

A Guide to Social Security: Know Your Options; Maximize Your Benefits



Wealth Management Services

©2013 Nuveen Investments, Inc.

Bassett, Dawson, & Foy, Inc.

1011 Centre Rd, Suite 110
Wilmington, DE 19805
302-999-9330
www.bdfwealth.com

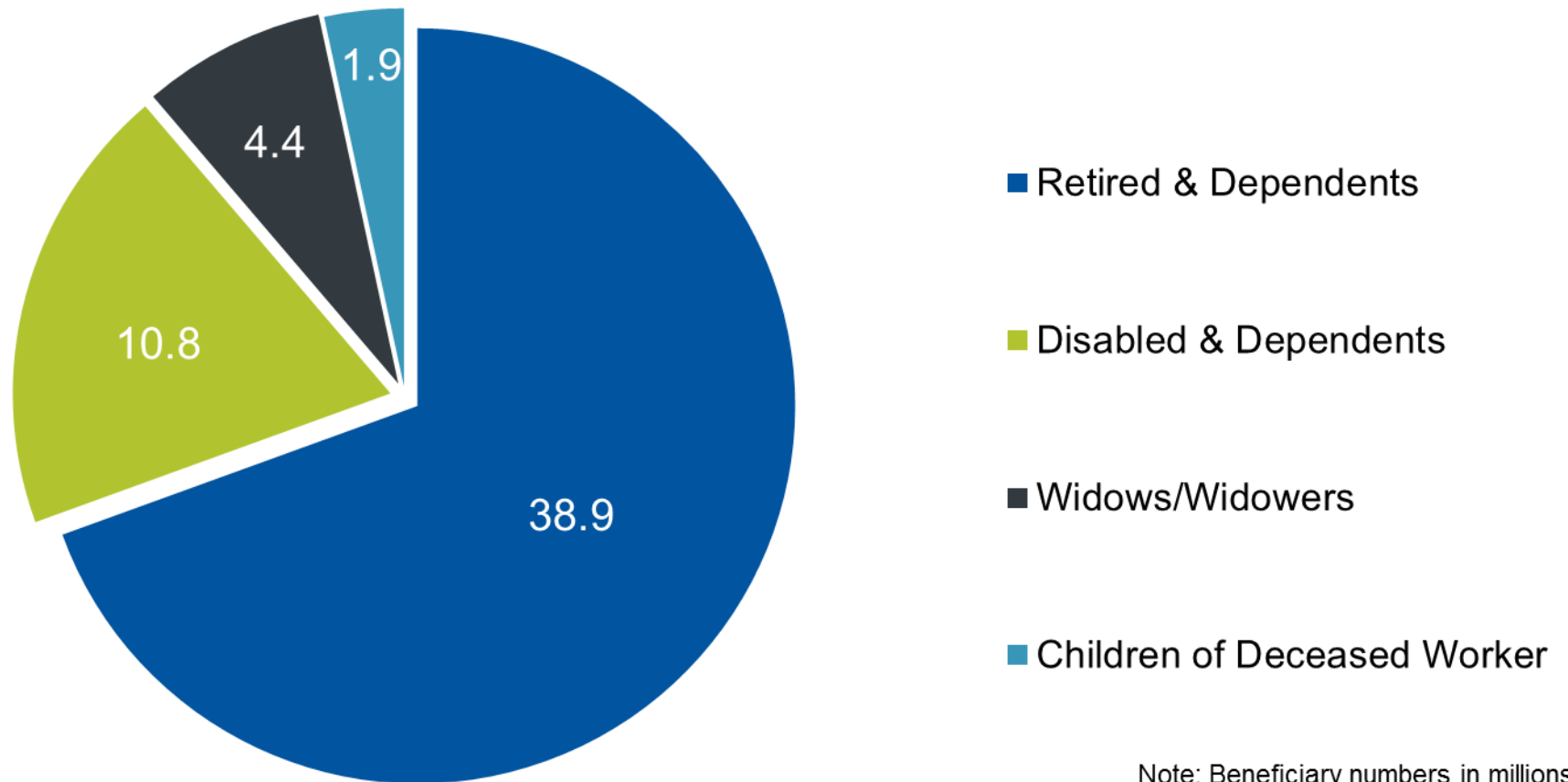
Securities offered through

Raymond James Financial Services, Inc.

