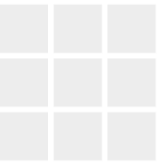




Social Security Simplified:

# FIVE TIPS & TACTICS FOR MAXIMIZING YOUR BENEFITS

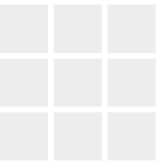
**Marty Allenbaugh, CFP®**, T. Rowe Price



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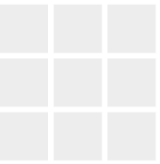
# WHEN CLAIMING YOUR SOCIAL SECURITY BENEFITS, IT PAYS TO WEIGH YOUR OPTIONS



# Social Security Basics

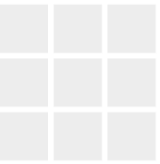
□ Three things affect the size of your Social Security check:

1. Your work history



# Social Security Basics

- Three things affect the size of your Social Security check:
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  2. The age at which you start collecting benefits



# Social Security Basics

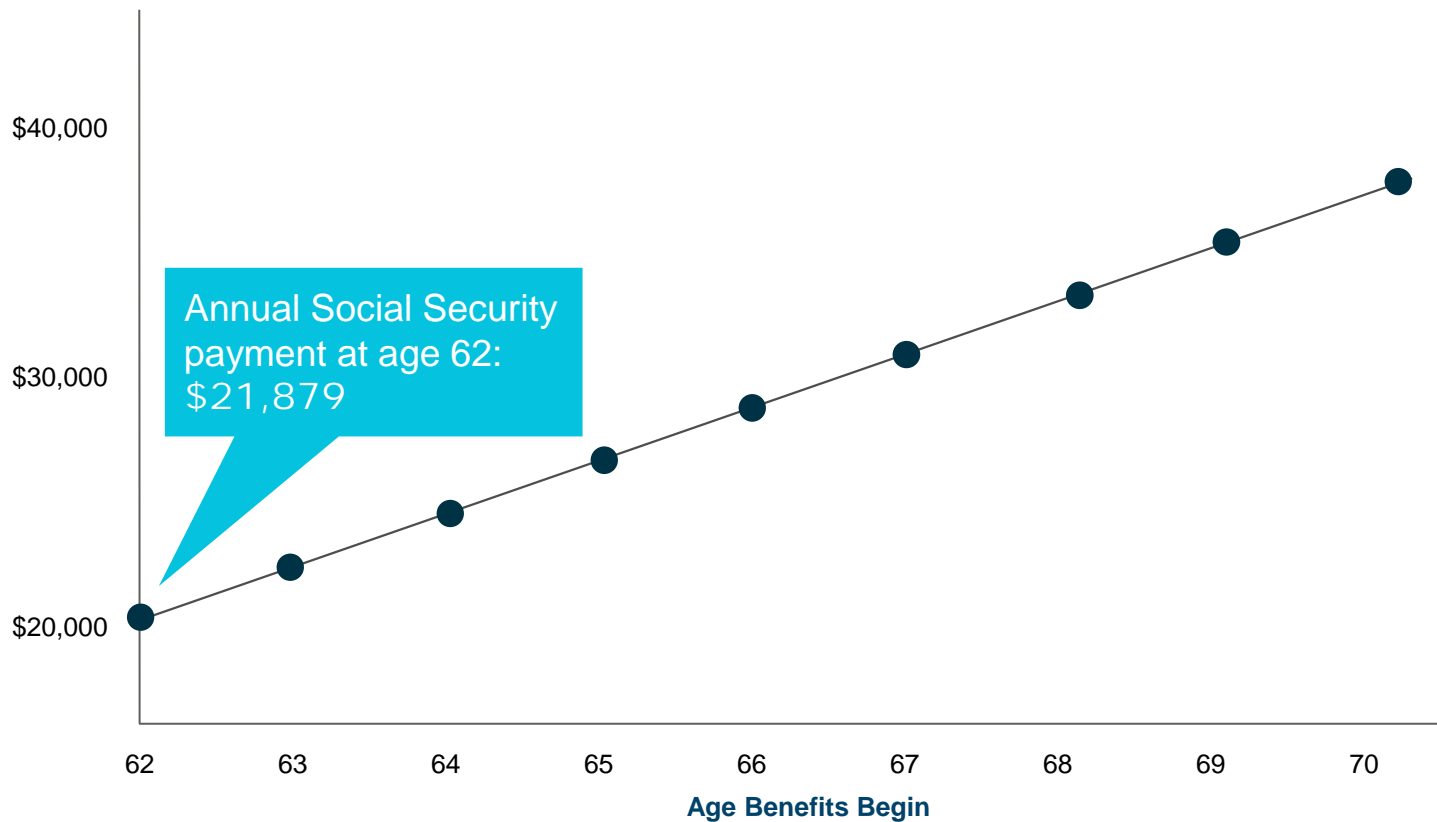
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  3. Your spouse's benefit decisions



# Social Security Basics

- ❑ Three things affect the size of your Social Security check:
  1. Your work history
  2. The age at which you start collecting benefits
  3. Your spouse's benefit decisions
  
