



Social Security benefits planning

Basic considerations and strategies

PRESENTATION BY

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Welcome to today's presentation

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You should always consult with your own attorney and/or tax advisor before making changes to your individual investment, financial plan and/or estate plan.

Focus of our presentation

1. Social Security basics
2. Available benefits and how they are calculated
3. Deciding when to take Social Security
4. Income tax considerations
5. Additional resources

Social Security basics

Social Security acronyms—PIA

PIA—Primary insurance amount (www.ssa.gov/myaccount)

- Based on lifetime Social Security earnings
- Contributions from payroll tax of 6.2% on first \$168,600 of earnings in 2024
- Calculated using the highest 35 years of adjusted earnings added together, then divided by 420
- Your Social Security benefit reflects a percentage of this average monthly earnings figure
- Maximum monthly Social Security benefit for a retiree at full retirement age in 2024 is \$3,822

Social Security acronyms—FRA

FRA—Full retirement age

| If you were born: | Your FRA is: |
|-----------------------|---------------------|
| Between 1943 and 1954 | 66 |
| Between 1955 and 1960 | 66 + 2 months /year |
| After 1960 | 67 |

Social Security acronyms—DRC

DRC—Delayed Retirement Credit

- Retirement benefits can be increased by a certain percentage if you delay your claim beyond FRA.
- For those born after 1943, retirement benefits will be increased by 8% each year you delay after FRA until age 70.
- DRC's will no longer accrue after age 70.
- While DRC's can be used to increase your personal retirement benefit and available survivor's benefits, it does not apply to spousal benefits.

Social Security terms—Deemed filing

Deemed filing

- Deemed filing means that when you file for either your retirement or your spouse's benefit, you are required or “deemed” to file for the other benefit as well.
- Social Security will pay you the larger of the two.
- Deemed filing applies to retirement benefits, not survivor's benefits.

Available benefits and how they are calculated

Social Security personal retirement benefit

To be eligible to collect Social Security on your own, there are several qualifications the potential recipient must meet:

- Minimum of 10 years of covered employment or 40 credits
 - In 2024, each \$1,730 of earned income equals one credit.
 - A maximum of four credits can be earned in any year.
- Must be at least 62 years of age
- Calculated using the highest 35 years of adjusted earnings added together, then dividing by 420

Social Security for a spouse

As a spouse, you can receive either your own Social Security benefit or you can collect a spousal benefit equal to 50% of your spouse's full retirement age Social Security benefit.

You can collect whichever is greater—but not both.

- You must be at least 62-years old to collect a spousal benefit
- If caring for a child who is under age 16, or disabled, who is entitled to receive benefits on your spouse's working record, you may be able to collect before age 62

Social Security benefits for other family members

- Children under 18 and unmarried (19 if child is still a full-time high school student)
- Adult disabled children (if permanently disabled before age 22)
- A dependent parent or grandchild
- Maximum family benefit limited to between 150% and 188% of worker's full retirement benefit

Widow or widower benefits

If you are the widow or widower of a person who worked long enough under Social Security, you can:

- Receive a survivor's benefit equal to the retirement benefit the worker was receiving (or would have been entitled to receive) at the time of their death.
- Receive full benefits at full retirement age for survivors or reduced benefits as early as age 60.
- Begin receiving benefits as early as age 50 if you are disabled AND the disability started before or within seven years of the worker's death.

Social Security benefits for an ex-spouse

- If you are the ex-spouse of a worker entitled to a Social Security retirement benefit, you are eligible for spousal and survivor's benefits (even if your ex-spouse remarries), provided that:
 - Your marriage lasted 10 years or more;
 - You are unmarried (or have not remarried until after age 60 for survivor's benefits eligibility purposes); and
 - The benefit available on your ex-spouse's record is more than the benefit you are entitled to receive based on your own record.
- Unlike a current spouse, spousal benefits are available to an eligible ex-spouse even if their former spouse has yet to file for their own retirement benefit, if you have been divorced for at least 2 years.
- Survivor's benefits paid to an ex-spouse will not affect the benefit rates for other survivors who are receiving benefits on the worker's record.

