

Mar 29, 2018

Social Security Analysis

Allen & Betty Abbett

Sample Plan - TOTAL Cash-Flow-Based Planning



John Smith

Asset Advisors Example, LLC
A Registered Investment Advisor
2430 NW Professional Drive
Corvallis, OR 97330
877-421-9815
www.moneytree.com

IMPORTANT: The illustrations or other information generated by this report regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

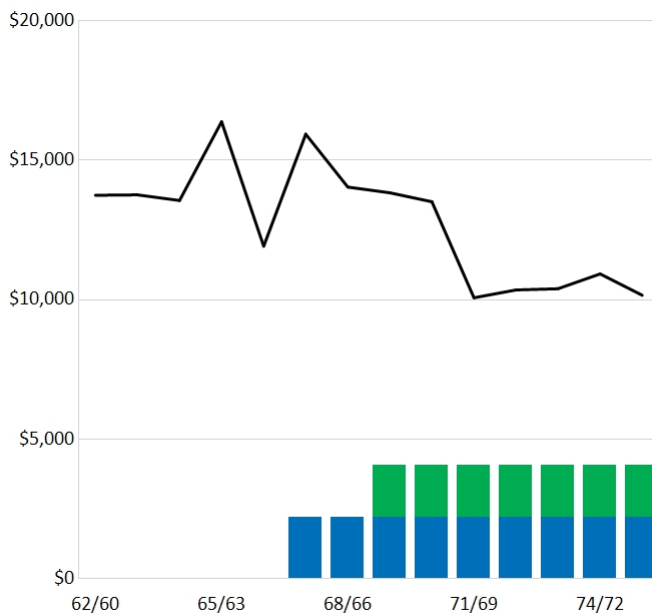
Table of Contents

Cover	1
Social Security Comparison - B11	2
Social Security Income Comparison - B12	3
Social Security Breakeven Point - B13	4
Social Security Retirement Income - B14	5
Social Security Terminology - B15	6
Social Security Optimization - B16	7

