

Optimizing Social Security Benefits

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Goals

- Social Security overview
- Strategies to maximize payment options
 - Individuals
 - Couples
 - Divorced
 - Survivors
- Claiming decision tree

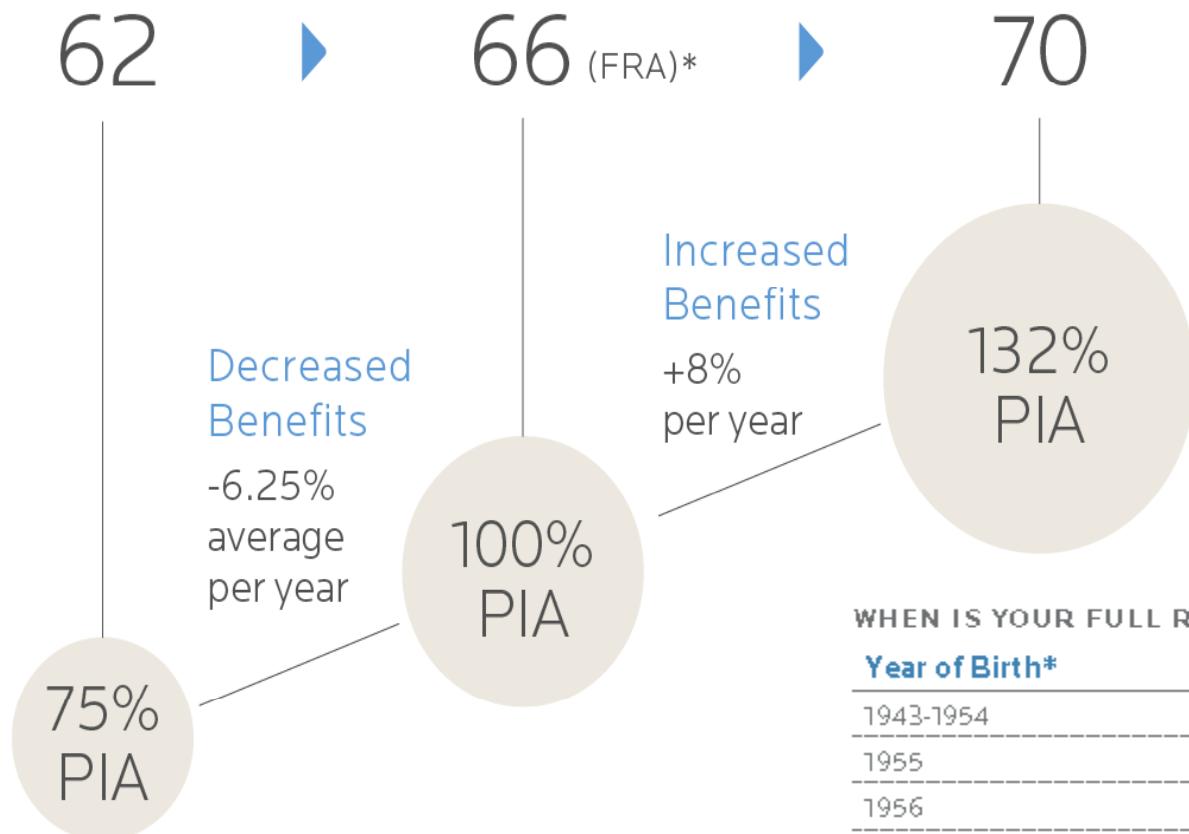


The basics – definitions for commonly used terms

- | Full Retirement Age (FRA): Depending on the year you were born, this is the age at which you can retire and receive your full Social Security benefits.
- | Primary Insurance Amount (PIA): The benefit you receive if you retire at your FRA.
earnings + years worked + age
- | Reduced Benefits: Social Security benefits are permanently reduced if claimed before FRA, as early as age 60 for survivors and 62 for individuals and spouses
- | Delayed Retirement Credits: Individuals can increase their benefits by waiting beyond FRA to claim (benefit stops increasing at age 70); delayed credits do not apply to spousal and survivor benefits.
- | Restricted Application: Allows you to file for only one benefit when you are eligible for both your own benefit and a spousal or survivor benefit; available at FRA or later, except for survivors who may file a restricted application after age 60.