- ❑ You can start collecting benefits as early as age 62 and as late as age 70

# The impact of delaying Social Security benefits

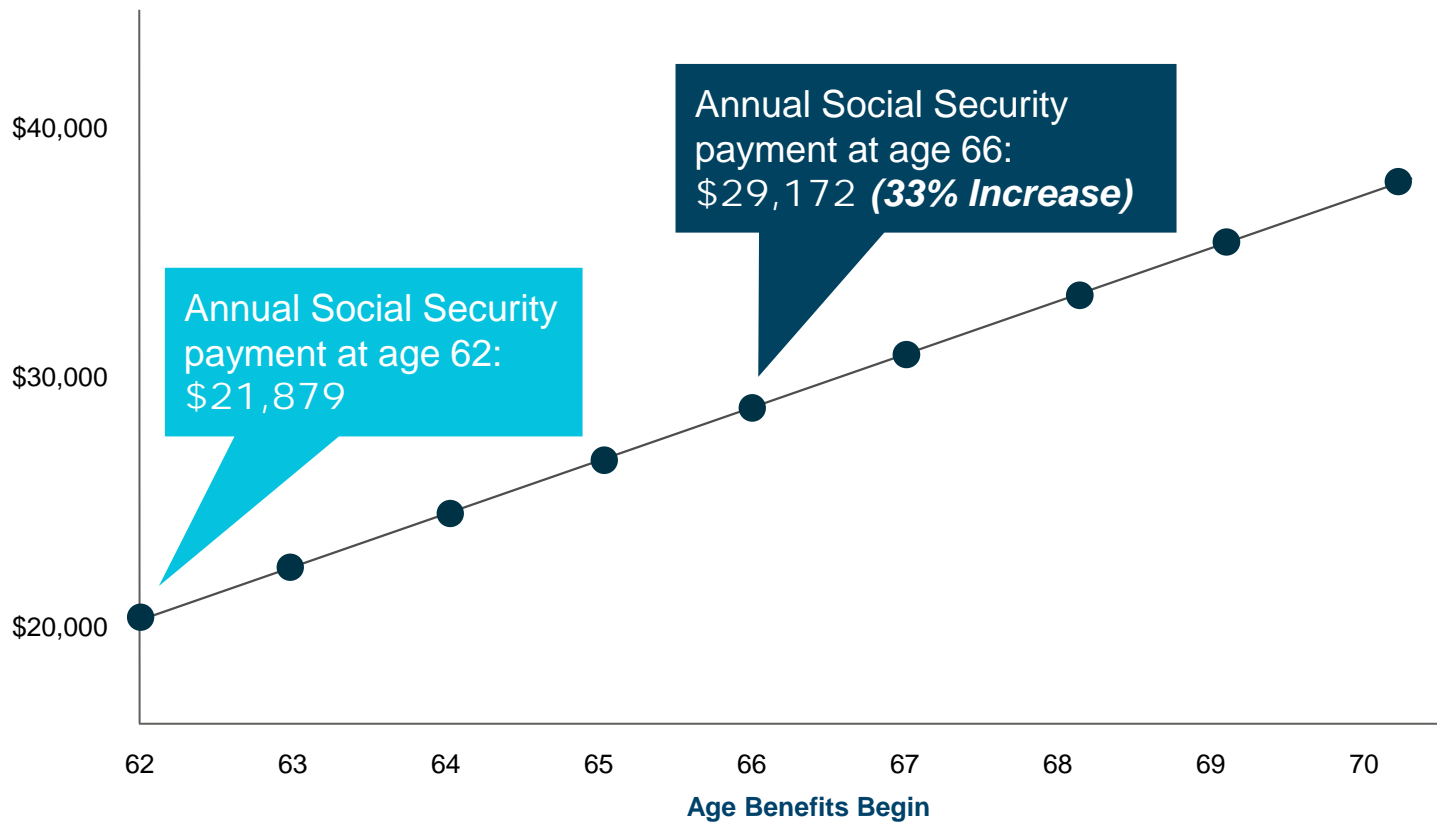


Social Security payments calculated using the T. Rowe Price Social Security Benefits Evaluator. This assumes an individual who is currently age 62 in 2014 (date of birth 2/28/52) who is continuing to work and earning \$100,000 each year until benefits begin. All figures reflect current dollars. Actual benefits would be higher to reflect future adjustments for inflation. Each year this individual waits to initiate his/her Social Security benefits, his/her annual retirement income from Social Security would increase by about 7-8%, regardless of any potential increases due to additional years of earnings. These results are for illustrative purposes only and are generic in nature.

Source: T. Rowe Price Social Security Benefits Evaluator February, 2014  
<http://individual.troweprice.com/public/Retail/Retirement/Social-Security-Tool>



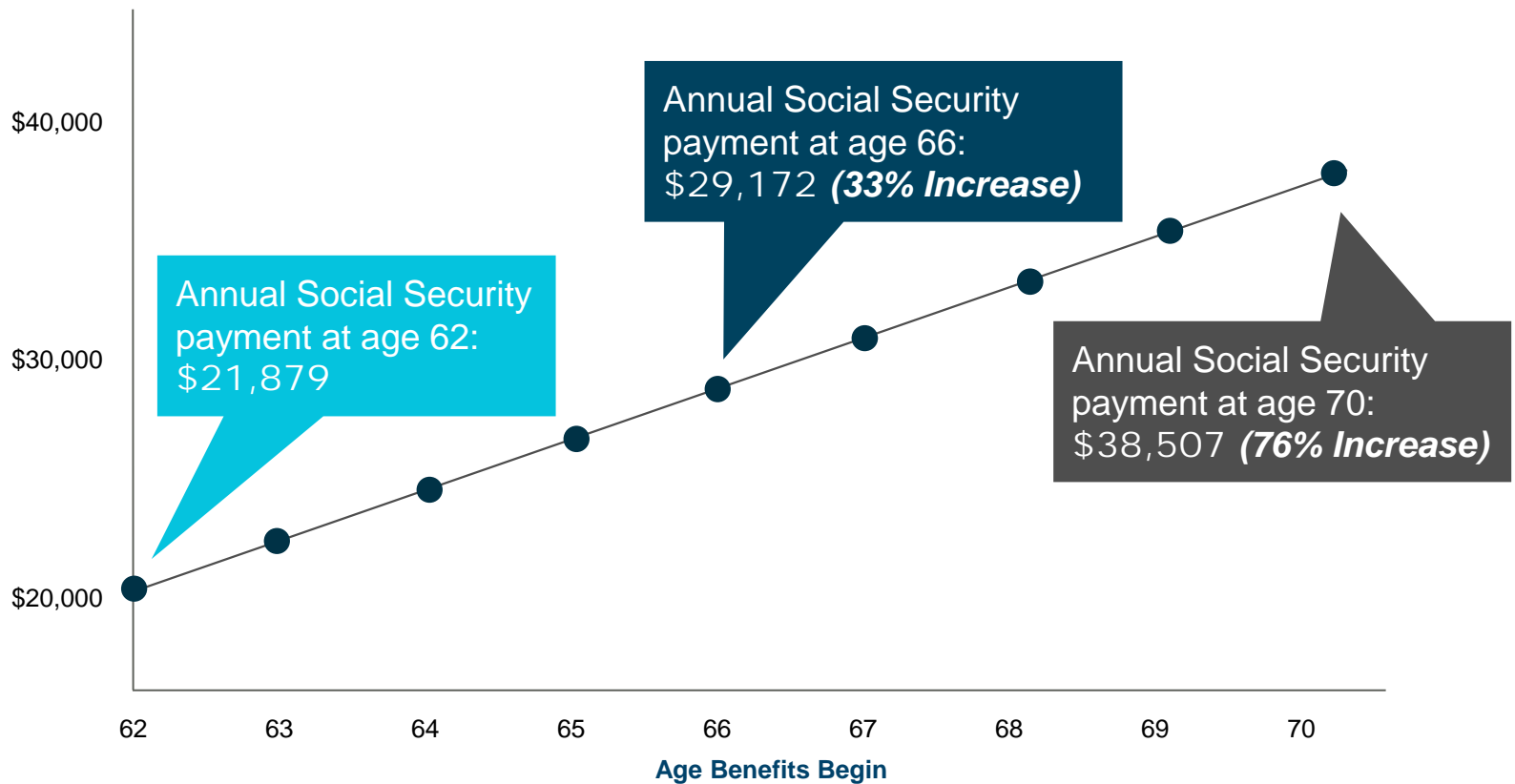
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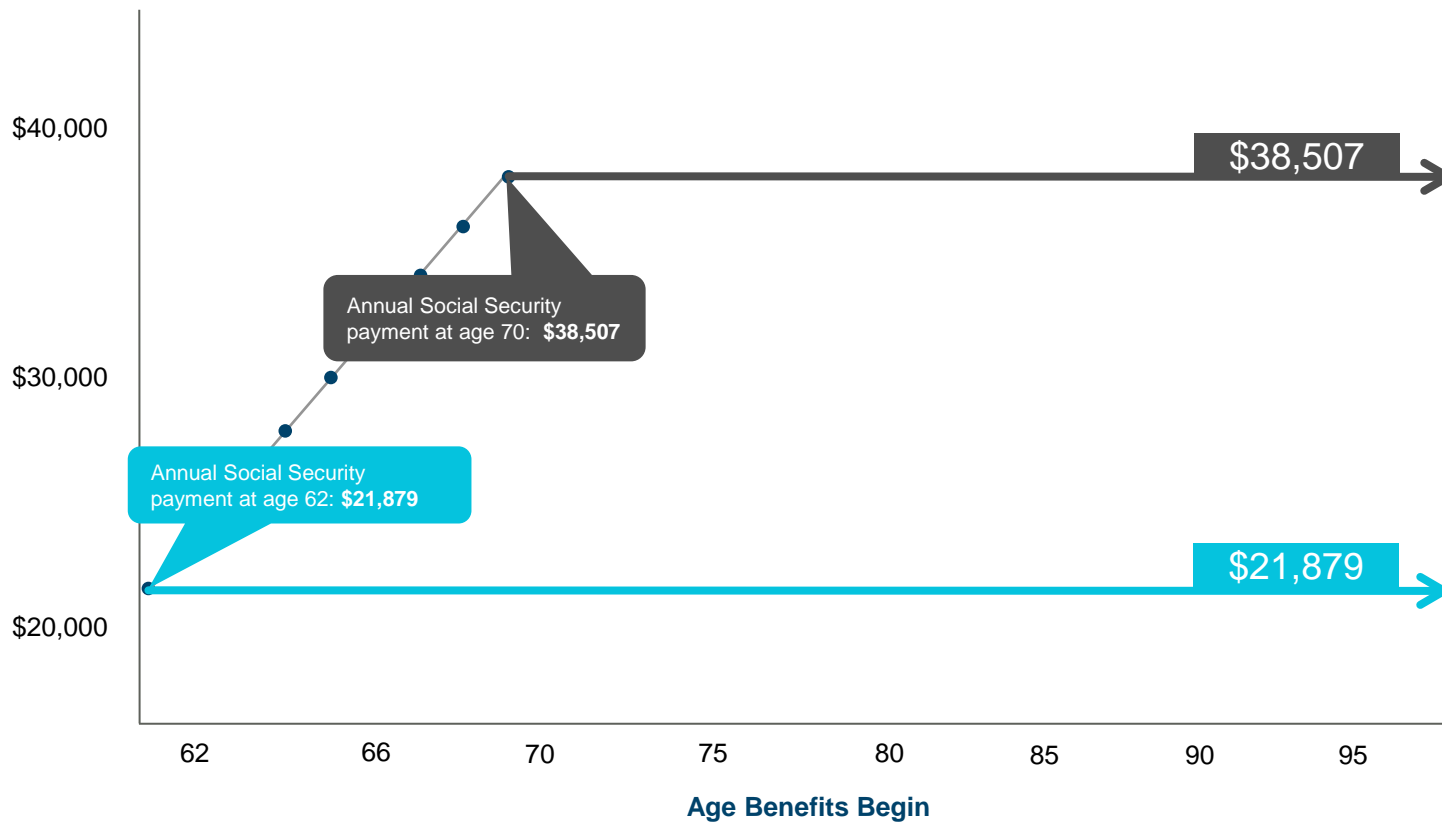
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# 5 Tips and tactics for maximizing benefits