Deciding when to take Social Security

File early or file late?

- Do you need the money?
- Do you plan on working throughout retirement?
- Do you plan on never retiring?
- Do you or your spouse have health issues?
- Are you concerned about whether Social Security will be there for you and your spouse?

Filing for benefits early will reduce your benefit

If you file for benefits early (before your FRA) your benefit will be reduced by 6.7% per year for up to 3 years and 5% year for each additional year.

If you file for benefits late (after your FRA), your benefit will be increased by 8%

What does this mean?

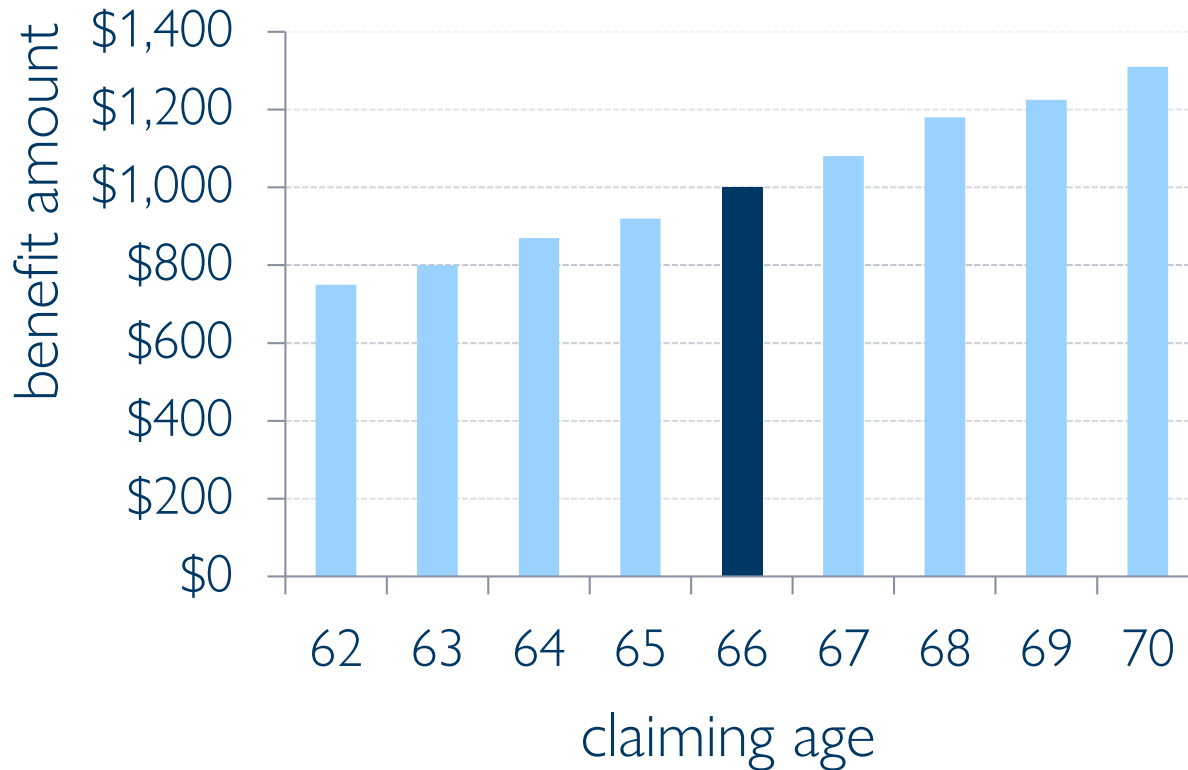
If your FRA is 66:

- Filing for benefits at age 62 results in a permanent reduction in benefits of 25%. Delaying benefits increases your benefit by 32% (8% each year up to age 70 up to a maximum 32% increase!).

If your FRA is 67:

- Filing for benefits at age 62 results in a permanent reduction in benefits of 30%.
- Delaying benefits increases PIA by 24% (8% each year up to age 70!).