Social Security Comparison

Sample Plan - TOTAL Cash-Flow-Based Planning

B11



Current Claiming Strategy

Allen's benefit at age 67

■ \$2,198 per month

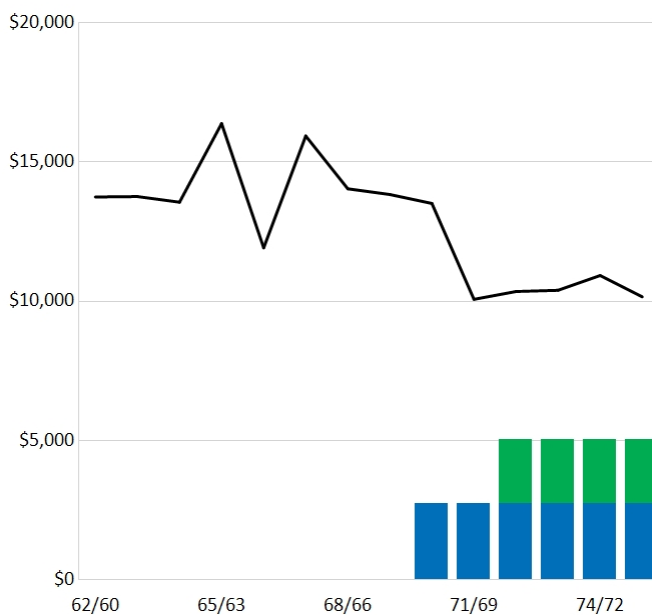
Betty's benefit at age 67

■ \$1,872 per month

Betty claims survivor benefits at 89

■ \$2,198 per month

— Monthly Expenses



Optimal Claiming Strategy

Allen files for delayed retirement benefits at 70

■ \$2,726 per month

Betty files for delayed retirement benefits at 70

■ \$2,321 per month

Betty claims survivor benefits at 89

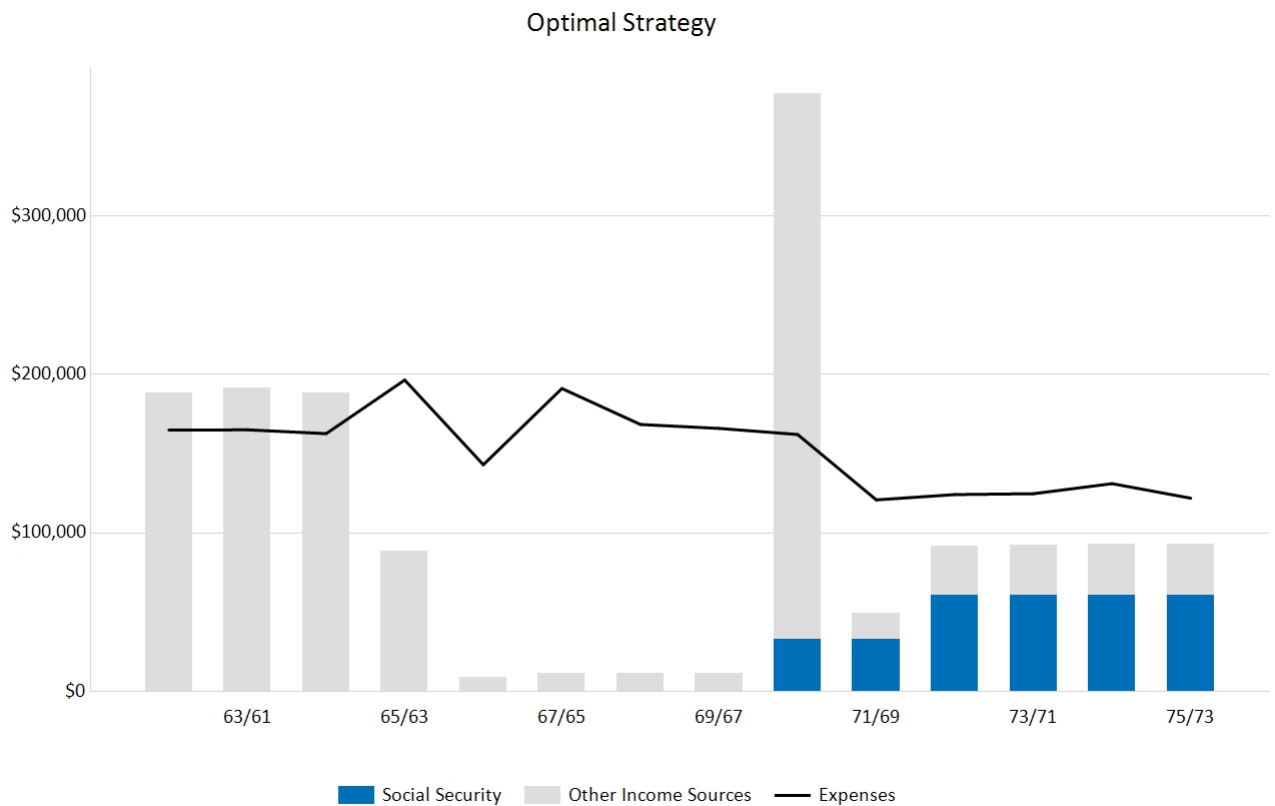
■ \$2,726 per month

— Monthly Expenses

*All amounts on this page are in today's dollars and show gross monthly benefits.