1. Check your work history online through the Social Security Administration (SSA.gov) website
  - ❑ View your online Social Security statement
  - ❑ Identify and correct any work history errors/omissions now

**Your Earnings Record**

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
1987	594	594
1988	1,454	1,454
1989	2,591	2,591
1990	4,366	4,366
1991	5,961	5,961
1992	7,500	7,500
1993	9,055	9,055
1994	11,509	11,509
1995	14,064	14,064
1996	16,545	16,545
1997	19,147	19,147
1998	21,699	21,699
1999	24,363	24,363
2000	27,015	27,015
2001	28,798	28,798
2002	30,079	30,079
2003	31,668	31,668
2004	33,906	33,906
2005	35,897	35,897
2006	38,192	38,192
2007	40,553	40,553
2008	42,127	42,127
2009	41,977	41,977
2010	43,467	43,467
2011	Not yet recorded	

You and your family may be eligible for valuable benefits:  
When you die, your family may be eligible to receive survivors benefits.  
Social Security may help you if you become disabled—even at a young age.  
A young person who has worked and paid Social Security taxes in as few as two years can be eligible for disability benefits.  
Social Security credits you earn move with you from job to job throughout your career.

**Total Social Security and Medicare taxes paid over your working career through the last year reported on the chart above:**

Estimated taxes paid for Social Security:		Estimated taxes paid for Medicare:	
You paid:	\$33,009	You paid:	\$7,724
Your employers paid:	\$33,009	Your employers paid:	\$7,724

**Note:** In 2011, you paid 4.2 percent of your salary, up to \$106,800, in Social Security taxes and 1.45 percent in Medicare taxes on your entire salary. Your employer paid 6.2 percent in Social Security taxes and 1.45 percent in Medicare taxes for you. If you were self-employed, you paid the combined employee and employer amount of 10.4 percent in Social Security taxes and 2.9 percent in Medicare taxes on your net earnings.



## 5 Tips and tactics for maximizing benefits

1. Check your work history online through the SSA website
2. If you are still working and younger than your full retirement age, consider waiting to initiate your Social Security benefits
  - ❑ 78% of Americans claim their benefits at age 62!\*

\* Source: AARP Research 2011, Assessing Current and Future Beneficiaries' Knowledge of Social Security Benefits



# Waiting to Initiate your Claim

DETERMINE YOUR SOCIAL SECURITY FULL RETIREMENT AGE

<b>Birth Year</b>	<b>Full Retirement Age (FRA)</b>
<b>1942 or earlier</b>	Reached FRA
<b>1943-1954</b>	Age 66
<b>1955</b>	Age 66 & 2 months
<b>1956</b>	Age 66 & 4 months
<b>1957</b>	Age 66 & 6 months
<b>1958</b>	Age 66 & 8 months
<b>1959</b>	Age 66 & 10 months
<b>1960 and later</b>	Age 67



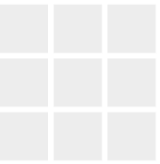
# Waiting to Initiate your Claim

## BENEFIT REDUCTIONS FOR WORKING INDIVIDUALS

- Benefits are reduced by \$1 for every \$2 you earn above annual wage limit\*\*
- The annual wage limit is \$15,480 in 2014
  - \$15,720 in 2015
- Benefits are no longer reduced when you reach your full retirement age

Source: SSA Publication No. 05-10035.

\*\*Compensation does not include earnings and profits from property, such as rental income, interest and dividend income or any amount received as pension or annuity income, or as deferred compensation.



