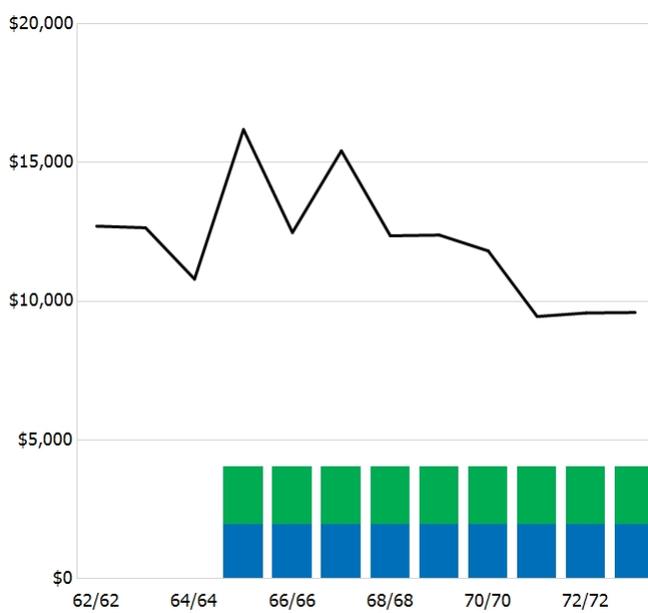


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# Social Security Comparison