Social Security timeline



WHEN IS YOUR FULL RETIREMENT AGE?

Year of Birth*	Full Retirement Age*
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67



Eligibility for Social Security

- | Individuals - You can claim an individual benefit if you have paid into Social Security for at least 10 years.
- | Spouses - Your spouse, whether s/he has worked or not, may claim spousal benefits once you have filed for your own benefit and you are at least age 62 (age 50 if you are disabled). Spousal benefits are generally 50% of your full retirement benefits if your spouse files at FRA.
- | Widowed individuals - Widowed individuals are typically eligible to file for survivor benefits starting at age 60. Survivor benefits are typically equal to the full amount of the deceased individual's benefit, if the survivor files at FRA.
- | Divorced individuals - Divorced individuals are eligible to file for spousal benefits on an ex-spouse's work record if they were married for at least 10 years and are both at least 62 years old. If you have been divorced less than two years, your ex-spouse must file for benefits for you to be eligible.
- | Children - Children of retired or disabled parents entitled to Social Security may be eligible for benefits if they are:
 - | Under 18 and living at home (or 19 if still in high school)
 - | Over 18, but are themselves disabled



Working and taxes

There are many factors beyond collecting early that can potentially reduce your benefit:

- | **Collecting early and working** — Regardless of benefit type, filing early can subject you to the earnings test, which may further reduce your benefits if you are still working and earn more than \$15,480. In most situations, however, once you reach FRA, the Social Security Administration will make an adjustment to give you credit for the benefits that were withheld.
- | **Taxation** — Some individuals may be required to pay federal income taxes on Social Security benefits (usually when they have other substantial income in addition to their benefits).

Combined income:

Your adjusted gross income

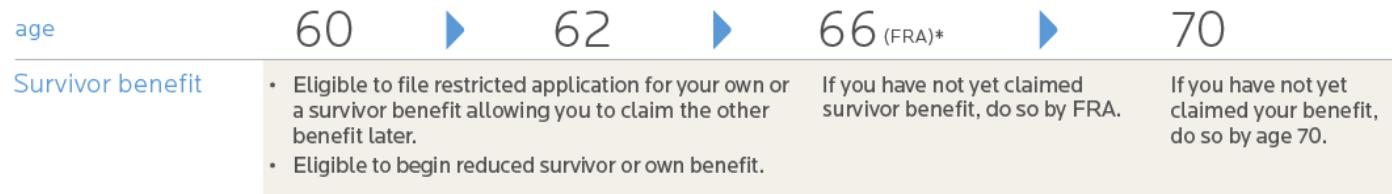
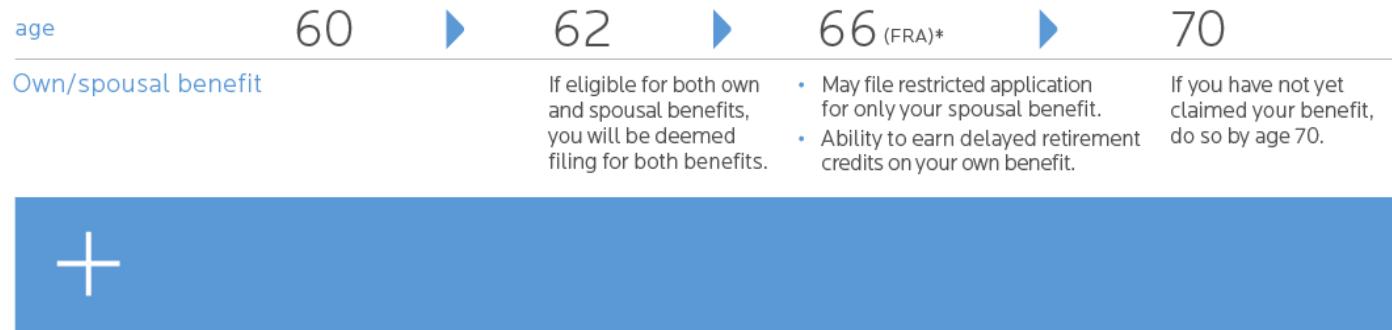
+ Nontaxable interest