Social Security Income Comparison

Sample Plan - TOTAL Cash-Flow-Based Planning

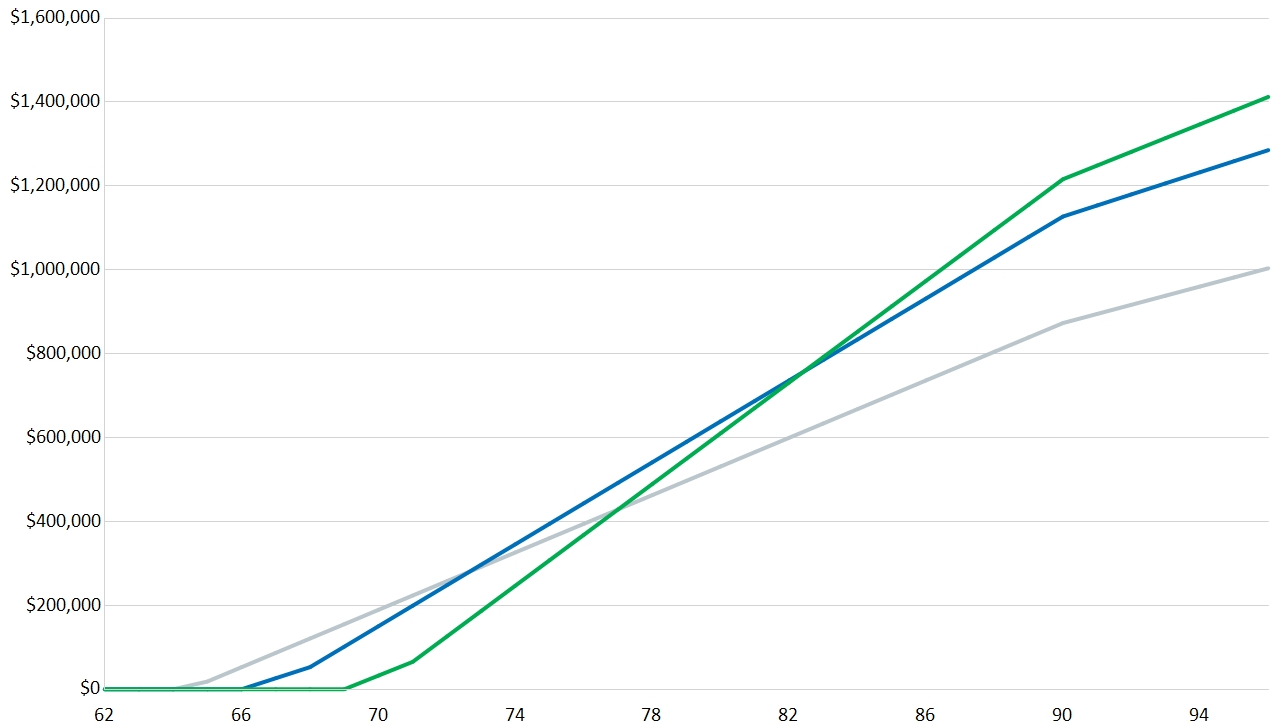


*All amounts on this page are in today's dollars and show gross monthly benefits.

Social Security Breakeven Point

Sample Plan - TOTAL Cash-Flow-Based Planning

Total Income Received



Age	Year	File at 62/62	Current Strategy	Optimal Strategy	
62	60	2027			
63	61	2028			
64	62	2029			
65	63	2030	18,463		
66	64	2031	52,651		
67	65	2032	86,839	26,376	
68	66	2033	121,027	52,752	
69	67	2034	155,215	101,592	
70	68	2035	189,403	150,432	32,706
71	69	2036	223,591	199,272	65,412
72	70	2037	257,779	248,112	125,974
73	71	2038	291,967	296,952	186,536
74	72	2039	326,155	345,792	247,097
75	73	2040	360,343	394,632	307,659
76	74	2041	394,531	443,472	368,220
77	75	2042	428,719	492,312	428,782
78	76	2043	462,907	541,152	489,344
79	77	2044	497,095	589,992	549,905
80	78	2045	531,283	638,832	610,467
81	79	2046	565,471	687,672	671,028
82	80	2047	599,659	736,512	731,590
83	81	2048	633,847	785,352	792,152
84	82	2049	668,035	834,192	852,713
85	83	2050	702,223	883,032	913,275
86	84	2051	736,411	931,872	973,836
87	85	2052	770,599	980,712	1,034,398
88	86	2053	804,787	1,029,552	1,094,960
89	87	2054	838,975	1,078,392	1,155,521
90	88	2055	873,163	1,127,232	1,216,083

*All amounts on this page are in today's dollars and show gross monthly benefits.