## Current Claiming Strategy

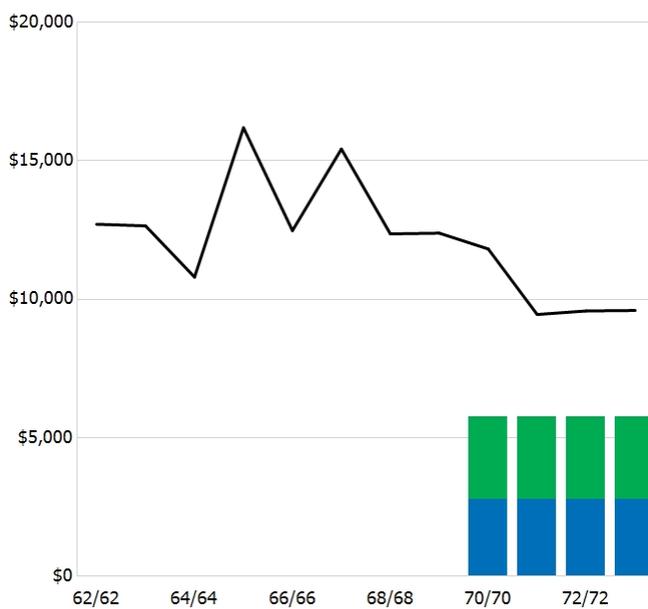
Allen's benefit at age 65

■ \$1,934 per month

Betty's benefit at age 65

■ \$2,088 per month

— Monthly Expenses



## Optimal Claiming Strategy

Allen files for delayed retirement benefits at 70

