakeven age for when the second of the two strategies becomes optimal or pays out more in Social Security benefits for an individual.

Beginning Dates	Breakeven Ages
62 verses 66	78
66 verses 70	82.5
62 verses 70	80.5

The first line shows that if you live past age 78, then you will receive more in lifetime cumulative benefits if you claim at 66 with a higher monthly benefit rather than at 62 with a lower benefit amount. At age 78, the higher monthly benefit you receive by waiting until age 66 will be enough to make up for the years from 62-65 when you did not receive benefits.

If the only variable you want or need to consider is your individual breakeven age and you believe you'll live past 78, then you should claim at 66 to receive the most in benefits. Keep in mind that claiming this way misses important claiming nuances that can mean more in benefits for you. The most important of these nuances is life expectancy.

SO, LIFE EXPECTANCY IS MORE IMPORTANT?

Yes! Breakeven age is an incomplete measure of the best strategy for you. Why? Not only does it overlook some of the nuances of Social Security that can mean more money for you, it doesn't take into account the importance of the survivor benefit.

While none of us knows the number of our days, you must think about the possibility that you might live longer than planned. Getting the greatest possible benefit can mean a better standard of living should you outlive your resources.

What's more, married couples must look beyond an individual age. Since there are two of you, you must carefully think about how a Social Security claiming strategy will perform given various life expectancies and how that strategy will impact your surviving spouse. The biggest fear in retirement is outliving your money. Your Social Security claiming strategy can create a hedge to protect yourself in the event that you

For married couples, there is much more to consider than just your breakeven age. Your filing choices affect both spousal and survivor benefits and using breakeven age alone to choose your smart strategy can be a big mistake.

and/or your spouse live longer than planned. If you live even one year longer than planned, will the Social Security claiming strategy you choose still be the best for you? You need expert help to know the answer.

SPOUSAL BENEFITS CAN MEAN BIG BUCKS

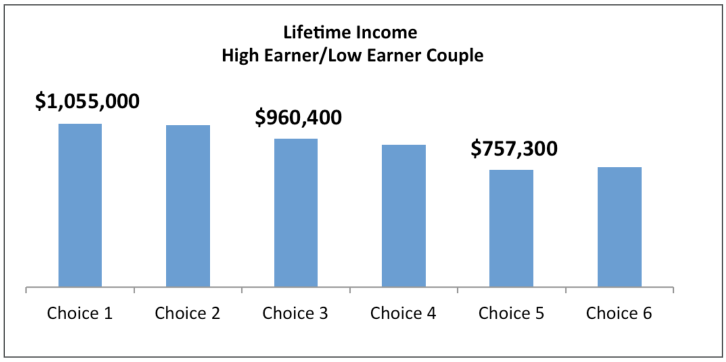
Spousal benefits are Social Security benefits your spouse may be able to draw from your record or vice versa. And spousal benefits can mean substantially more in lifetime cumulative benefits for you. A spousal benefit can be as much as 50 percent of the worker's full retirement benefit.

There are a number of ways that spousal benefits might be available to you or your spouse. One of you might be able to:

- Apply for a spousal benefit because a benefit is low.
- Apply for a spousal benefit at FRA and switch to a larger benefit later.
- Apply for a benefit and add a higher spousal benefit later.

The combinations for claiming spousal benefits are dependent on a number of factors and must be analyzed for your specific situation.

In the Lifetime Income table on the right, you can see the couple had at least six ways they could claim Social Security benefits and the difference in cumulative benefits received by the couple with each option. In their case, an optimized choice gives them over $200,000 more than if they both filed early and had not taken advantage of spousal benefits.



[1] "Understanding Longevity: What to Tell Your Clients," NAPFA University, in collaboration with the Society of Actuaries.
[2] Note: The Balanced Budget Act of 2015 made changes to Social Security that impact this option. In order to use this option, you must have been born on or before January 1, 1954.

SURVIVOR BENEFITS – THE BEST LIFE INSURANCE BENEFIT YOU CAN FIND

Unlike spousal benefits, survivor benefits can accumulate delayed retirement credits. With a smart strategy, a couple can maximize the highest earner's benefit and leverage that benefit to financially protect the life of the longest to live.

The survivor benefit provides inflation-adjusted lifetime income for as long as the survivor lives. Many people claim Social Security benefits early, failing to consider the significant survivor benefit they are foregoing for their spouse. Those same people then pay for a life insurance policy that cannot come close to providing the same lifetime income that a properly designed survivor benefit can provide.

Though we're not saying life insurance is not necessary, why not utilize all the Social Security benefits already available to you before paying extra money to an insurance company?

To get the most out of survivor benefits, the spouse with the higher full retirement benefit should wait as long as possible to claim benefits. When one member of a couple dies, the survivor's benefit will be the higher of the two benefits being paid. Said another way, the higher earner gets the highest monthly benefit by waiting to claim until age 70, making the survivor benefit the largest possible.