Social Security Income (Today's Dollars)

Sample Plan - TOTAL Cash-Flow-Based Planning

Ages	Expenses	Retirement Income			Remaining Expenses Before SS	Social Security Income		
		Earned Income	Pension	Other Income		62/62	Current Strategy	Optimal Strategy
	1	2	3	4	5	6	7	8
53	51	\$172,096		\$6,628				
54	52	171,474		6,833				
55	53	187,559		7,026	5,533			
56	54	223,695		7,209	41,486			
57	55	223,248		7,418	40,830			
58	56	191,115		7,544	8,571			
59	57	190,535		9,628	5,907			
60	58	236,294		180,000	56,294			
61	59	165,205		7,976				
62	60	164,846		8,102				
63	61	165,025		11,174				
64	62	162,599		8,330				
65	63	196,449		8,433	108,016	18,463		
66	64	142,968		8,528	134,440	34,188		
67	65	191,099	2,400	8,616	180,084	34,188	26,376	
68	66	168,373	2,400	8,697	157,277	34,188	26,376	
69	67	165,913	2,400	8,771	154,742	34,188	48,840	
70	68	162,051	2,400	342,094		34,188	48,840	32,706
71	69	120,795	2,400	13,792	104,602	34,188	48,840	32,706
72	70	124,154	2,400	28,233	93,521	34,188	48,840	60,562
73	71	124,691	2,400	29,052	93,240	34,188	48,840	60,562
74	72	131,039	2,400	29,890	98,748	34,188	48,840	60,562
75	73	121,862	2,400	29,732	89,730	34,188	48,840	60,562
76	74	122,126	2,400	28,853	90,872	34,188	48,840	60,562
77	75	122,393	2,400	27,753	92,240	34,188	48,840	60,562
78	76	122,682	2,400	26,441	93,841	34,188	48,840	60,562
79	77	122,958	2,400	24,936	95,622	34,188	48,840	60,562
80	78	123,238	2,400	23,100	97,738	34,188	48,840	60,562
81	79	83,675	2,400	20,971	60,304	34,188	48,840	60,562
82	80	83,806	2,400	19,682	61,724	34,188	48,840	60,562
83	81	83,929	2,400	18,116	63,414	34,188	48,840	60,562
84	82	84,054	2,400	16,376	65,278	34,188	48,840	60,562
85	83	84,180	2,400	14,308	67,471	34,188	48,840	60,562
86	84	84,300	2,400	11,775	70,125	34,188	48,840	60,562
87	85	84,428	2,400	8,816	73,212	34,188	48,840	60,562
88	86	84,558	2,400	5,359	76,799	34,188	48,840	60,562
89	87	74,199	2,400	1,313	70,486	34,188	48,840	60,562
90	88	72,808	2,400		70,408	34,188	48,840	60,562
	89	72,839	2,400		70,439	21,760	26,376	32,706
	90	72,839	2,400		70,439	21,760	26,376	32,706
	91	72,840	2,400		70,440	21,760	26,376	32,706
	92	72,840	2,400		70,440	21,760	26,376	32,706
	93	72,841	2,400		70,441	21,760	26,376	32,706
	94	72,841	2,400		70,441	21,760	26,376	32,706
	95	72,841	2,400		70,441	21,760	26,376	32,706

Social Security Terminology

Sample Plan - TOTAL Cash-Flow-Based Planning

Primary Insurance Amount (PIA):

This is the amount that all benefits are based on. A worker's PIA is determined by a formula that looks at the top 35 years of earning history, adjusted into today's dollars.