+ 1/2 of your Social Security benefits

	For those filing as individual with combined income of:	For those filing joint return with combined income of:
Not taxed	Under \$25,000	Under \$32,000
Up to 50% taxable	\$25,000 - \$34,000	\$32,000 - \$44,000
Up to 85% taxable	Above \$34,000	Above \$44,000



Social Security strategies



*Age 66 is FRA for those born 1943-1954 for own/spousal benefit and those born 1945-1956 for survivor benefit.

Source for information: Social Security Administration, www.ssa.gov, as of August 2014.



Strategies to maximize your Social Security benefits

- ❑ Work longer
- ❑ Wait to collect
- ❑ File and suspend – individual
- ❑ File and suspend – couple
- ❑ Claim now – claim more later
- ❑ File and suspend + claim now – claim more later

- ❑ Strategies for divorced individuals
- ❑ Strategies for widows and widowers



Work longer, earn more

Working longer raises the average of the highest 35 years of earnings on which you've paid Social Security payroll tax.

| For example, say you are 62 and have 31 years of employment at \$40,000 a year.

If you retire and start to collect benefits at 62:

The average of your highest 35 years of earnings is:

\$35,400



Your monthly benefit, based on your average earnings and claiming age =

\$1,030

If you work four more years, at \$40,000 a year, and retire at 66:

The average of your highest 35 years of earnings is:

\$40,000



Your monthly benefit, based on your average earnings and claiming age =

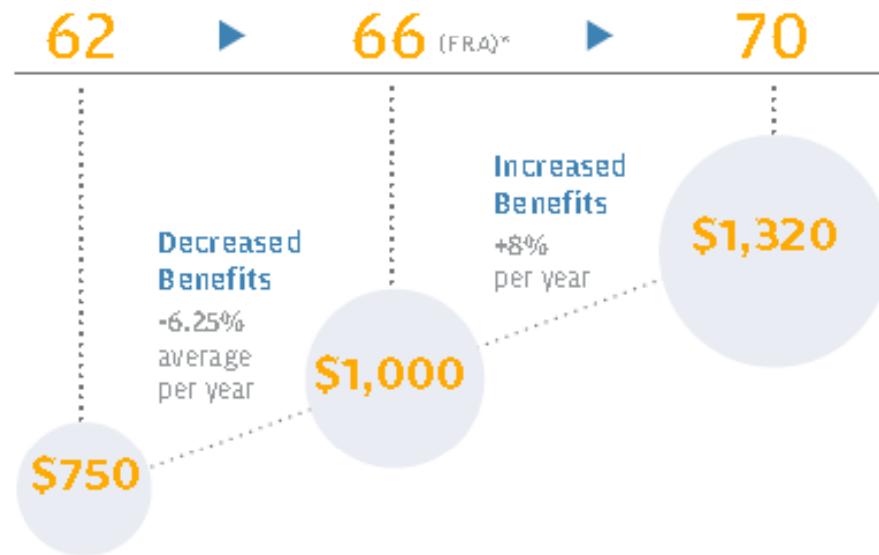
\$1,500

33% for claiming later + 12% more for more earnings = 45% more overall



Apply at the optimal time

Claiming before FRA reduces your benefit permanently while delaying beyond FRA increases your benefit.