## 5 Tips and tactics for maximizing benefits

1. Check your work history online through the SSA website
2. If you are still working and younger than your full retirement age, consider waiting to initiate your Social Security benefits
3. You may have an option to reset or suspend your Social Security filing





# If You Change Your Mind: Two Options

Opportunity to “reset” filing if started taking benefits less than 12 months ago

Must repay benefits already received

Available only once

---

Opportunity to “suspend” filing if already taking benefits

Begin at full retirement age; continue up to age 70



## 5 Tips and tactics for maximizing benefits

1. Check your work history online through the SSA website
2. If you are still working and younger than your full retirement age, consider waiting to initiate your Social Security benefits
3. You may have an option to reset or suspend your Social Security filing
4. Your Social Security benefits will not be reduced (and may go up) if you work longer



## Good News!

- Your benefits will never go down from working longer
- Benefits are based on your top 35 earning years (NOT your last 35)
- Additional years of earnings may help replace some zero-income years and may increase your Social Security benefits



## 5 Tips and tactics for maximizing benefits

1. Check your work history online through the SSA website
2. If you are still working and younger than your full retirement age, consider waiting to initiate your Social Security benefits
3. You may have an option to reset or suspend your Social Security filing
4. Your Social Security benefits will not be reduced (and may go up) if you work longer
5. If married, use spousal benefits to enhance your retirement income
  - Spousal benefit
  - Divorced spousal benefit
  - Surviving spouse benefit (survivors benefit)



# A Look At The “Spousal Benefit”

**As a spouse, you can claim a Social Security benefit based on:**

Your own earnings record  
*(Take at your age 62-70)*

*Or Receive*

A “spousal benefit” up to 50% of your spouse’s Social Security benefit as calculated at his/her full retirement age  
*(Take at your age 62 to FRA)*

---

A “spousal benefit” equal to 50% of your spouse’s Social Security benefit as calculated at his/her full retirement age  
*(Take at your FRA)*

*And Claim*

Your own earnings record  
*(Take as late as age 70)*



# “Spousal Benefit” Rules

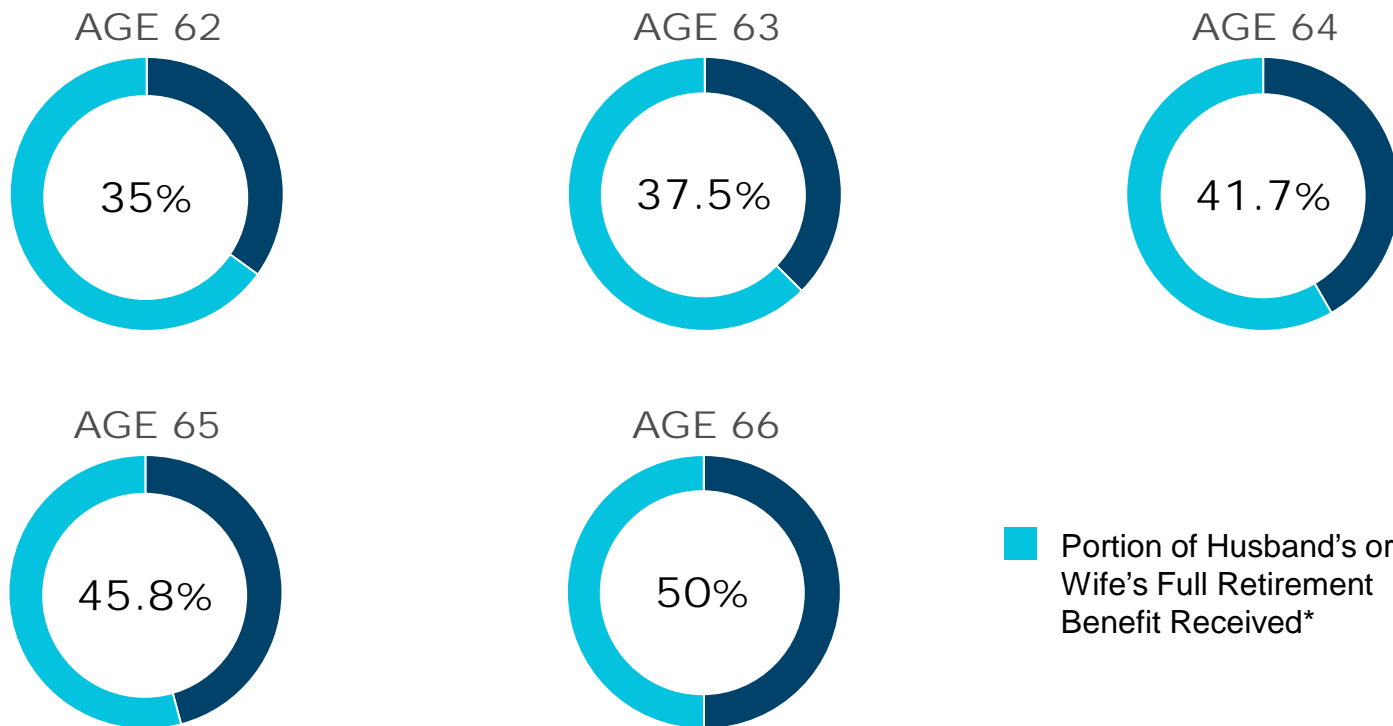
## CARDINAL RULES:

1. You cannot collect a “spousal benefit” until your spouse has filed (or has “filed and suspended”) for his/her own benefit
2. Only one spouse can collect a “spousal benefit” at a time
3. An individual can not collect their own benefit and a spousal benefit at the same time

# The Spousal Benefit Equation

The portion of your husband's or wife's full benefit that you can receive as a spousal benefit depends on when you initiate the spousal benefit.

## AGE WHEN INITIATING SPOUSAL BENEFITS



\*Assumes a full retirement age of 66.



## You can receive Social Security benefits based on your ex-spouse's records if:

- You are not married when filing for spousal benefits, and
- You were married to your ex-spouse for 10 years or longer, and
- You've been divorced from ex-spouse for at least two years, and
- You're both age 62 or older when applying for benefits





## Good News!

- Ex-spouse and/or any subsequent spouses of the ex-spouse will not be informed of your application for benefits, and
- Your divorced spousal benefits will in no way reduce the Social Security benefits for which they may be eligible



# Surviving Spouse Benefits

- When the first spouse dies, the surviving spouse is eligible to receive the larger of the two spouses' benefits
  - Not eligible to continue receiving both
- **IMPORTANT TIP**—In most cases, it makes sense for the higher-wage earning spouse to delay taking his or her Social Security benefits until age 70

# T. Rowe Price Social Security Benefits Evaluator

[www.troweprice.com/socialsecurity](http://www.troweprice.com/socialsecurity)

About You  Goal  Strategy

### PERSONAL INFORMATION

Your Name (optional)

Gender  Male  Female

Marital Status  Single  Married

Your Date of Birth

### LIFE EXPECTANCY ?

Your estimated life expectancy is 95.

### PROJECTED MONTHLY BENEFIT

Enter current annual salary (or most recent salary) to calculate a quick estimate:

Your Salary \$

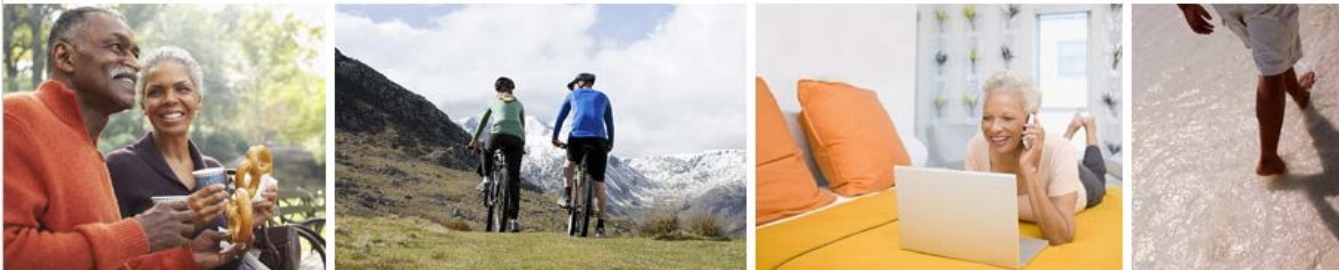
For a more accurate estimate, enter the monthly projected benefit, which can be found [online](#) or on a recent Social Security statement.