Member FINRA/SIPC

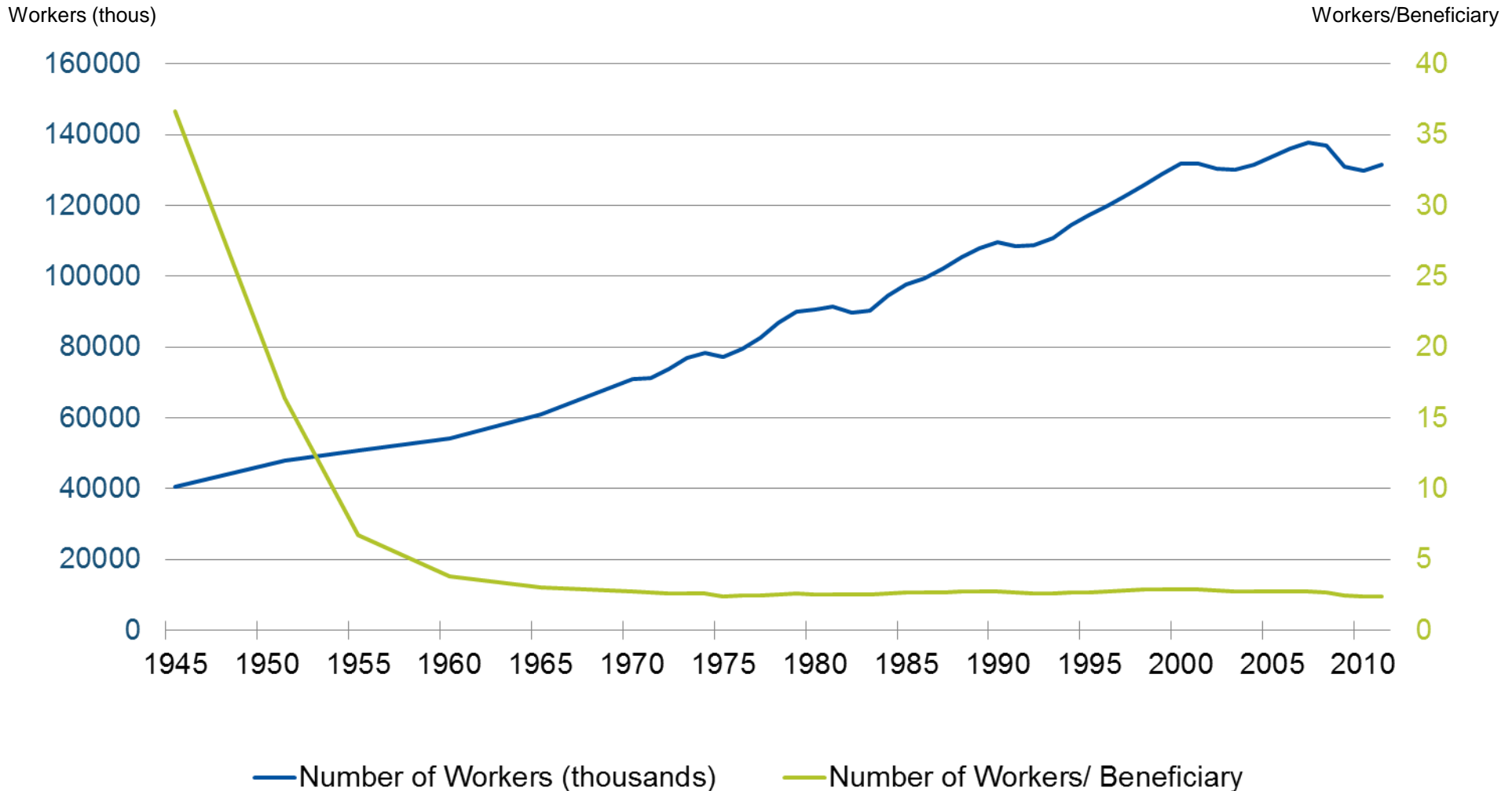
- Social Security Overview
- Qualifications for Collecting Benefits
- Calculating Benefits
- Strategies for Maximizing Benefits
- Taxation of Benefits
- Next Steps
- Resources

Today there are over 56 million people collecting some form of Social Security Benefits