■ \$2,767 per month

Betty files for delayed retirement benefits at 70

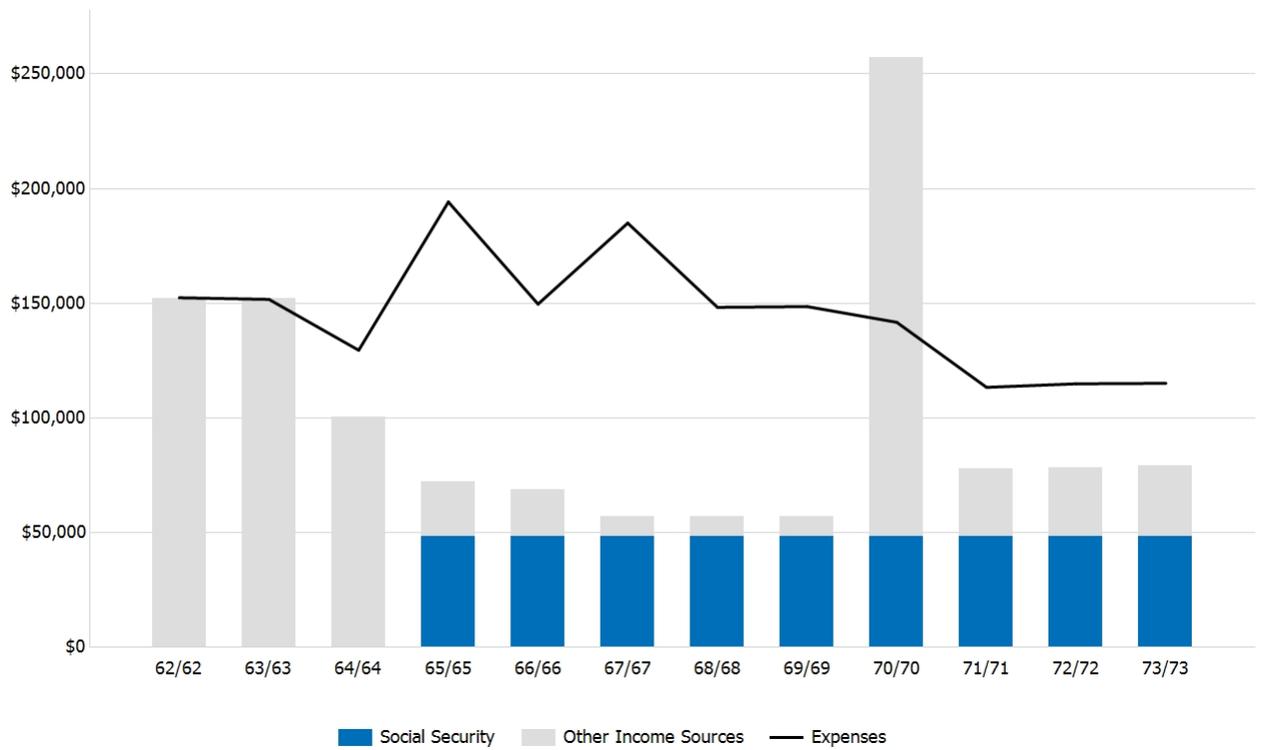
■ \$2,987 per month

— Monthly Expenses

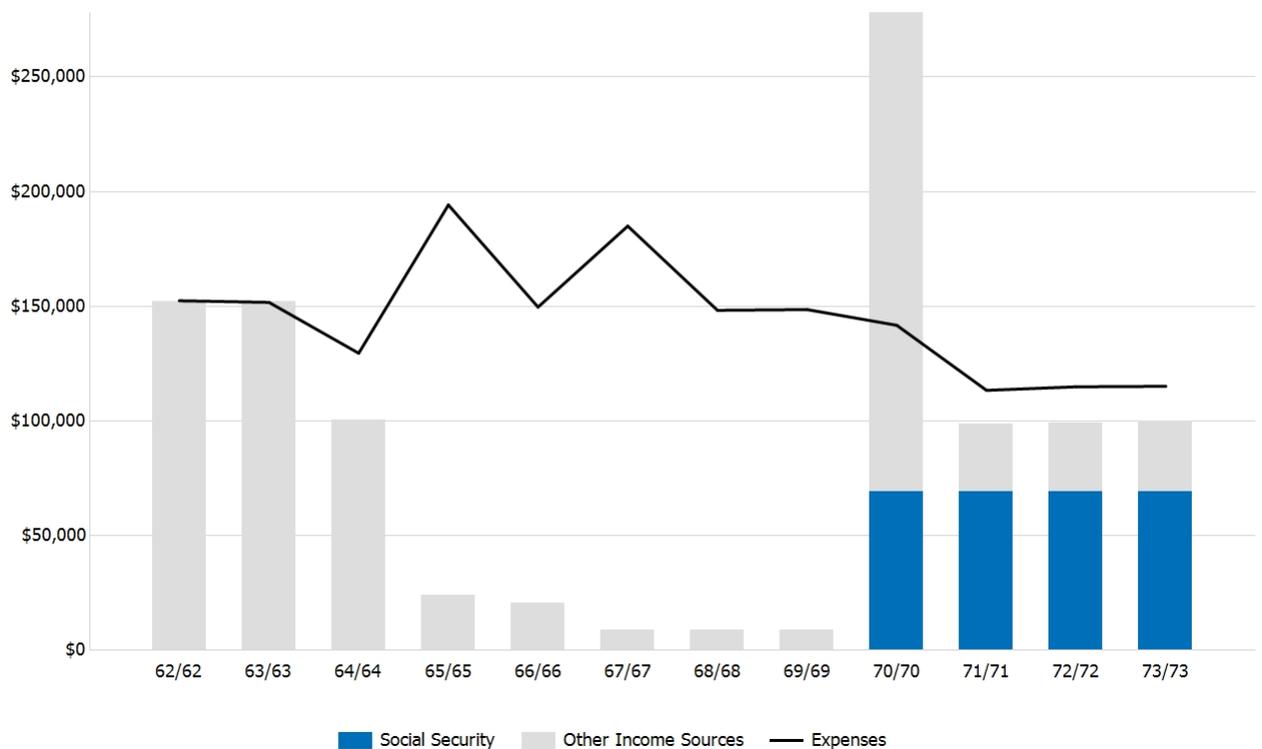
\*All amounts on this page are in today's dollars and show gross monthly benefits.