* Monthly benefit based on \$1,000 at age 66



File and suspend - individual

- File and suspend – an individual files for retirement benefits but then suspends the benefits without receiving payments. This allows for the following:
 - Earn delayed retirement credits
 - Render spouse eligible to claim benefits
 - Allows for dependent benefits for minor children
 - Suspend benefits that were taken early for an offset
 - Allows flexibility to claim a lump sum back to suspension date



The basics - spousal benefits

- Your spouse is entitled to receive a spousal benefit even if they do not have enough credits to be eligible for their own benefit.
- Spousal benefits become available when one spouse files for benefits. Spousal benefits range from 35% to 50% of your spouse's full retirement depending on when you file. No delayed credits for spousal benefits after Full Retirement Age.
- When filing for spousal benefits before your FRA, Social Security will consider you to be filing for all benefits for which you are eligible (including your own) and will reduce all of your benefits permanently.
- Upon reaching FRA, you can file for "spousal benefits only" using a **restricted application** while continuing to earn delayed retirement credits on your own record.
- You can file for benefits at FRA and then ask the Social Security Administration to suspend benefit payments. This enables you to earn delayed retirement credits, while your spouse collects a spousal benefit. (**file + suspend strategy**)



Strategies for couples

- | Coordinated timing creates an opportunity for wealth creation and for couples to maximize their lifetime benefits.
- | Considerations:
 - | Restricted application
 - | Filing early
 - | File and suspend
 - | Delayed retirement credits

Age	60	►	62	►	66 (FRA)*	►	70
Own/spousal benefit					<ul style="list-style-type: none">• If eligible for both own and spousal benefits, you will be deemed filing for both benefits.• May file restricted application for only your spousal benefit.• Ability to earn delayed retirement credits on your own benefit.		<p>If you have not yet claimed your benefit, do so by age 70.</p>



File and suspend

File and suspend – Upon reaching full retirement age (FRA), an individual files for retirement benefits but then suspends them and asks the Social Security Administration to suspend your benefit payments. This allows for the following:

- earn delayed retirement credits (an additional 8 percent for each year until you turn age 70.)
- render spouse eligible to claim benefits (if he or she is 62).
- allows for dependent benefits for minor children

Who should consider file and suspend?

- ▣ Couples with different earning histories
 - couples where one spouse worked full time and the other spouse did not work long enough to qualify for Social Security benefits
 - One spouse with relatively small earnings
- ▣ Couples with their own benefits that want to coordinate claiming – one spouse claims early, other claims late
- ▣ Individuals/couples with minor dependent children



One older, higher earner

John is 4 years older and will reach retirement age first. John's individual benefit—and Mary's spousal benefit—will be more than her individual benefit.

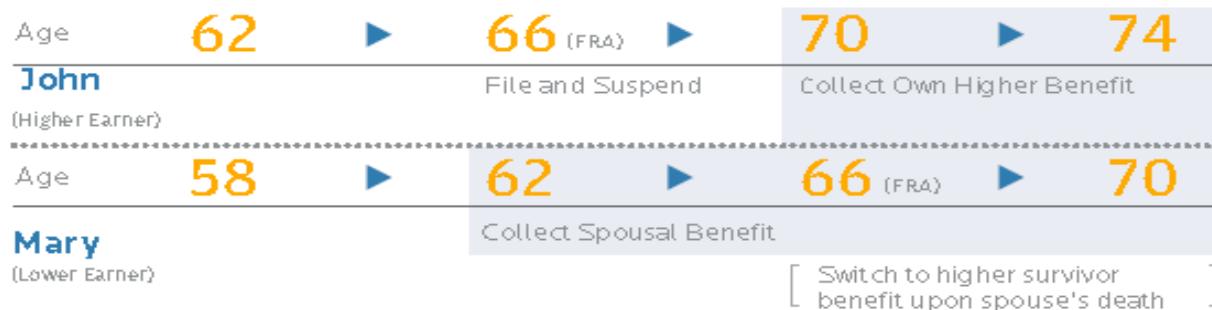
| Strategy

A combination **file and suspend** and **spousal benefits** strategy enables Mary to collect spousal benefits at age 62, while John can continue to grow his own benefit.

| How it works

1. At FRA (66), John files for his own benefit and then asks the Social Security Administration to suspend his benefit payments.
2. Shortly thereafter, Mary starts collecting her spousal benefit.
3. John waits until age 70 to start collecting his own higher benefit.
4. If John predeceases Mary, she can then switch to survivor benefits, which will be based on the higher benefit John earned.