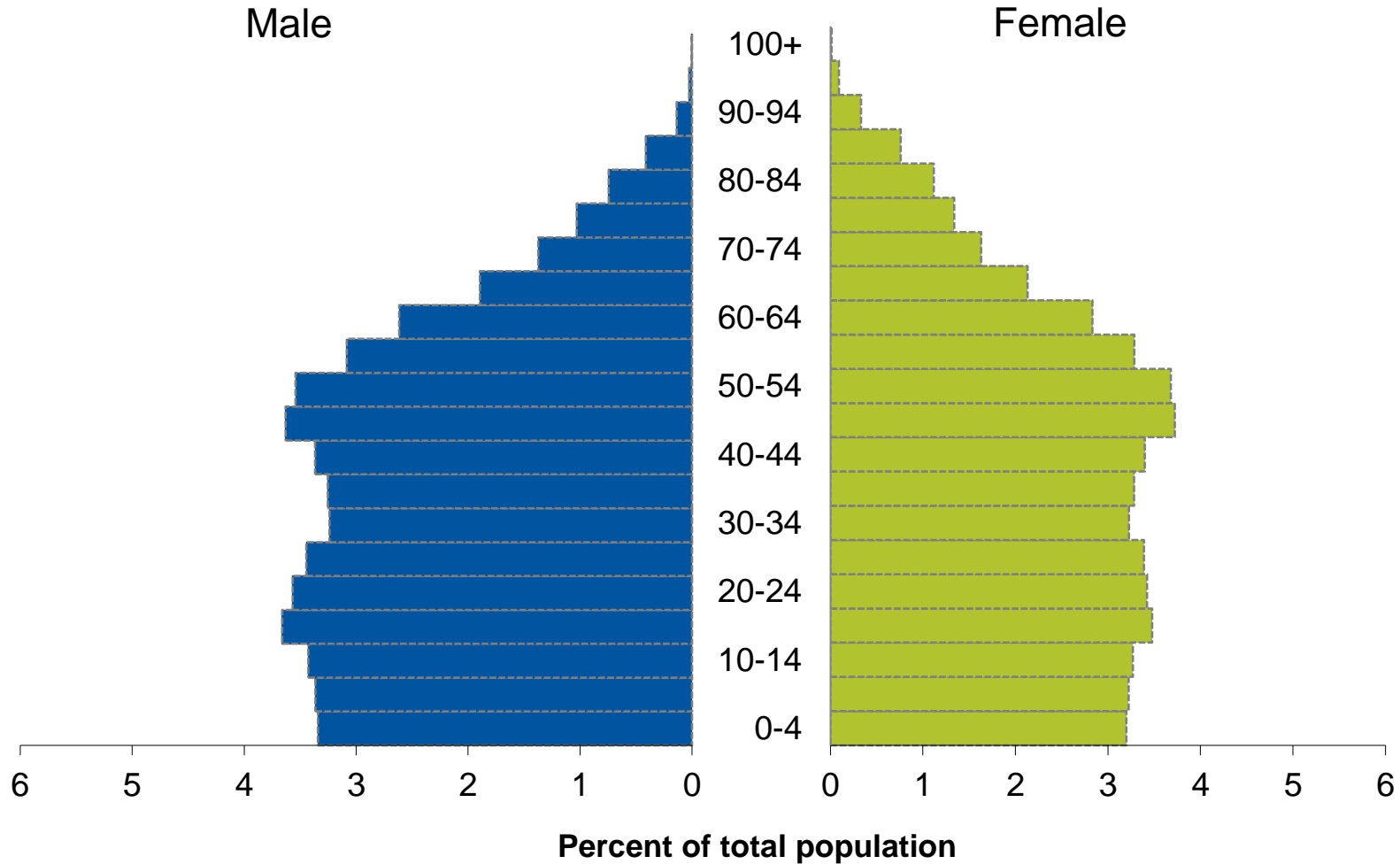
Note: Beneficiary numbers in millions

The number of workers per beneficiary is declining over time



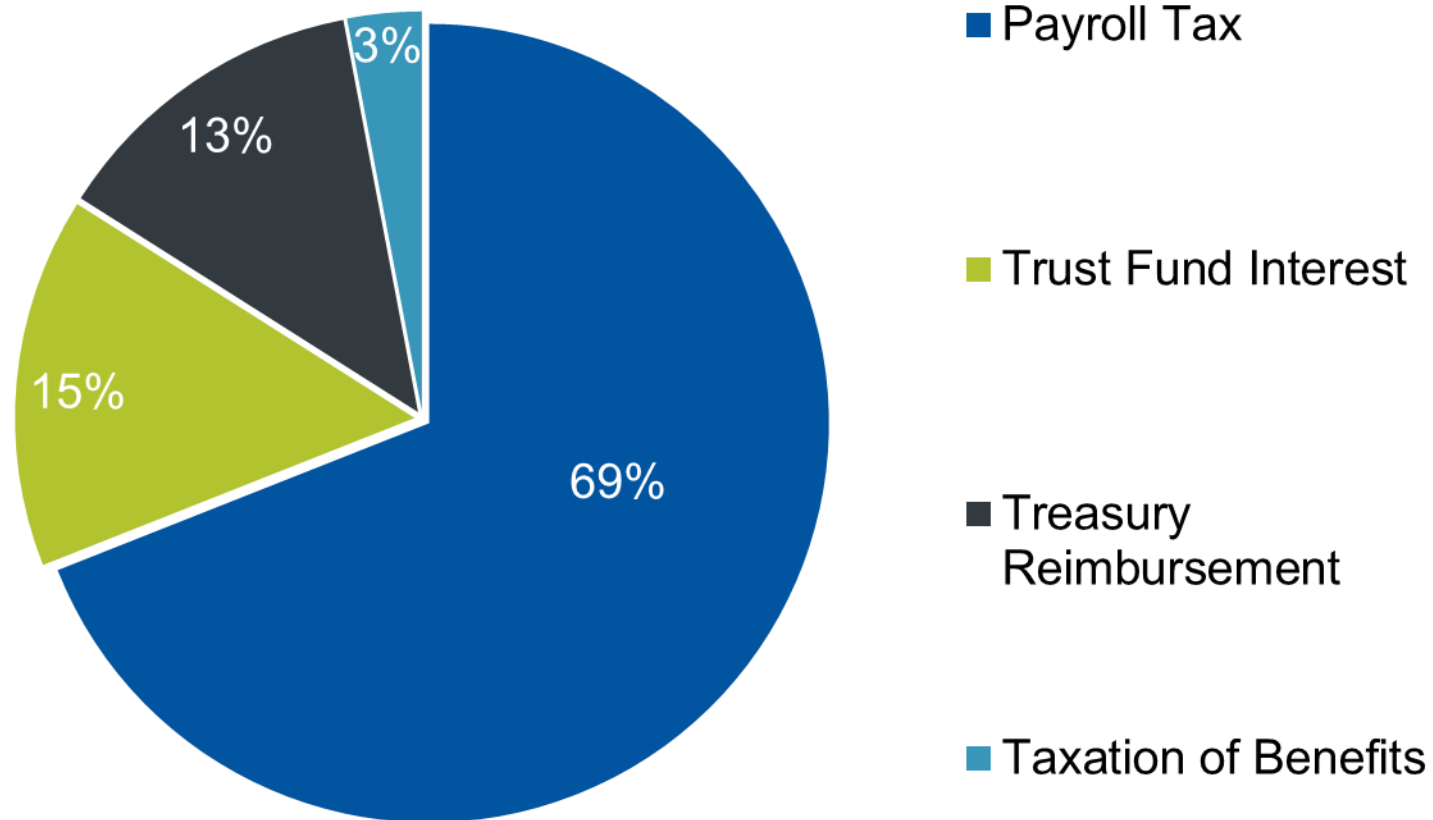