Full Retirement Age:

If a claimant files at Full Retirement Age, they receive a benefit equal to their full PIA every month. Full Retirement Age is determined by year of birth according to the table on the right. Note that individuals born on January 1 are deemed to have been born in the previous year for determin

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

Filing Early:

It is possible to claim Social Security retirement benefits as early as 62, however doing so permanently reduces the amount of benefit. The amount of reduction depends on the claimant's Full Retirement Age and whether they are claiming their own retirement benefit or spousal retirem

Filing Late:

It is also possible to claim Social Security retirement benefits after Full Retirement Age. There is no benefit to claiming spousal retirement benefits after Full Retirement Age. However, when claiming one's own retirement benefit there are Delayed Retirement Credits applied for each month delayed past Full Retirement Age that equal 8% annually. This increase stops at age 70, so that while it is possible to claim benefits after age 70, there are no further

Breakeven Point:

When comparing Social Security claiming strategies, one important detail to be aware of is that the optimal strategy depends, in part, on the life expectancy of the claimant(s). Delaying claiming past 62 increases monthly income but also means giving up income for a certain number of months. The breakeven point is when a certain strategy with higher income has "caught up" to, or provided the same or more lifetime income than, an earlier claiming strategy. The age that this occurs depends on the situation, as well as future Cost of Living Adjustments made by the Social Security Administration, and the opportunity cost of spending money from other sources in order to delay claiming benefits.

Spousal Benefits:

Spouses, and in certain cases ex-spouses, are entitled to a portion of a worker's retirement benefit after the worker has filed for retirement benefits. If taken at Full Retirement Age this equals 50% of the worker's PIA. This benefit is reduced when taken early, but can be claimed as early as 62. Spousal benefits are not eligible for Delayed Retirement Credits so while they can be claimed after Full Retirement Age there is no advantage to doing so.

Restricted Filing: NOTE: ONLY AVAILABLE FOR THOSE BORN ON OR BEFORE JANUARY 1, 1954.

When a worker is eligible for both spousal retirement benefits and their own retirement benefits, and has reached at least Full Retirement Age, they are able to restrict their filing application to one or the other. This is typically done to claim spousal benefits without also claiming their own retirement benefits since their own benefit will then continue to grow while spousal benefits do not increase after Full Retirement Age. Restricting the filing is necessary because the Social Security Administration deems filing for one benefit as filing for all eligible benefits without this election.

Social Security Optimization

Sample Plan - TOTAL Cash-Flow-Based Planning

When attempting to optimize Social Security, one needs to define which part of Social Security they are attempting to optimize as well as certain assumptions about life expectancy, Cost of Living Adjustments, and the opportunity cost of taking Social Security later rather than earlier.

First, many think of Social Security as longevity insurance. This means that in case someone and/or their spouse lives longer than expected, there is some guaranteed income available. To optimize longevity insurance the goal should be to achieve the largest annual income stream.

Another way to think of Social Security is a source of income to help pay medical bills for someone with major medical needs in their 60s and 70s. If the need begins in their early 60s likely optimization means getting income as soon as possible to help cover medical bills. If the need arises after full retirement age, those who have delayed retirement benefits can receive up to six months of retroactive benefits as a lump sum. Accepting retroactive benefits can lower retirement benefits and related survivor benefits.

Perhaps the most popular way to think of Social Security is as one of the core sources of income for retirement spending. What to optimize in this situation is much more personal and depends heavily on each individual situation. First, does the person have enough assets to retire at 62 or earlier without Social Security benefits? If not, are they able to continue working to increase benefits later? In addition, what is the life expectancy of the person, and what is it for their spouse? Shorter life expectancies are usually optimized by having earlier benefits, and longer life expectancies by maximizing annual income.

Since arriving at an optimal Social Security claiming strategy is extremely complex, this model shows multiple strategies and the impacts at different life expectancies. One key thing to keep in mind is that a little planning will go a long way, but the difference between the most optimal approach, and the second most is typically negligible and thus a person's comfort with the strategy should be taken into consideration in addition to the financial benefit of the strategy.