Your Monthly Projected Benefit \$  at Full Retirement Age

### CHOOSE A GOAL

### GLOSSARY

THE T. ROWE PRICE  
**Social Security Benefits Evaluator**





# “Spousal Benefit” Strategies

- Lou (Age 59) makes \$80,000 per year
- Samantha (Age 57) makes \$65,000 per year
- Assume Lou passes away at age 83 and Samantha at age 95
- Both apply for early age 62 benefits

GOAL

Hi, Lou and Samantha. Please choose **one** Social Security goal:

- We want to retire and take benefits at certain ages. *Amounts will be based solely on individual work histories and will not consider spousal benefits.* [Example](#)
- We want to maximize our income over the years we have together. [Example](#)
- We want to minimize the drop in income for the surviving spouse. [Example](#)
- We want the surviving spouse to receive the maximum annual benefit available. [Example](#)
- We want to maximize the survivor benefit and also receive income early, if possible. [Example](#)
- We want to claim our benefits as soon as possible, even if it's smaller. [Example](#)
- We want to get the maximum cumulative benefit possible as a couple – over both our lifetimes. [Example](#)

Your Retirement Age

Your Spouse's Retirement Age

GET STRATEGY

GLOSSARY

THE T. ROWE PRICE

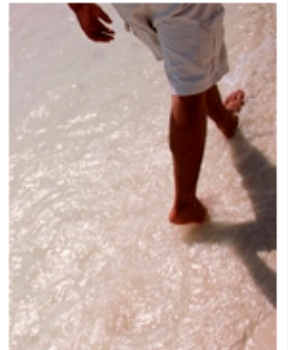
# Social Security Benefits Evaluator



**DID YOU KNOW**

How and when you claim your benefit can affect your finances for the rest of your retirement.

[Previous](#) | [Next](#)



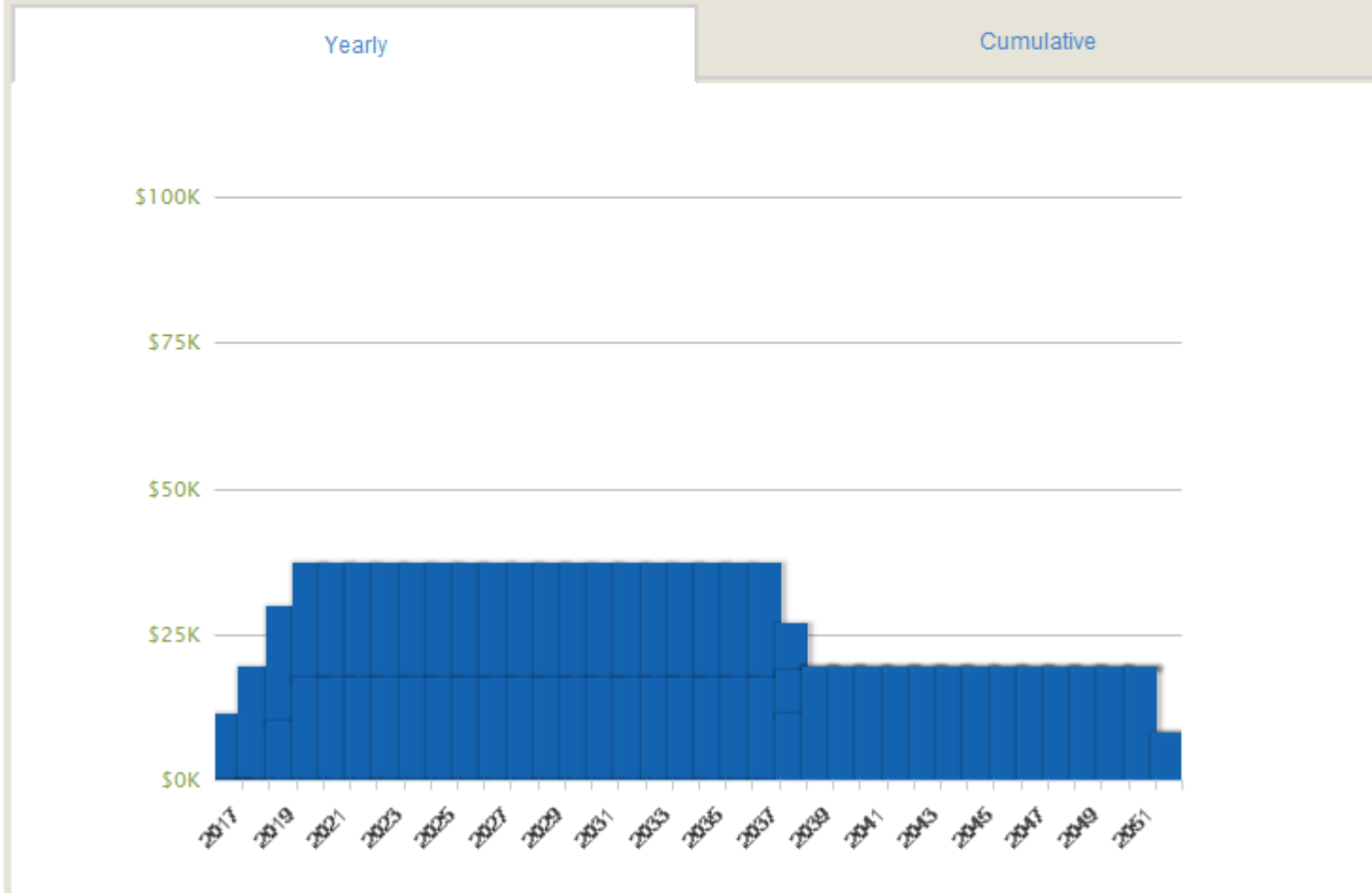
## STRATEGY

**May 2017:** Lou files for own benefits, at age 62, receiving approximately \$19,544 per year.

**May 2019:** Samantha files for own benefits, at age 62, receiving approximately \$17,661 per year.

Based on the life expectancy chosen, Samantha is assumed to receive the survivor's benefit of approximately \$19,544 per year in May 2038.