# Social Security Income Comparison

### Current Strategy



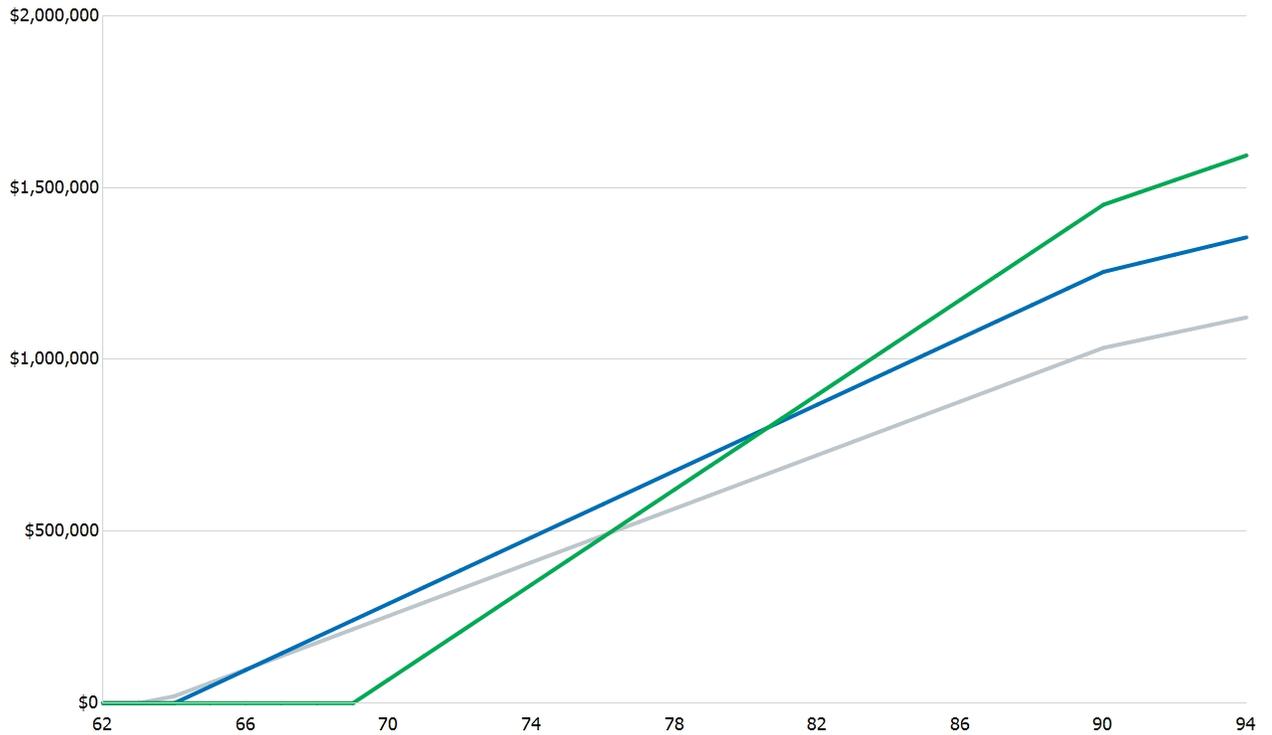
### Optimal Strategy



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

# Social Security Breakeven Point

Total Income Received



Age	Year	File at 62/62	Current Strategy	Optimal Strategy
62	62	2025		
63	63	2026		
64	64	2027		
65	65	2028		
66	66	2029		
67	67	2030		
68	68	2031		
69	69	2032		
70	70	2033		
71	71	2034		
72	72	2035		
73	73	2036		
74	74	2037		
75	75	2038		
76	76	2039		
77	77	2040		
78	78	2041		
79	79	2042		
80	80	2043		
81	81	2044		
82	82	2045		
83	83	2046		
84	84	2047		
85	85	2048		
86	86	2049		
87	87	2050		
88	88	2051		
89	89	2052		
90	90	2053		

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

# Social Security Income (Today's Dollars)

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	53	\$138,601	\$134,000	\$6,628				
54	54	146,373	134,000	6,833	5,540			
55	55	406,579	139,000	255,163	12,417			
56	56	175,004	139,000	7,209	28,794			
57	57	174,724	139,000	7,382	28,342			
58	58	175,528	139,000	7,544	28,983			
59	59	151,847	139,000	7,730	5,117			
60	60	228,048	144,000		84,048			
61	61	153,097	144,000	10,303				
62	62	152,416	144,000	8,102	314			
63	63	151,711	144,000	8,220				
64	64	129,531	92,000	8,330	29,201	20,238		
65	65	194,203	12,000	11,785	170,418	38,983	48,265	
66	66	149,656	12,000	8,528	129,128	38,983	48,265	
67	67	184,982		8,616	176,367	38,983	48,265	
68	68	148,252		8,697	139,556	38,983	48,265	
69	69	148,567		8,771	139,796	38,983	48,265	
70	70	141,709		208,840		38,983	48,265	69,056
71	71	113,347		29,558	83,789	38,983	48,265	69,056
72	72	114,896		30,156	84,740	38,983	48,265	69,056
73	73	115,105		30,760	84,345	38,983	48,265	69,056
74	74	115,304		31,371	83,933	38,983	48,265	69,056
75	75	132,744		177,564		38,983	48,265	69,056
76	76	93,561		23,484	70,077	38,983	48,265	69,056
77	77	93,687		23,972	69,716	38,983	48,265	69,056
78	78	96,221		24,583	71,638	38,983	48,265	69,056
79	79	96,355		25,075	71,280	38,983	48,265	69,056
80	80	96,487		25,569	70,918	38,983	48,265	69,056
81	81	96,616		26,061	70,555	38,983	48,265	69,056
82	82	96,735		26,550	70,185	38,983	48,265	69,056
83	83	96,851		27,036	69,815	38,983	48,265	69,056
84	84	96,965		27,514	69,450	38,983	48,265	69,056
85	85	97,038		27,796	69,242	38,983	48,265	69,056
86	86	97,106		28,054	69,052	38,983	48,265	69,056
87	87	97,167		28,285	68,882	38,983	48,265	69,056
88	88	97,216		28,485	68,731	38,983	48,265	69,056
89	89	97,258		28,650	68,608	38,983	48,265	69,056
90	90	97,246		28,523	68,723	38,983	48,265	69,056
	91	95,923		28,342	67,580	22,093	25,056	35,849
	92	94,466		28,104	66,363	22,093	25,056	35,849
	93	99,111		27,801	71,310	22,093	25,056	35,849
	94	105,377		27,126	78,251	22,093	25,056	35,849
	95	109,501		26,383	83,117	22,093	25,056	35,849

## 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 determining 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

## 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 retirement benefits.

## 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 increases after age 70.

## 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.

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.