MARRIED COUPLE: AGE DIFFERENCE; LARGE DIFFERENCE IN EARNINGS HISTORY; HIGH EARNER IS OLDER





Same age, different earnings history

Charlie and Lori are the same age; however, Charlie earns much more than Lori. Lori's spousal benefit (50% of Charlie's full retirement age benefit), is more than Lori's individual benefit at full retirement age.

| Strategy

A combination of **early benefits, spousal benefits** and **the file and suspend strategy** allows Lori to start collecting her own benefit early AND her spousal benefit at 66, while Charlie earns delayed retirement credits and collects a higher benefit starting at age 70.

| How it works

1. Lori starts collecting her own benefit at age 62. Her benefit is permanently reduced as she is not yet full retirement age.
2. At FRA (66), Charlie files for his own benefit and then asks the Social Security Administration to suspend his benefit payments.
3. Shortly thereafter at 66, Lori starts collecting her spousal benefit.
4. At age 70, Charlie starts collecting his own higher benefit.

MARRIED COUPLE: SIMILAR AGE AND LARGE DIFFERENCE IN EARNINGS HISTORY





Claim now, more later

- Using a restricted application, you can file for spousal benefits after FRA, while continuing to earn delayed retirement credits on your own record. Thus, you can claim a spousal benefit now (at the full retirement age), and then claim a larger retirement benefit later.
- Spousal benefits become available when one spouse files for benefits. Spousal benefits are generally 50% of your spouse's full retirement benefits—if you file at your full retirement age (FRA).

Who should consider claim now, more later?

- One or both of the spouses must be full retirement age or older. To make the most of this strategy, the older spouse should be the higher earner.
- Couples in which each spouse worked and qualifies for Social Security benefits on their own record.
- This strategy maximizes lifetime benefits, not necessarily your monthly benefits.



Close in age and spouse with lower earnings

Jeff is 4 years older and will reach retirement age first. Jeff's individual benefit is twice as much as Kate's individual benefit.

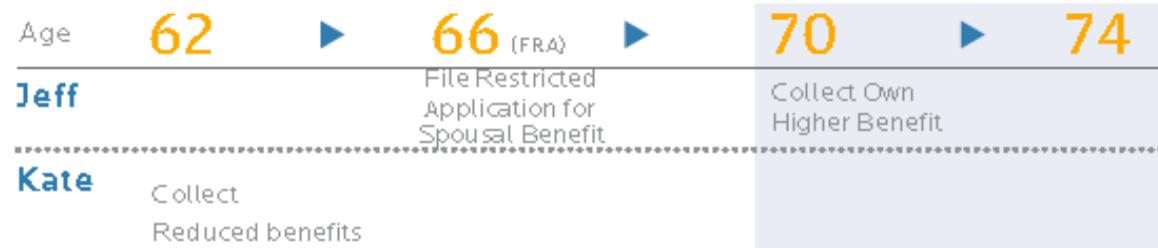
| Strategy

Kate files for benefits early (62) allowing Jeff to file a **restricted application** to receive spousal benefits at age 66, while he earns delayed retirement credits until age 70.

| How it works

1. At 62, Kate files for her own benefit.
2. Jeff files a restricted application which enables him to collect spousal benefits now.
3. At age 70, Jeff collects his benefits.

MARRIED COUPLE: CLOSE IN AGE- SPOUSE WITH LOWER EARNINGS HISTORY





File and Suspend + Claim now, claim more later

- To use this strategy, the older spouse claims retirement benefits and immediately suspends them, at the full retirement age, allowing his/her own retirement benefit to grow ("File and Suspend" strategy).
- When the younger spouse turns full retirement age, he/she can then file for a spousal benefit only and allow his/her own retirement benefit to grow also ("Claim Now, Claim More Later" strategy).
- When both spouses turn 70, they can then file for their own retirement benefits, which have been maximized. Combining the two strategies maximizes the monthly benefit for the couple.
- Both members of the couple must be at least full retirement age to use this strategy. It is not available to workers who claim benefits earlier

Who should consider file and suspend + claim now, claim later?