## ESTIMATED CUMULATIVE AND YEARLY BENEFIT TOTALS



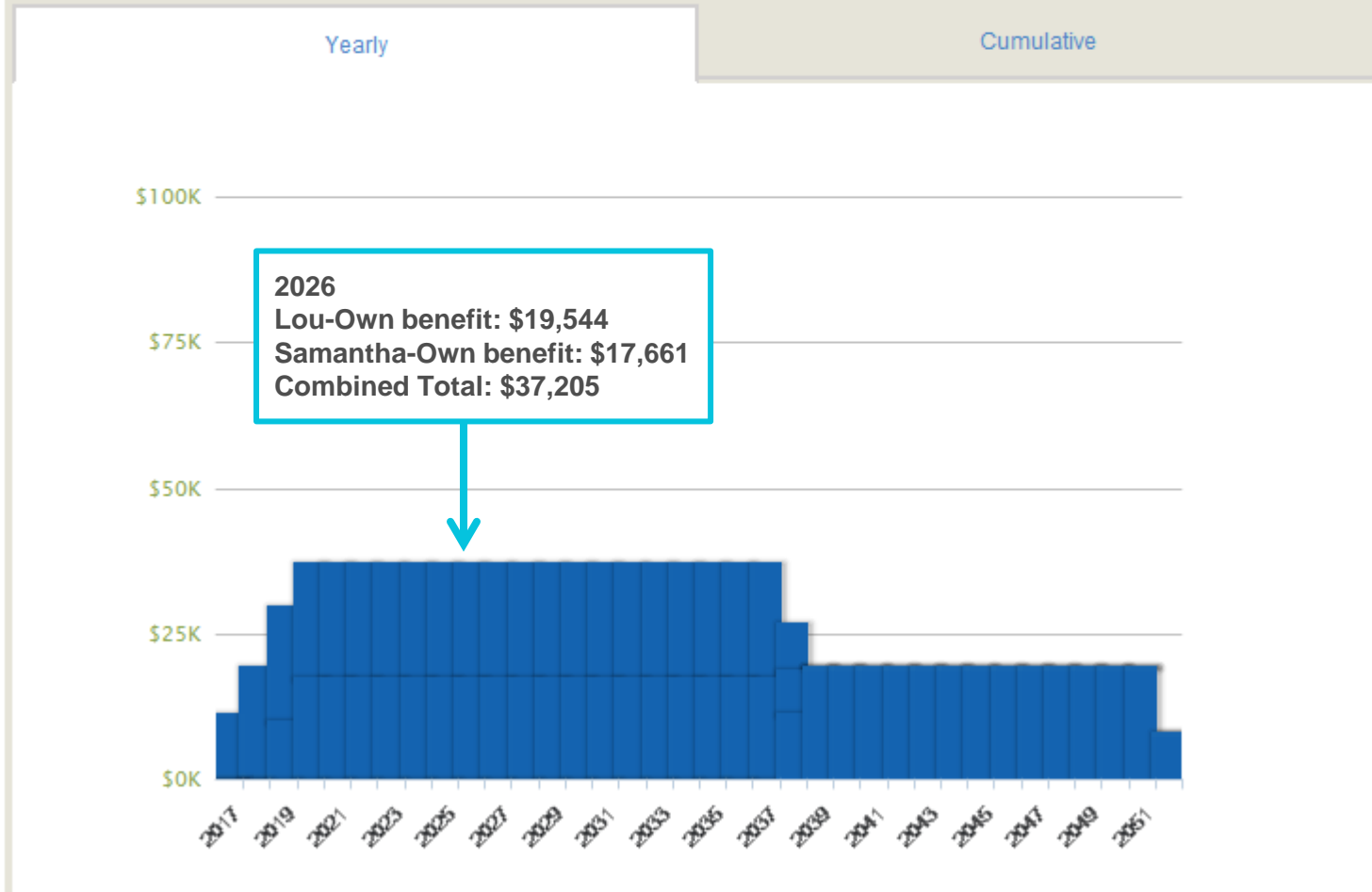
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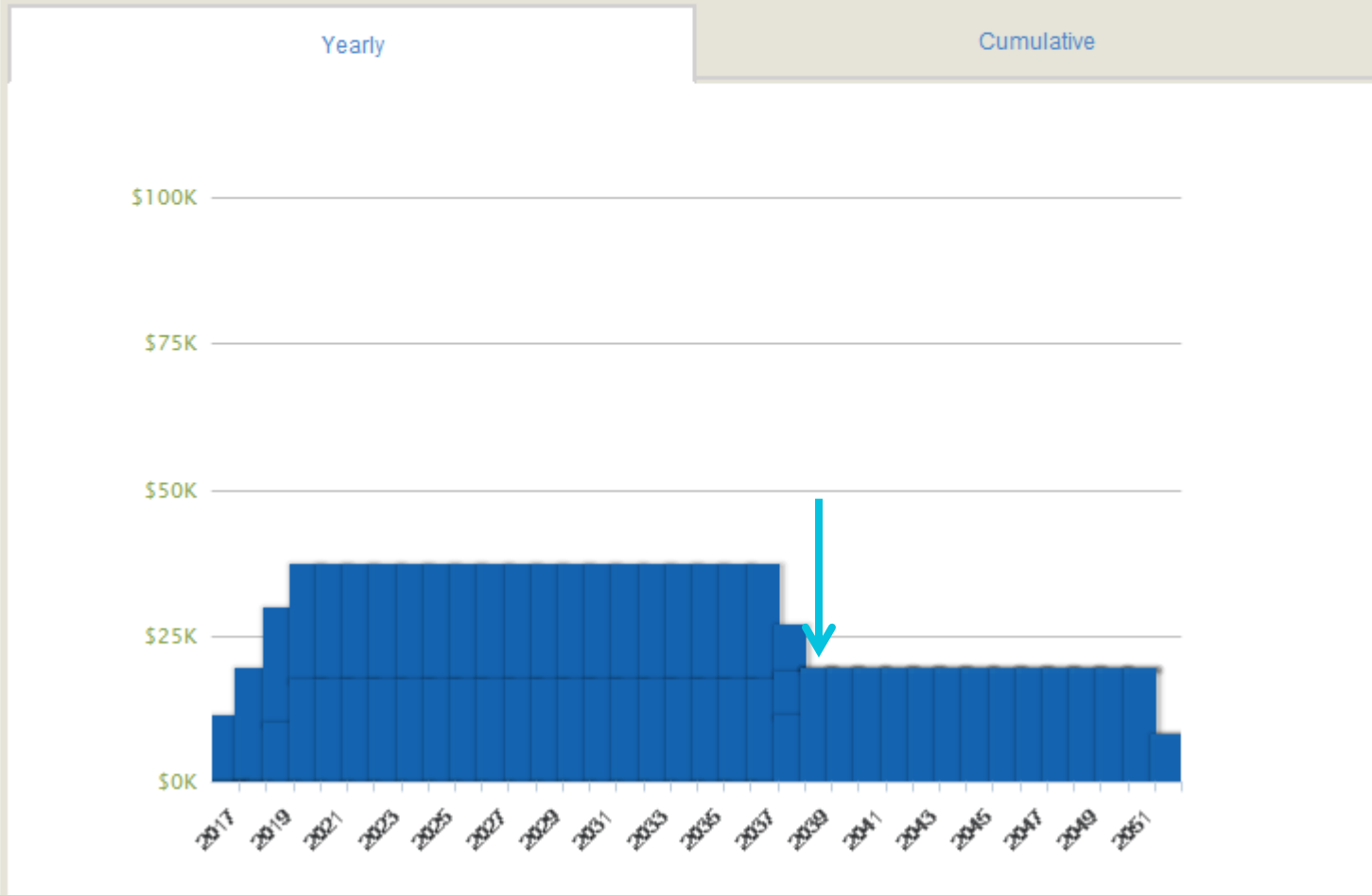
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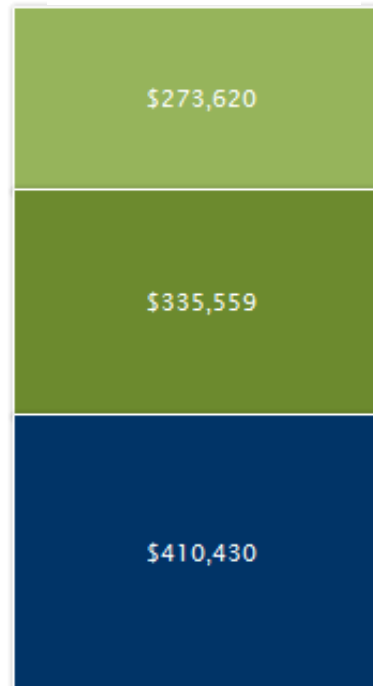
## ESTIMATED CUMULATIVE AND YEARLY BENEFIT TOTALS

Yearly

Cumulative

- Samantha - Survivor benefit
- Samantha - Own benefit
- Lou - Own benefit

**\$1,019,609**



\$273,620

\$335,559

\$410,430

By following the proposed strategy, based on the life expectancy assumptions you selected, you may receive an approximate lifetime benefit total of **\$1,019,609**.