Source: ssa.gov, BLS

Population Distribution



Source: U.S. Census Bureau, 2010

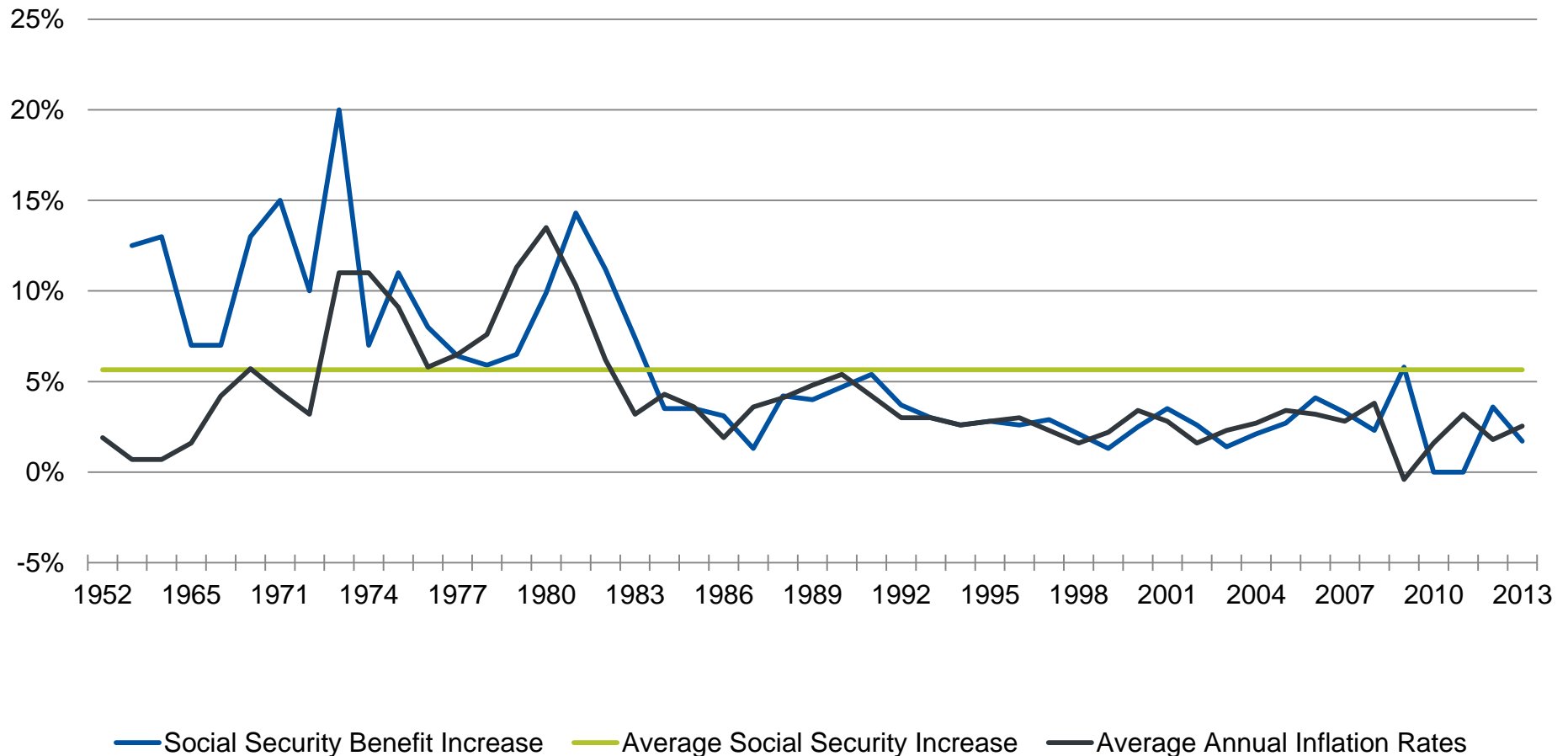
Where does Social Security Funding Come From?