THE EARNINGS TEST AND FULL RETIREMENT AGE

It's important to keep in mind that monthly Social Security benefits may be reduced or eliminated due to the earnings test. The earnings test is not a tax. Rather, it is a direct reduction in benefits and applies to individuals who begin receiving benefits before reaching FRA.

The purpose of the earning test is to ensure individuals don't continue to work full time and claim Social Security early without penalty. In years before reaching FRA, Social Security benefits are reduced by $1 for every $2 of earned income above $15,720 (in 2016). In the year someone reaches FRA, benefits may be reduced by $1 for every $3 of earned income above $41,880 (in 2016). After reaching FRA, individuals can receive full benefits with no limit on earnings.

As an example, suppose Mary begins receiving Social Security benefits when she turns 62 in January 2016 and is entitled to $1,000 a month ($12,000 for the year). She told the Social Security Administration that she expects to earn $30,000 in 2016, which is $14,280 over the earnings limit of $15,720. Social Security would withhold $7,140 ($1 for every $2 earned over the limit).

If you collect benefits and work before you reach full retirement age, your monthly Social Security benefit may be reduced or eliminated due to the earnings test.

To do this, the Social Security Administration would withhold all benefit payments from January 2016 through August 2016. Beginning in September 2016, Mary would receive her $1,000 monthly benefit for the remainder of the year. In January 2017, she will be paid the additional $860 withheld in August 2016.

It's important to note that the benefits reduced due to the earnings test are not completely lost. When Mary reaches her full retirement age, her monthly benefit will be adjusted, giving her "credits" for the months she did not receive a benefit. In Mary's example, she began benefits exactly at age 62. She received no benefit at all for seven months. At her full retirement age, Mary's benefit will be increased to the amount she would have received if she had filed at age 62 and 7 months rather than at 62.

If you think there's a chance you may need to work and earn income prior to reaching your full retirement age and the earnings test will substantially reduce your benefit payments, then it may make the sense to delay starting your benefits.

TAXATION OF SOCIAL SECURITY BENEFITS

How Social Security benefits are taxed is one of the few Social Security rules that is not affected by FRA.

Up to 85 percent of your Social Security benefits may be subject to income taxes.

If Social Security is your only source of income, benefits are not taxed. But if you have other income such as pension income, withdrawals from a 401(k), IRA or other tax-deferred account, or investment income such as interest, dividends and capital gains, taxes may be owed on up to 85 percent of your Social Security benefits.

The taxable portion of Social Security benefits can be calculated in two steps. First, calculate the provisional income or combined income. Social Security considers your combined income the total of your adjusted gross income (the sum of wages, taxable interest, realized capital gains, and other income) plus non-taxable interest, plus one half of your Social Security benefits.

Once you have an idea of what your combined income will be, you can use the guidelines below to determine if you will pay taxes on your Social Security benefits.

For Married Filers

- If your combined income exceeds $44,000, then 85 percent of your Social Security benefits will be taxable.
- If your combined income falls between $32,000 and $44,000, then between 50 percent and 85 percent of your Social Security benefits will be taxed.
- If your combined income is less than $32,000, your benefits will not be taxed.

For Individual Filers

- If your combined income exceeds $34,000, then 85 percent of your Social Security benefits will be taxable.
- If your combined income falls between $25,000 and $34,000, then between 50 percent and 85 percent of your Social Security benefits will be taxed.
- If your combined income is less than $32,000, your benefits will not be taxed.

The formula to determine the final taxable portion of Social Security is the minimum of three amounts:

1. 85 percent of Social Security benefits;
2. 50 percent of benefits plus 85 percent of provisional income beyond the second threshold amount; or
3. 50 percent of provisional income beyond the first threshold plus 35 percent of provisional income beyond the second threshold amount.

For most clients, the first or third formula will produce the lowest taxable amount.

For each dollar of provisional income between the first and second thresholds, $0.50 of Social Security benefits will be taxed. For each dollar of provisional income above the second threshold, $0.85 of benefits will be taxed until the maximum taxable portion of 85% of Social Security benefits is taxed.

EFFECTS OF THE SOCIAL SECURITY TAXATION FORMULA – THE TAX TORPEDO

Coordinating taxes, retirement withdrawals and Social Security benefits has been proven to make your retirement savings last up to 10 years longer.

Based on the Social Security taxation formula, there is a point at which for every extra dollar of other income you earn, 40-50 percent of that income goes to taxes. This is sometimes called the "tax torpedo" and it affects people who would not normally fall into a high tax bracket. Proper retirement income planning can reduce or eliminate the effects of the tax torpedo.

When you put a tax-efficient plan in place to manage distributions from other retirement accounts in a manner that is coordinated with your Social Security benefits, your money may last years longer.

Let's take a look at a real-life example of the financial impact just a smart Social Security decision can have with the story of Betty and Henry. This will help you see how the rules can be applied to your benefit.