[View Yearly Benefit Totals](#)

GOAL

Hi, Lou and Samantha. Please choose **one** Social Security goal:

- We want to retire and take benefits at certain ages. *Amounts will be based solely on individual work histories and will not consider spousal benefits.* [Example](#)
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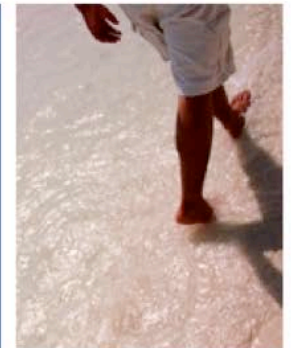
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### DID YOU KNOW

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[Previous](#) | [Next](#)



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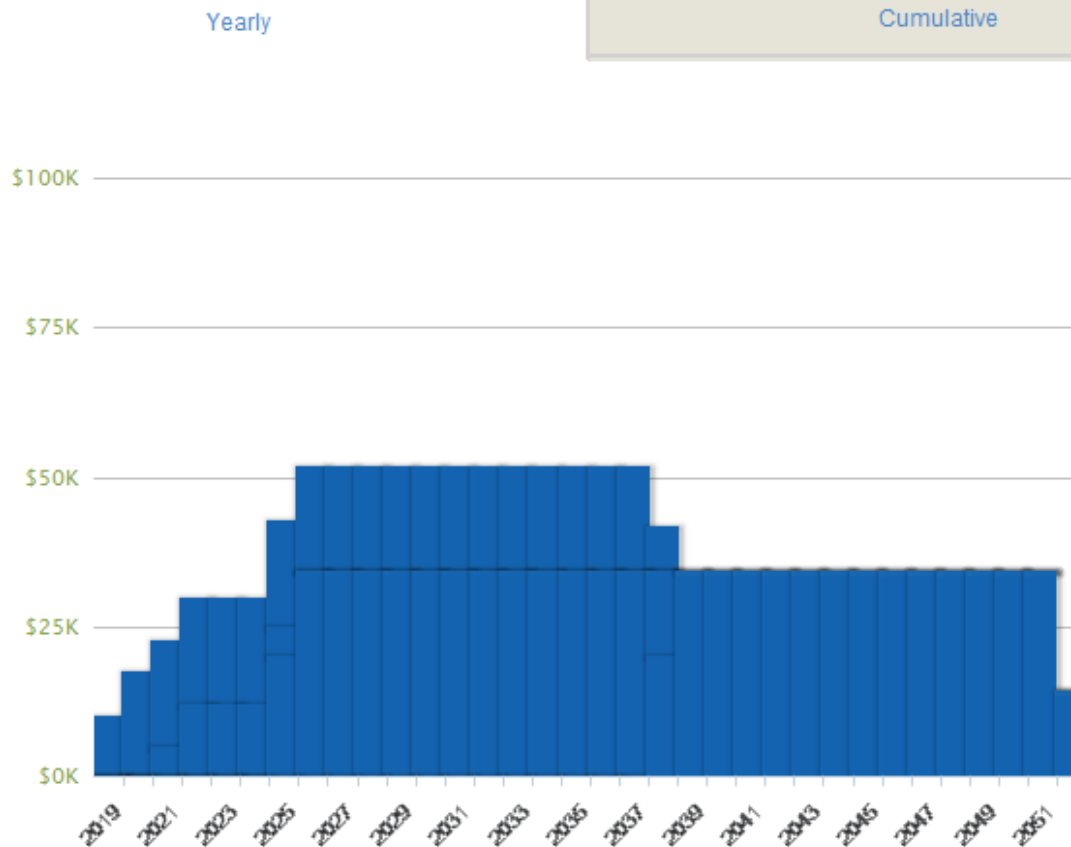
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## ESTIMATED CUMULATIVE AND YEARLY BENEFIT TOTALS