Impact of claiming early, or late



Comparison of break-even points



Jane – Understanding her choices

- Jane is age 60 and single
- Currently working
- In excellent health
- Has sufficient assets to retire at age 62

| Retirement Strategy | Jane's Monthly Benefit |
|--------------------------|------------------------|
| Early Retirement (62) | \$1,400 |
| Full Retirement Age (67) | \$2,000 |
| Delayed Retirement (70) | \$2,480 |

| Retirement Strategy | Est. total benefits received by age 75* | Est. total benefits received by age 85* | Est. total benefits received by age 95* |
|--------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| Early Retirement (62) | \$287,050 | \$578,365 | \$969,867 |
| Full Retirement Age (67) | \$282,586 | \$698,651 | \$1,257,996 |
| Delayed Retirement (70) | \$243,885 | \$759,995 | \$1,453,606 |

* Assumes cost of living adjustment (COLA) increases of 3% per year
 This is a hypothetical example used for illustrative purposes only

John and Sally – Understanding their choices

John and Sally are working spouses who are currently both age 60 with a full retirement age of 67

| Claiming age | Sally's Monthly Benefit | John's Monthly Benefit | Total |
|--------------------------|-------------------------|------------------------|---------|
| Early Retirement (62) | \$1,400 | \$1,050 | \$2,450 |
| Full Retirement Age (67) | \$2,000 | \$1,500 | \$3,500 |
| Delayed Retirement (70) | \$2,480 | \$1,860 | \$4,340 |

| Timing of claims | Est. total benefits received by age 75* | Est. total benefits received by age 85* | Total benefits received by age 95 if Sally dies at age 85 survived by John* |
|----------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------------------------------------------|
| Both claim at age 62 | \$502,332 | \$1,012,128 | \$1,403,592 |
| Both claim at age 67 | \$494,586 | \$1,222,790 | \$1,782,135 |
| Both claim at age 70 | \$426,682 | \$1,392,629 | \$2,023,239 |

* Assumes cost of living adjustment (COLA) increases of 3% per year. This is a hypothetical example used for illustrative purposes only.

Strategy to consider for married couples

62/70 Split Strategy:

- Used when each spouse has their own primary benefit.
- Spouse with lower benefit claims early at age 62.
- Spouse with larger benefit defers until age 70.
- Benefit: Allows for benefits to begin early, while maximizing the largest benefit for the surviving spouse, which could result in greater net lifetime benefits for the couple.
- Remember: At death, surviving spouse will continue to receive the larger of the two benefits.

Changing your mind

- You have one year to decide that you would like to re-think when to begin taking Social Security benefits.
- If you would like to change your mind, you must pay the government back all of the benefits that you received.

Note: If you are enrolled in Medicare Part B then you will need repay any premium amounts that were deducted directly from your Social Security benefit and make arrangements for paying future premiums while Social Security is deferred!

Income and tax considerations

What if you work and begin taking Social Security before full retirement age?

If you are younger than full retirement age and if your earnings exceed certain dollar amounts, some of your benefit payments during the year will be withheld.

- If you are under full retirement age, \$1 in benefits will be withheld for every \$2 in earnings above \$22,320.
- In the year that you reach full retirement age, \$1 will be withheld for every \$3 in earnings above \$59,520 until the month that you reach full retirement age.
- If you continue to work after reaching full retirement age, your Social Security benefits will not be reduced due to earned income.

Tax considerations of Social Security

If you have income in addition to your Social Security benefits, you may have to pay federal income tax on your Social Security benefits.

If you file a federal tax with combined income* that is:

- between \$25,000 and \$34,000 for single filers (\$32,000 and \$44,000 for joint filers), up to 50 percent of your Social Security benefits could be taxed.
- more than \$34,000 for single filers (\$44,000 for joint filers), up to 85 percent of your Social Security benefits will be taxed.

Note: Depending on where you reside, your Social Security benefits may also be subject to state income taxes

* Combined income = adjusted gross income + nontaxable interest + ½ of your Social Security benefits

Resources

Additional Social Security resources

- Retirement Estimator is available at: www.socialsecurity.gov/estimator
- Online enrollment is available at: www.socialsecurity.gov/applyforbenefits
- General Social Security information is available at: www.socialsecurity.gov or you can call their toll-free number, **1-800-772-1213**.

Q&A

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Thank you

