

Social Security

What will you need to know?

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Key Definitions

FRA

- **Full Retirement Age** – the age when you are eligible for your full benefit. This is calculated based on the 30 highest salary years. Drawing early or late may change the amount the individual receives.

PIA

- **Primary Insurance Amount** – this is your FRA monthly benefit amount.

Early Strategy

- Claiming benefits before FRA

Delayed Strategy

- Claiming benefits after FRA in order to receive increased benefits

Divorced Benefits

- Benefits paid to a divorced spouse if you were married more than 10 years



The Basics...

1

- You can begin claiming benefits at age 62, but this isn't always the best option. Every month you claim your benefit prior to your FRA will reduce your benefit 5/9% per month for 36 months and 5/12% for any additional months (25% reduction if FRA is 66).

2

- If you delay claiming your benefit past FRA your monthly benefit will be increased by 2/3%/month up to age 70. (32% increase if FRA is 66)

3

- A non-working spouse can claim benefits as early as 62 on a working spouses record, but will see the same reduction in benefits.

4

- If you are still working and haven't reached FRA every \$2 dollars you make above \$15,720 will reduce your benefit by \$1. After FRA there is no reduction.



FAQs You May Have Heard

- When is my Full Retirement Age?
- Why wouldn't I take my benefit now since I'm 62?
- I'm 62 and still working, should I draw Social Security too?
- Should my spouse begin drawing at 62 on their record, then switch to mine when I retire?
- Social Security is going away right, shouldn't I get as much now as I can?
- Should I file for benefits at 66 even though I plan to work until 70?



When is Full Retirement Age?

Year of Birth*	Full Retirement Age
<u>1937 or earlier</u>	65
<u>1938</u>	65 + 2 months
<u>1939</u>	65 + 4 months
<u>1940</u>	65 + 6 months
<u>1941</u>	65 + 8 months
<u>1942</u>	65 + 10 months
<u>1943-1954</u>	66
<u>1955</u>	66 + 2 months
<u>1956</u>	66 + 4 months
<u>1957</u>	66 + 6 months
<u>1958</u>	66 + 8 months
<u>1959</u>	66 + 10 months
<u>1960 and later</u>	67



Should you take benefits at 62?

Some reasons you might decide to take early benefits:

- You cannot work anymore and need the income.
- You are single with a health concern.
 - If you are single and have a current health issue, or have a family history of premature death, it may be a valid reason to draw early.
 - If married, it may not be that simple since survivor benefits may be critical
- Drawing early will allow you to retire from a high stress job and will cover your current and future family needs.
- The reduction for drawing early will have no adverse impact on you and your spouse because of excess retirement income.



Should you take benefits at 62?

Why should you wait until FRA or later to take benefits

- You are still working and make more than \$15,720.
- You or your spouse expect to live past 80 based on family history and current health.
- You have sufficient assets to cover expenses from other resources.
- The only reason you want to draw Social Security is that you're afraid it's going to run out.



Filing Options

- Claim early
- Claim at FRA
- Defer until 70
- Claim and suspend
 - Married couples with large discrepancy in income
- Claim now, Claim more later
 - Married couples with higher and more equal income or greater difference in age
- Do-over
 - Must be within 12 months of initial filing
- Hedge your bet
 - What if my health changes after FRA?



Case Study #1

- Claim and Suspend
- Keith (64) and Katherine (62)
 - Keith had higher paying career and Katherine was homemaker/teacher for some of her working years
 - Keith plans to work to age 70
 - Both in excellent health
 - Kids have just moved out and they feel behind on saving for retirement (only \$750K in 401(k))
 - Both of his parents are alive in mid-80's
 - Wants to know if he should draw SS at FRA or wait until 70.
 - This is an example of a full SS presentation (it can be shorter to focus on a specific client concern)



Case Study #2

- Claim Now, Claim More later & Hedge Bet
 - Mike (62) and Linda (57)
 - Both are still working and plan to retire at same time when Mike turns 66 (61) or maybe as late as 68 (63).
 - Combined AGI of \$350,000 – both professionals. Net Worth of ~\$2.5MM between 401(k), non-qual accounts and real estate in addition to personal home ~\$500K (Joint). ~\$1.7MM for Mike and \$900K for Linda.
 - Both have kids from previous marriages and they will inherit assets from parent, except for homestead.
 - Retirement lifestyle of \$150K
 - Goal – maximize benefits
 - Mike's father died of lung cancer at 73 and quit smoking 10 years ago.



In general, How much will I get?

Average Income Today	Est. FRA benefit in 2016
\$50,000	\$1,350
\$75,000	\$1,750
\$100,000	\$2,100
\$150,000	\$2,460
\$200,000	\$2,610
\$225,000+	\$2,625

This assumes they've been working consistently and have had reasonable raises during their working career to get to their current salary.



Thank you!

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