Source: ssa.gov

Social Security Benefit Increases

COLA: 1954 – 2013



Source: ssa.gov, Bureau of Labor Statistics

As of 2013

- The taxable Social Security wage base is \$113,700
- Average monthly beneficiary payment: \$1,261
- Maximum monthly benefit at Age 62: \$1,773
- Maximum monthly benefit at FRA: \$2,533
- Maximum monthly benefit at Age 70: \$3,343

Social Security: Calculating Benefits

Full Retirement and Age 62 Benefit By Year Of Birth

Year of Birth	Full (normal) Retirement Age	At Age 62	
		The retirement benefit is reduced by	The spouse's benefit is reduced by
1943-1954	66	25.00%	30.00%
1955	66 and 2 months	25.83%	30.83%
1956	66 and 4 months	26.67%	31.67%
1957	66 and 6 months	27.50%	32.50%
1958	66 and 8 months	28.33%	33.33%
1959	66 and 10 months	29.17%	34.17%
1960 and later	67	30.00%	35.00%

The maximum benefit for the spouse is 50% of the benefit the worker would receive at full retirement age. The % reduction for the spouse should be applied after the automatic 50% reduction.

Source: ssa.gov

Earned Income Benefit Reduction

2013 Social Security Earned Income Benefit Reduction

Until a person reaches his or her Social Security full retirement age, Social Security benefits are reduced if the recipient's earnings exceed a certain allowable limit:

\$1 in benefits withheld for every \$2 in earnings over this limit.	\$15,120 / year
	\$1,260 / month

The rules for calculating the work penalty are different for the year in which an individual attains full retirement age:

\$1 in benefits withheld for every \$3 in earnings above this limit.	\$40,080 / year
	\$3,340 / month

To be eligible for **Social Security** payments the individual must:

- Have a minimum of 10 years employment or 40 Social Security “credits”
- Workers can earn a maximum of 4 credits per year
- 1 Social Security Credit = \$1,160 income earned in 2013
- Be at least 62 years of age

To be eligible for **Disability** payments the individual must:

- Be under the age of 65
- Complete a 5 month waiting period, and
 - Be disabled for 12 months, or
 - Is expected to be disabled for at least 12 months, or
 - Has a disability which is expected to result in death

Who is Excluded from Coverage

- Civilian federal employees hired before January 1, 1984
- Railroad workers (who are covered under the railroad retirement system, which is coordinated with Social Security)
- Certain employees of state and local governments who are covered under their employers' retirement systems
- **Provisions To Know:**
 - Windfall Elimination Provision (Worker)
 - Government Pension Offset (Spouse/Survivor)

Family benefits if primary beneficiary is deceased, retired or disabled.

Child if s/he is:

- Not married and under 18 (up to 19 if full time student still in H.S.)
- Disabled, not married and under 22

Spouse if s/he is:

- At least 62 years old (*as early as 60 if survivor*)
- Caring for a disabled child or a child under 16

Family benefits if primary beneficiary is deceased, retired or disabled.

Your Ex-Spouse if:

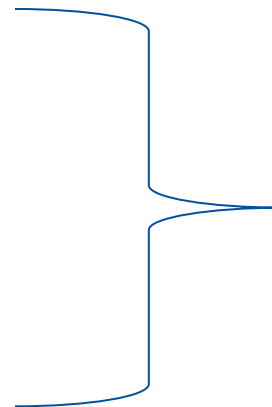
- S/he is not remarried
- S/he is at least 62 years old (*as early as 60 if survivor*)
- The marriage lasted at least 10 years
- Divorced at least two years

Spousal Benefits

- Spousal benefit is 50% of worker's unreduced benefit
- Recipient faces a reduction for early retirement
- If spouse's own benefit is less than 50% of the worker's, the benefits are combined
- Does not reduce payment to worker
- Spousal benefits do not benefit from delayed retirement credits

Retirement Options:

- **Early Retirement at 62**
- **Full Retirement Age (FRA)**
- **Defer Until age 70**
- **File and Suspend**
- **Claim Now, Claim More Later**



Maximize

Delayed Retirement

- Delayed retirement credits are awarded up to age 70
- Your benefit will increase automatically from the time you reach your full retirement age until you start receiving your benefits or until you reach age 70

Year of Birth	Yearly Rate of Increase	Monthly Rate of Increase
1933-1934	5.5%	11/24 of 1%
1935-1936	6.0%	12/24 of 1%
1937-1938	6.5%	13/24 of 1%
1939-1940	7.0%	7/12 of 1%
1941-1942	7.5%	5/8 of 1%
1943 or later	8.0%	2/3 of 1%

Source: "Social Security for Dummies", Jonathan Peterson, 2012.

File and Suspend

- At FRA higher income earning spouse files for Social Security Benefits, and s/he suspends the claim
- Lower earning spouse files for spousal benefits. (Must be ≥ 62)
- At age 70, higher earner claims suspended benefits at increased level

Claim Now, Claim More Later

- One spouse claims spousal benefits when s/he reaches FRA
- When s/he turns 70, switches back to their own benefits, which have grown to maximum amount due to delayed retirement credits

Hypothetical Examples

Scenarios:

1. Same age, John: \$2000/mo & Sally: \$1500/mo
2. Same age, John: \$2000/mo & Sally did not work
3. 3 year age difference, John: \$2000/mo & Sally: \$1500/mo
4. 3 year age difference, John: \$2000/mo & Sally did not work

All scenarios assume life expectancy of 79 for John and 84 for Sally.