BETTY AND HENRY CAN GET MORE

Betty and Henry are both aged 61. They are planning to drive over to the Social Security office a few months before their 62nd birthdays to apply for benefits.

They know they can get a higher benefit amount by waiting to begin benefits until their FRA, but they want to retire now and don't want to dip into their savings yet. They believe money in hand today is their best choice.

And, they are right … ***IF*** they both plan on dying at age 73 or earlier.

According to life expectancy tables, there is only a 3 percent chance that neither one of them will live past 73. Their choice to claim Social Security benefits at age 62 only works out well for them if they fall into that 3 percent.

The more likely outcome is that they will live past age 73. There is a 76 percent chance that one or the other will still be alive at age 83.

Let's assume a more likely outcome occurs, and Betty lives to age 90 and Henry to age 85. How much money would their early filing cost them? More than $140,000 … $142,668 to be exact.

If Betty and Henry file early and live to age 90 and 85, respectively, they will receive $142,668 less in Social Security benefits. That's more than $140,000 they won't have in retirement and will have to make up for that by spending more of their retirement savings. Though it may seem counterintuitive, dipping into their savings earlier and waiting to take Social Security later actually helps them preserve more of their own savings.

Do you want to make a choice that works out well 3 percent of the time or a choice that works out well 76 percent of the time?

In Betty and Henry's case, using a combination of spousal benefits, delayed retirement credits, and survivor benefits results in more money.

Specifically:

- Betty begins benefits at 65 and 8 months.
- Henry files a restricted application for spousal benefits at age 66.
- Henry switches to his own benefits at age 70.
- After Henry's death, Betty would get a much larger survivor benefit for the rest of her life because of the choices they made.

If you think it sounds complex, it is! We believe it's almost impossible to figure out the right choice without the help of software. And recent changes in Social Security law make it even more difficult to determine a strategy that gets you the most in benefits. To make a good choice, you have to be able to compare strategies, which requires multiple, simultaneous calculations that analyze large amounts of data. The great news is we can do this for you in an instant.

Our software provides a personal recommended strategy created to balance two equally important yet separate goals: get the most lifetime income and offer income protection if you live longer than expected.

Getting benefits early initially may seem like a good strategy, but over time this choice results in thousands less dollars for you. In addition to leaving money on the table, taking benefits early could mean you run a much greater risk of running out of money in retirement.

The right choice helps protect your income and retirement confidence later in life.

It's a common misconception to think if you delay taking Social Security, you will use up your savings and investments more quickly. The truth is with the right Social Security solution, you are able reduce the chances that you will deplete your financial resources in retirement.

BUT I ALREADY FILED. CAN I CHANGE MY MIND?

If it has been less than 12 months since you filed, you can withdraw your application. But you must repay all benefits received so far including any spousal benefits paid on your record. Then you can reapply at a future date and benefits will be recalculated based on your attained age, as if you had never filed before.

Why would you do this? It could turn out to be the best investment you ever make.

COMPARING CHOICES REQUIRES COMPLEX ANALYSIS

Right now, you may be thinking, "Yeah, I get it. But why get help from an advisor or software? I can just go to the Social Security office and ask them what to do." Surprisingly, Social Security representatives are not allowed to give advice (even if asked) and can only provide information on the rules. They cannot show you how to get more in Social Security benefits. And even if the representatives at the Social Security office could provide advice with all the confusion around the new Social Security rules, the representatives themselves are often misinformed about what makes a smart Social Security claiming plan. There are places you can get help with claiming. We can provide you with advice. We understand the new rules and we can use them to your advantage.

Determining the strategies applicable to your situation and being able to compare them requires analysis of large amounts of data. Our powerful software conducts a comprehensive analysis of the rules and how they apply to your situation. The software instantly delivers a report with side-by-side comparisons so you can make an informed choice.

HERE'S HOW TO GET MORE

Getting more is easy. At www.SocialSecuritySolutions.com, we've created a simple tool that tells you everything you need to know in order to get the most Social Security benefits available to you. Your printed report spells out exactly what you should do, just as you read in the bullet points for Betty and Henry, and shows you how much more you'll get when you follow your recommended Social Security solution.

Here is how the process works. Visit www.SocialSecuritySolutions.com, then:

1. **Go to "Get Your Solution" and choose how you want to receive advice.**

   We give you options to choose from:

   - You can order a customized report only,
   - You can subscribe to our online software to run your own comparisons, see how your strategy should change based on "what ifs" and receive your customized report, or
   - You can work with an expert advisor.

2. **Sign up and submit your information.**

   Next, sign up and input a few pieces of information so we can calculate your personal recommended solution. It is customized to you and your spouse's individual situation.

3. **Get your Social Security strategy report.**

   Your report is delivered with step-by-step instructions telling you exactly what to do to get the most out of your Social Security benefits.

Don't leave money on the table. Get more.

Visit www.SocialSecuritySolutions.com.