## STRATEGY

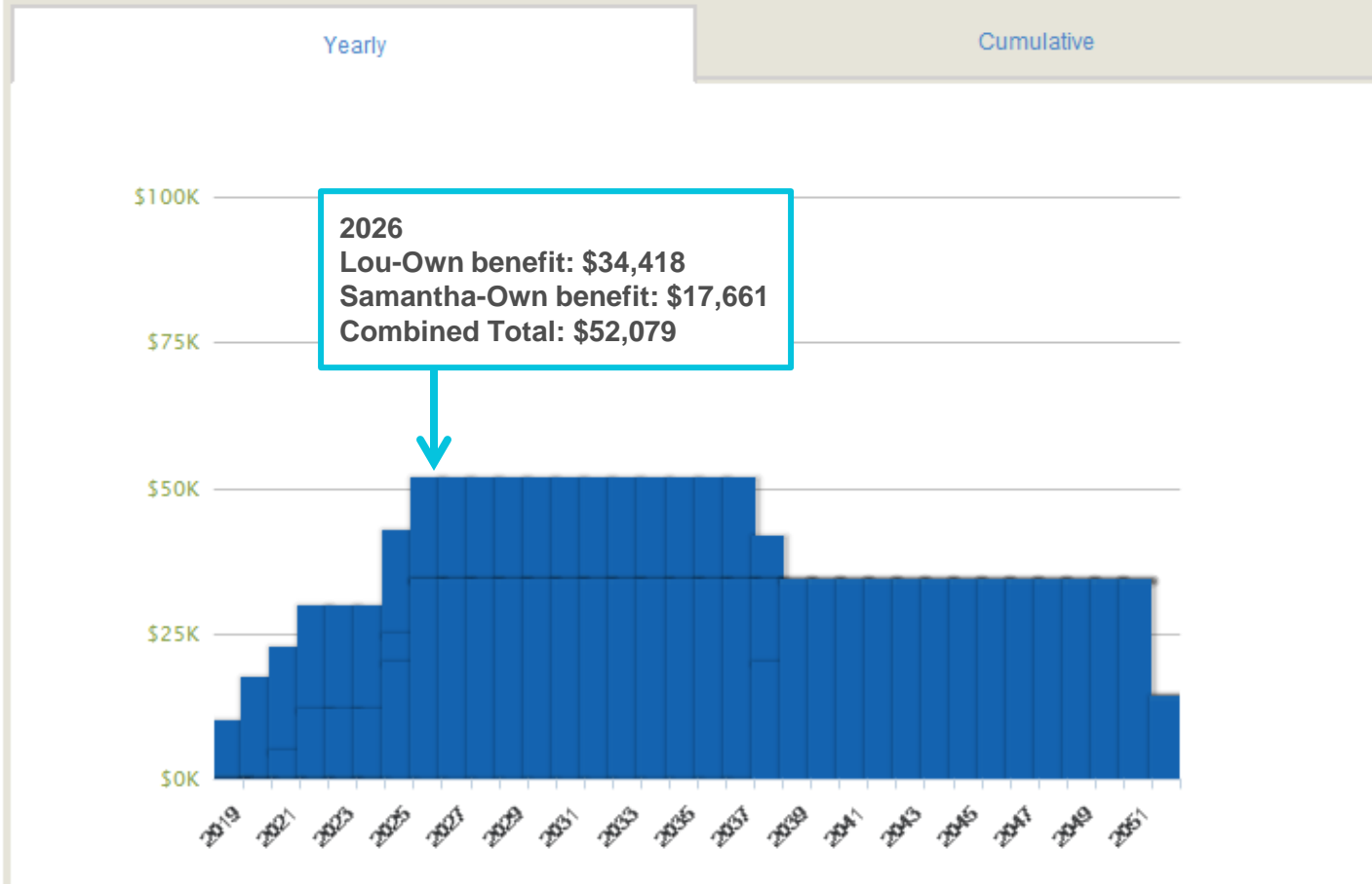
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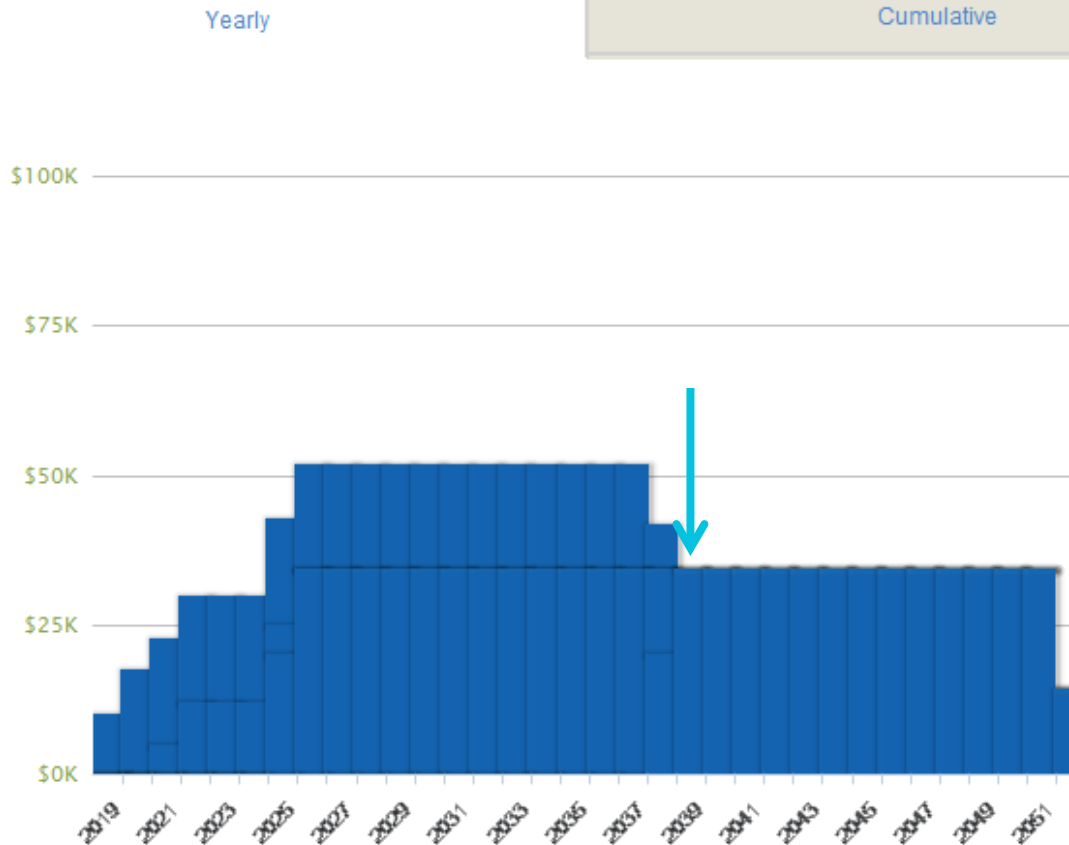
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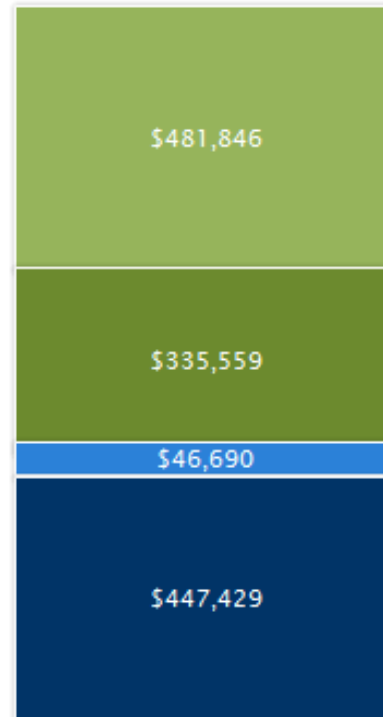
## ESTIMATED CUMULATIVE AND YEARLY BENEFIT TOTALS

Yearly

Cumulative

- Samantha - Survivor benefit
- Samantha - Own benefit
- Lou - Spousal benefit
- Lou - Own benefit

**\$1,311,524**

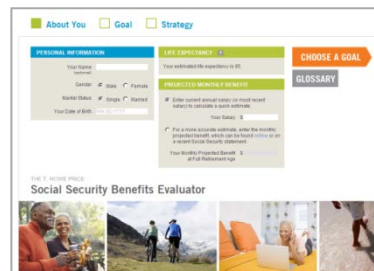


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[View Yearly Benefit Totals](#)

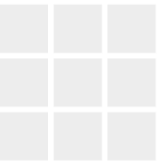
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Check out the T. Rowe Price Social Security Benefits Evaluator

[www.troweprice.com/socialsecurity](http://www.troweprice.com/socialsecurity)



[www.troweprice.com](http://www.troweprice.com)

[troweprice.mobi](http://troweprice.mobi)





# Life Expectancy Projections *(age 65 couple)\**

Age	Male	Female	Survivor
80	60%	71%	88%
85	40%	53%	72%
90	20%	31%	45%
95	6%	12%	18%
100	1%	3%	4%

\*2011 Society of Actuaries Key Findings: Longevity—2011 Risks and Process of Retirement Survey Report



# Taxation of Social Security Benefits

Taxation of  
Social Security  
at least 15%  
of benefits are  
always federal  
tax-free

Percentage of SS that is included in taxable income ranges from 0% to 85%.

Calculated based on 'Provisional income'

- = Adjusted Gross Income (including taxable retirement withdrawals, but not including tax-free Roth distributions)
- + tax-exempt interest, income and dividends (including tax-free funds)
- + ½ Social Security benefits

Provisional income less than \$25,000 for individuals, \$ 32,000 married filing jointly is federally tax-free

The larger the Social Security benefit, the larger the amount of benefits received federally tax -free

Most states either do not tax Social Security or give it a tax preference

Strategy:

Consider increasing assets in Roth accounts and reducing tax-free bonds and taxable withdrawals in taxable accounts to minimize taxation of Social Security in retirement

Some may be able to use automatic withholding of Social Security benefits to avoid having to file quarterly estimated taxes (submit IRS W-4V form to Social Security)

T.RowePrice®



THANK YOU.

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2014-AX-5802

Presented on December 13, 2014