Strategies:

1. Both Retire at 62
2. Both Retire at FRA
3. Both Defer to 70
4. File and Suspend
5. Claim now, Claim more later

Social Security: Maximizing Benefits

Hypothetical Example: John and Sally are the same age

	Total Monthly Benefits	
	Both Spouses Work	Sally Does Not Work
Early Retirement 62/62	J: \$1,508 S: <u>\$1,131</u> Total: \$2,639	J: \$1,508 S: <u>\$704</u> Total: \$2,212
Full Retirement Age 66/66	J: \$2,000 S: <u>\$1,500</u> Total: \$3,500	J: \$2,000 S: <u>\$1,000</u> Total: \$3,000
Delayed Retirement 70/70	J: \$2,640 S: <u>\$1,980</u> Total: \$4,620	J: \$2,640 S: <u>\$1,000</u> Total: \$3,640
File & Suspend 66/70 & 66/70	J: \$0 / \$2,640 S: <u>\$1,000 / \$1,980</u> Total: \$1,000 / \$4,620	J: \$0 / \$2,640 S: <u>\$1,000</u> Total: \$1,000 / 3,640
Claim now, claim more later 66/70 & 66	J: \$750 / \$2,640 S: <u>\$1,500</u> Total: \$2,250 / \$4,140	<i>N/A: Due to Sally not working</i>

Social Security: Maximizing Benefits

Hypothetical Example: John and Sally are the same age

	Total Lifetime Benefits	
	Both Spouses Work	Sally Does Not Work
Early Retirement	\$628,836	\$541,728
Full Retirement Age	\$669,500	\$591,000
Delayed Retirement	\$661,980	\$555,160
File & Suspend	\$709,980	\$603,160
Claim now, claim more later	\$717,660	N/A

Hypothetical example for educational and illustrative purposes only..
 Calculations from ssincomeplanner.com.

Social Security: Maximizing Benefits

Hypothetical Example: John is 3 years older than Sally

	Total Monthly Benefits	
	Both Spouses Work	Sally Does Not Work
Early Retirement 62/62	J: \$1,508 S: <u>\$1,131</u> Total: \$2,639	J: \$1,508 S: <u>\$704</u> Total: \$2,212
Full Retirement Age 66/66	J: \$2,000 S: <u>\$1,500</u> Total: \$3,500	J: \$2,000 S: <u>\$1,000</u> Total: \$3,000
Delayed Retirement 70/70	J: \$2,640 S: <u>\$1,980</u> Total: \$4,620	J: \$2,640 S: <u>\$1,000</u> Total: \$3,640
File & Suspend 66/70 & 66/70	J: \$0 / \$2,640 S: <u>\$1,000 / \$1,980</u> Total: \$1,000 / \$4,620	J: \$0 / \$2,640 S: <u>\$1,000</u> Total: \$1,000 / \$3,640
Claim now, claim more later 66/70 & 62	J: \$750 / \$2,640 S: <u>\$1,131</u> Total: \$1,881 / \$3,771	<i>N/A: Due to Sally not working</i>

Social Security: Maximizing Benefits

Hypothetical Example: John is 3 years older than Sally

	Total Lifetime Benefits	
	Both Spouses Work	Sally Does Not Work
Early Retirement	\$633,572	\$569,160
Full Retirement Age	\$686,404	\$625,00
Delayed Retirement	\$685,886	\$614,200
File & Suspend	\$731,886	\$660,200
Claim now, claim more later	\$767,592	N/A

Hypothetical example for educational and illustrative purposes only.
 Calculations from ssincomeplanner.com.

Request for Withdrawal of Application

- If you have applied for benefits and change your mind, complete the Request for Withdrawal Form and re-apply at a future date
- Must be less than 12 months since started collecting
- Must repay all benefits you and your family have received
- Limited to one withdrawal in your lifetime

Social Security: Taxes

Filing Status	Provisional Income	Amount of Social Security subject to tax
Married filing Jointly	Under \$32,000 \$32,000 - \$44,000 Over \$44,000	0% Up to 50% Up to 85%
Single, head of household, qualifying widow(er), married filing separately & living apart from spouse	Under \$25,000 \$25,000 - \$34,000 Over \$34,000	0 Up to 50% Up to 85%
Married filing separately and living with spouse	Over 0	Up to 85%