- Working couples who are close in age and who each qualify for Social Security benefits on their own record.



Same age and similar earnings

Jamie and Kim are the same age and have a similar earnings history. Therefore, their individual benefits are nearly identical.

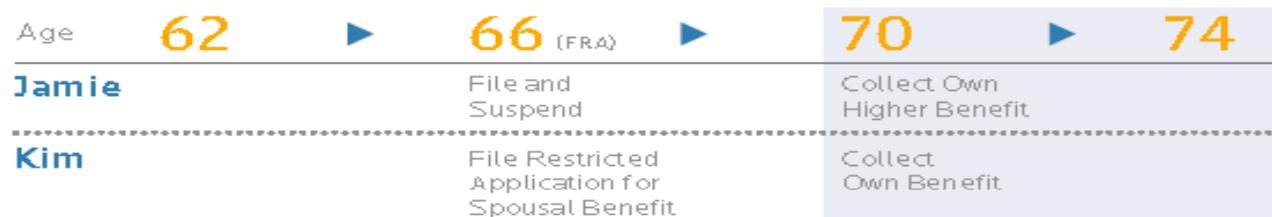
| Strategy

A combination **file and suspend** and **restricted application** strategy allows Kim to receive spousal benefits at age 66, while they both earn delayed retirement credits that will provide the maximum individual benefits when they turn 70.

| How it works

1. At full retirement age (FRA), Jamie files for his own benefit, but then asks the Social Security Administration to suspend his benefit payments.
2. Afterwards, Kim, also at FRA, files a restricted application which enables her to begin collecting spousal benefits now, while earning delayed retirement credits on her own record.
3. At age 70, Jamie and Kim each collect their own higher benefits.

MARRIED COUPLE: SIMILAR AGE AND SIMILAR EARNINGS HISTORY





Divorced spouse benefits

- Spousal benefits
- As a divorced individual, you are eligible to file for spousal benefits on your ex-spouse's work record if –
 - Your marriage lasted 10 years or longer
 - You are unmarried
 - You and your ex-spouse are 62 or older
 - Your ex-spouse is eligible for benefits

Spousal benefits are generally 50% of your ex-spouse's full retirement benefits when you file at your full retirement age. In addition, if you are:



Divorced less than 2 years
Ex-spouse must file for individual benefits for you to be eligible for spousal benefits.



Divorced more than 2 years
Ex-spouse does not need to file for individual benefits for you to



Collect now, collect more later

Jane and her ex-husband Jim were married for 12 years and have been divorced for 3 years.

Jane is a few years older than Jim, but she has a similar earnings history. Jane's individual benefit is higher than her spousal benefit (a spousal benefit is 50% of the worker's benefit).

| Strategy

Filing a restricted application will allow Jane to receive spousal benefits at age 66 while earning delayed retirement credits on her own record. This way, she can get the maximum individual benefit when she turns 70.

| How it works

1. At full retirement age (66), Jane files a restricted application for spousal benefits.
2. At age 70, Jane collects her own higher benefit.





Taking benefits early

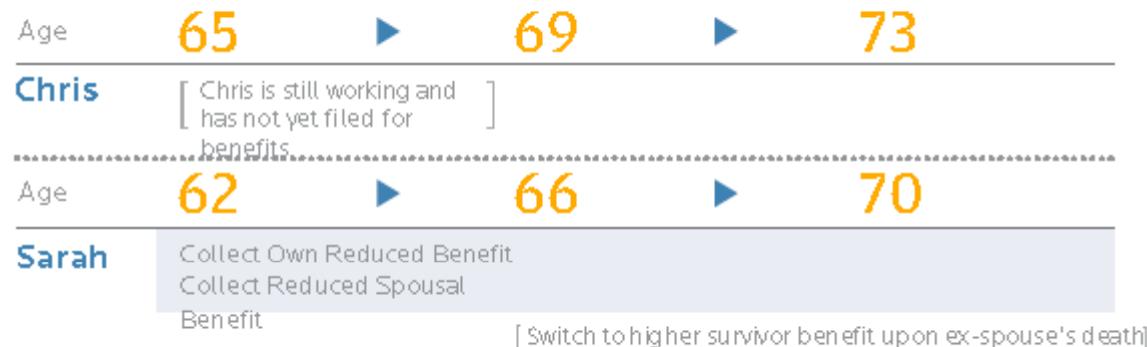
Sarah and her ex-husband Chris were married 35 years and have been divorced for 5 years. Chris earned significantly more than Sarah over their working years. Sarah is not currently working, Sarah—now age 62—needs additional income to cover her expenses. Chris—age 65 is not at full retirement age, is still working and has not yet filed for benefits.

Strategy

An early filing strategy will allow Sarah to claim her benefits at age 62. Even though her benefits will be reduced, they are more than her spousal benefits would be.

How it works

1. At 62, Sarah files for her individual benefits.
2. If Chris predeceases Sarah, she can then switch to survivor benefits, which will be based on the higher benefit Chris earned.





Divorced spouse benefits

- | If you remarry
 - | You are no longer eligible for spousal benefits on your ex-spouse's work record.
 - | You may be eligible for benefits through your new spouse.
 - | If second marriage ends in divorce, you may be eligible to collect on the higher of your ex-spouses' earning records, if both marriages lasted 10 years.
- | If you are not remarried
 - | You may be eligible for survivor benefits if you are not remarried prior to age 60 and your ex-spouse pre-deceases you.



Divorced survivor benefits

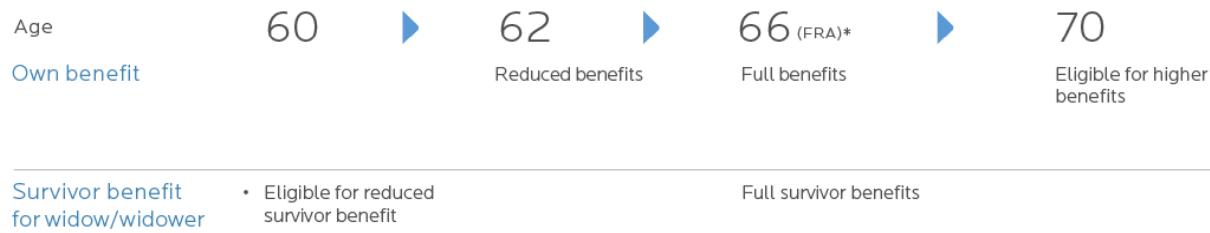
- | If you are divorced, you may be eligible for survivor benefits from an ex-spouse if you were married at least 10 years under these circumstances:
 - | Remarried after age 60
 - | Remarried before age 60 and second marriage ended in death or divorce
 - | Not remarried



Widow and Widower's benefits

Widowed individuals are eligible to file for reduced survivor benefits starting at age 60 (71.5% of spouse's full benefit.)

Survivor benefits are equal to the full amount (100%) of the deceased individual's benefit if taken at your FRA.



*Full Retirement Age. Age 66 is FRA for those born 1943-1954 for own/spousal benefit and those born 1945-1956 for survivor benefit.



Widow and Widower's benefits

Survivors filing considerations

You may file for survivor benefits before your FRA, using a restricted application, while continuing to earn delayed retirement credits on your own record.

File for your own reduced benefit and your survivor benefit as late as your FRA.

Age	60	62	66 (FRA)*	70
Own/spousal benefit		If eligible for both own and spousal benefits, you will be deemed filing for both benefits.	<ul style="list-style-type: none">• May file restricted application for only your spousal benefit.• Ability to earn delayed retirement credits on your own benefit.	If you have not yet claimed your benefit, do so by age 70.
Survivor benefit	<ul style="list-style-type: none">• Eligible to file restricted application for your own or a survivor benefit allowing you to claim the other benefit later.• Eligible to begin reduced survivor or own benefit.		<ul style="list-style-type: none">• If you have not yet claimed survivor benefit, do so by FRA.	If you have not yet claimed your benefit, do so by age 70.