- **Provisional Income = MAGI + ½ of SS Benefits + Tax-Exempt Interest**

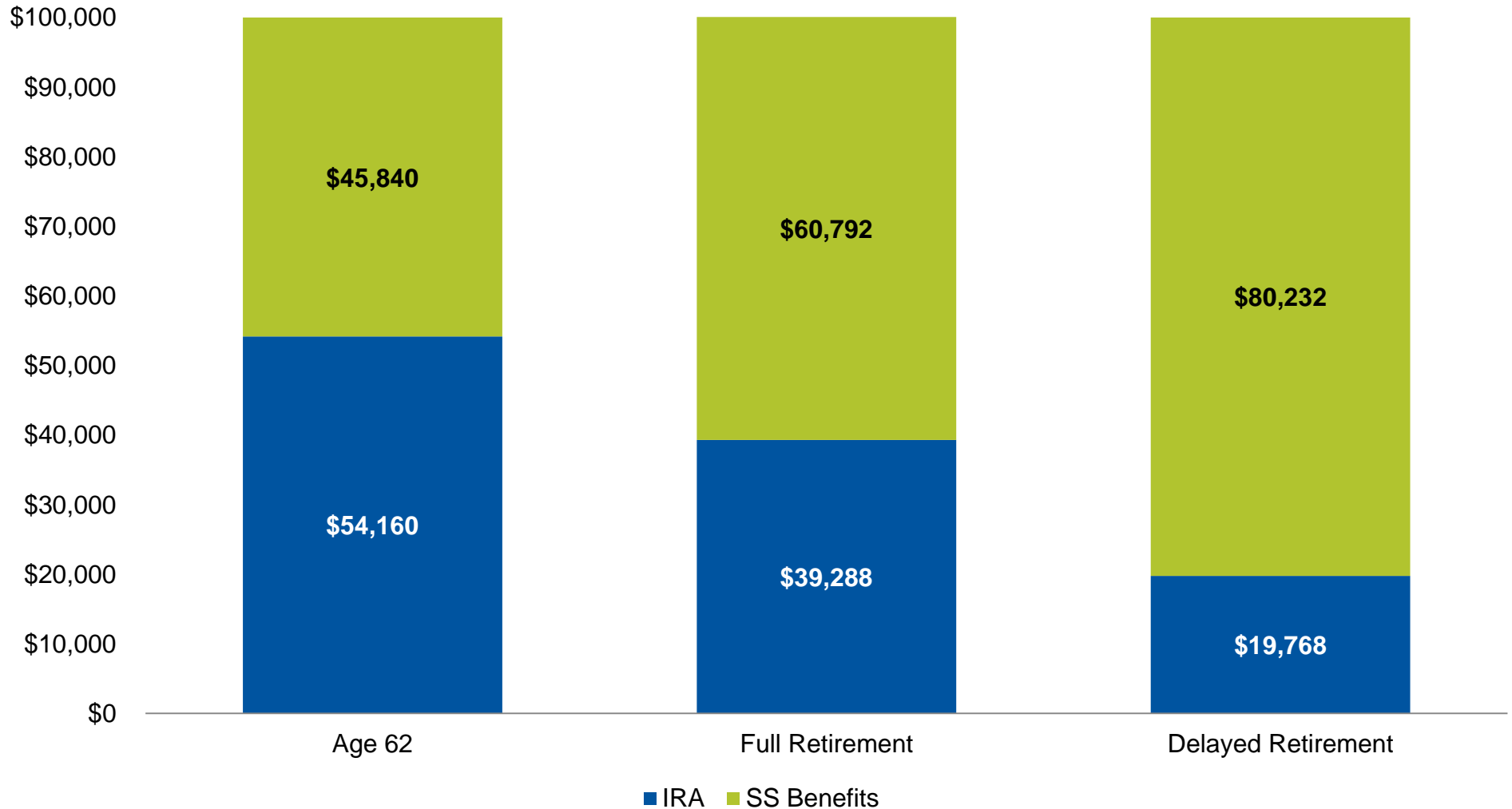
- **Taxable benefit is lesser of:**
 - 85% of benefits received
 - 50% of benefits + 85% of any excess over the higher threshold
 - 50% of excess over lower threshold + 35% of excess over the higher threshold