*Age 66 is FRA for those born 1943-1954 for own/spousal benefit and those born 1945-1956 for survivor benefit.

Source for information: Social Security Administration, www.ssa.gov, as of August 2014.



Strategies for widows or widowers

If you are eligible based on your own record and your deceased spouse's record, you may decide which benefit to take first.

In general, if you expect to live a long life, you may want to consider taking the lower benefits first and the higher benefits later.

You may choose to take reduced survivor benefits as early as age 60 while you continue to earn delayed retirement credits on your own record.

You may also choose to take your own reduced benefits at age 62 and wait to take your survivor benefits at your full retirement age.



Widow with lower earnings record

Molly is 61 years old. Her husband, Bob, passed away 2 years ago. Molly worked some, but Bob earned significantly more over his lifetime.

| Strategy

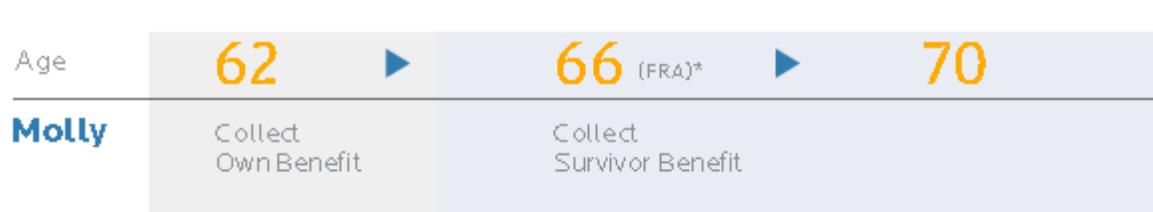
A combination of early filing and delaying her survivor benefits can enable Molly to receive a smaller benefit now and then switch to the higher survivor benefits later. This way, she can maximize her benefits by age 66.

| How it works

1. At 62, Molly files for her individual benefits.
2. At full retirement age (66), Molly files for her survivor benefits based on Bob's work record.

| Considerations

File for your own reduced benefit and your survivor benefit as late as your FRA.





Widow with higher earnings record

Gina is 59 years old. Her husband, John, passed away this year. Gina earned significantly more than John and has saved a fair amount of money. Gina wants to spend more time with her children and would like to only work part time going forward.

| Strategy

A **restricted application** for a survivor benefit strategy enables Gina to claim her survivor benefits at age 60, and allows her to earn delayed retirement credits on her own record.

| How it works

1. At age 60, Gina files a **restricted application** for her survivor benefits.
2. At age 70, Gina files for her higher individual benefit.





What happens to survivor benefits when I remarry?

- | The general rule concerning Social Security survivor benefits and remarriage is that you cannot get widow or widower's benefits if you remarry before age 60.
- | If your remarriage ends in divorce or death of your new spouse, your eligibility to file on your deceased spouse's record may be restored. If you remarry after age 60, you are eligible for survivor benefits based on your deceased spouse's work record.
- | If your new spousal benefit or survivor benefit is higher, you can switch to the higher benefit. You must have been married 9 months, although there are some exceptions to allow for benefits for a shorter marriage (such as accidental death and caring for a child of the deceased spouse)



Questions to consider prior to claiming

- | How much income do you need in retirement? Do you need the Social Security income?
- | Are you working until full retirement age?
- | If you don't have other sources of income, are you willing to draw on your investments?
- | Are you in good health? Do you have a family history of longevity? How long do you expect to live?
- | What makes you feel more secure: a smaller benefit sooner or a bigger benefit later? Do you prefer to receive benefits earlier in your life, considering you may not maximize the total dollars you receive over the long term?
- | Are you planning with a spouse? Can you use a marital strategy to maximize lifetime benefits for your household? If you are married, is your partner's lifetime income significantly higher?
- | Were you married previously? Are you aware of the additional benefits and strategies available to you?
- | How important is the survivor benefit you leave behind?



Decision tree