- **Refer to IRS Publication 915 for worksheet**

Hypothetical Example: Assumptions

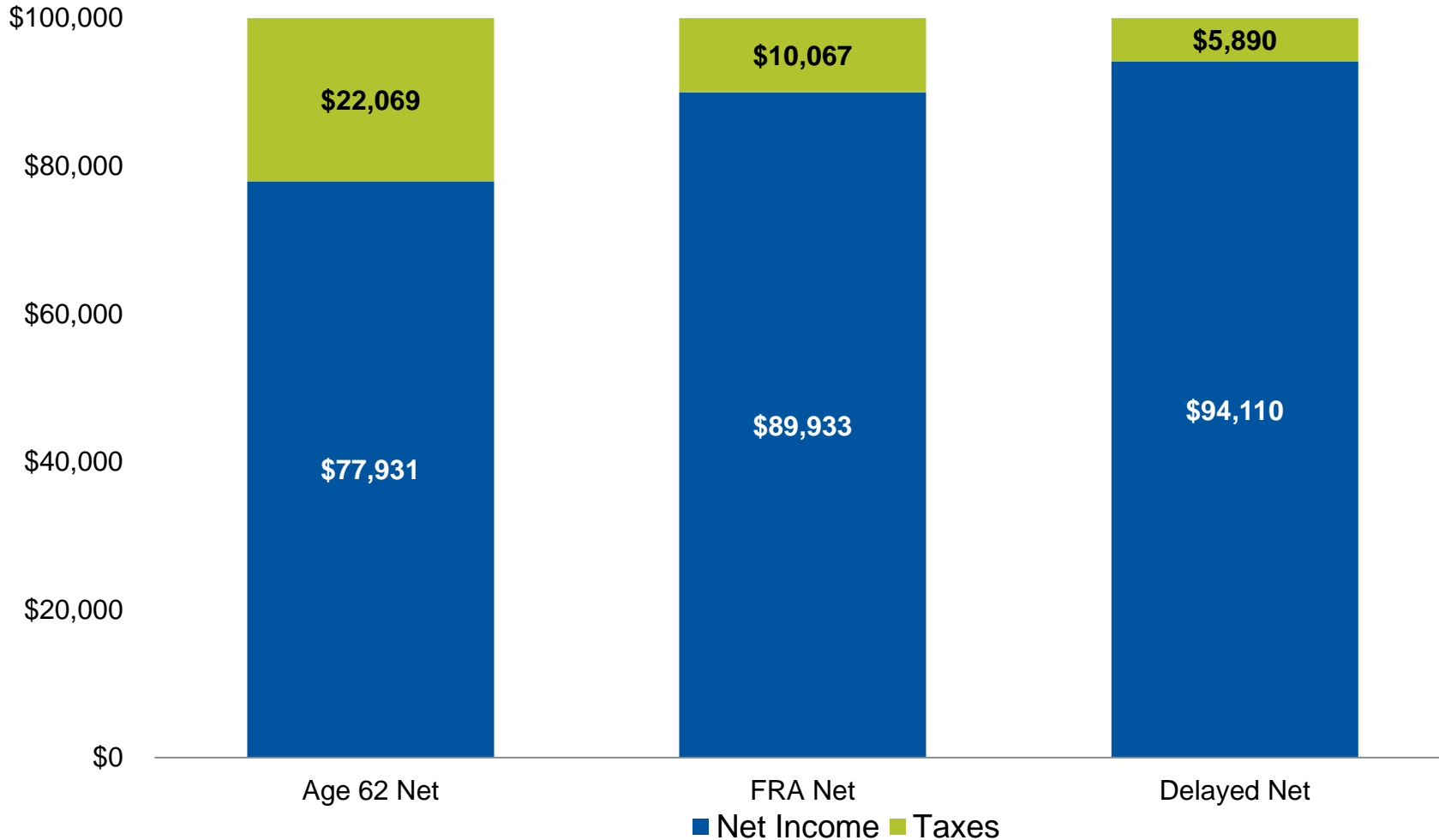
- Married couple, same age
- Both eligible for maximum Social Security benefits
- IRA worth \$1 million
- Options: Early Retirement, Full Retirement Age or Delayed Retirement
- Goal: \$100,000 pre-tax annually using combination of IRA and Social Security

Source of Income



Source: ssa.gov.

Net Spendable Income



Source: ssa.gov.

1. Prepare planning illustrations using your client's specific income and longevity estimates.
2. Integrate *detailed* social security planning into client retirement income conversations.
3. Review SS file for accuracy, particularly the earnings record.
4. Suggest you attend the meeting with your client when they file.
5. Be prepared to defend desired strategy when filing.

Social Security Administration: www.ssa.gov

“Social Security for Dummies,” Jonathan Peterson, 2012

Online Calculators:

www.ssincomeplanner.com

<http://www.maximizemysocialsecurity.com>

<http://www.ssa.gov/estimator/>

<http://www.ssa.gov/pubs/10070.html#a0=0>

<http://www.socialsecurity.gov/planners/benefitcalculators.htm>

www.livingto100.com

www.bluezones.com

<http://www.socialsecurity.gov/OACT/population/longevity.html>

<http://www.exrx.net/Calculators/HealthAge.html>

Resources are provided for informational purposes only, are independent of Nuveen Investments and are not reviewed, guaranteed, or endorsed by Nuveen Investments or its affiliates. Please keep in mind that independent websites' terms and conditions, privacy and security policies, or other legal information may be different from those of Nuveen's. Nuveen is not liable for any direct or indirect technical or system issues, consequences, or damages arising from your use of these independent websites.

The statements contained herein are the opinions of Nuveen Investments Wealth Management Services. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice. This presentation provides general tax information, and is provided for educational and informational purposes only. Information was obtained from third party sources, which we believe to be reliable but not guaranteed. Please note that this information should not replace a client's consultation with a professional advisor regarding their retirement situation. Nuveen is not a retirement advisor. This information is not intended to conflict with any tax regulations or requirements. Clients should consult their professional advisors before making any retirement decisions. Hypothetical examples are shown for illustrative and educational purposes only, do not reflect actual client account results and should not be considered retirement planning advice. This presentation contains no investment recommendations and should not be construed as specific tax, legal, financial planning, retirement or investment advice.

This presentation should not be regarded by recipients as a substitute for the exercise of their own judgment. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Neither Nuveen nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this presentation.

A Guide to Social Security: Know Your Options; Maximize Your Benefits

Wealth Management Services

01/13