

Social Security Planning

For

John and Mary Sample

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Prepared by

John Smith

2430 NW Professional Dr.

Corvallis, OR 97330

877-421-9815



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Social Security Visualizer™

There are many choices, opportunities, and decisions related to when and how a couple applies for Social Security. Delaying application, restricting application to only spousal benefits, or filing for and then suspending benefits, are methods that may initially reduce income, but then increase later benefits, and potentially pay off in the long run.

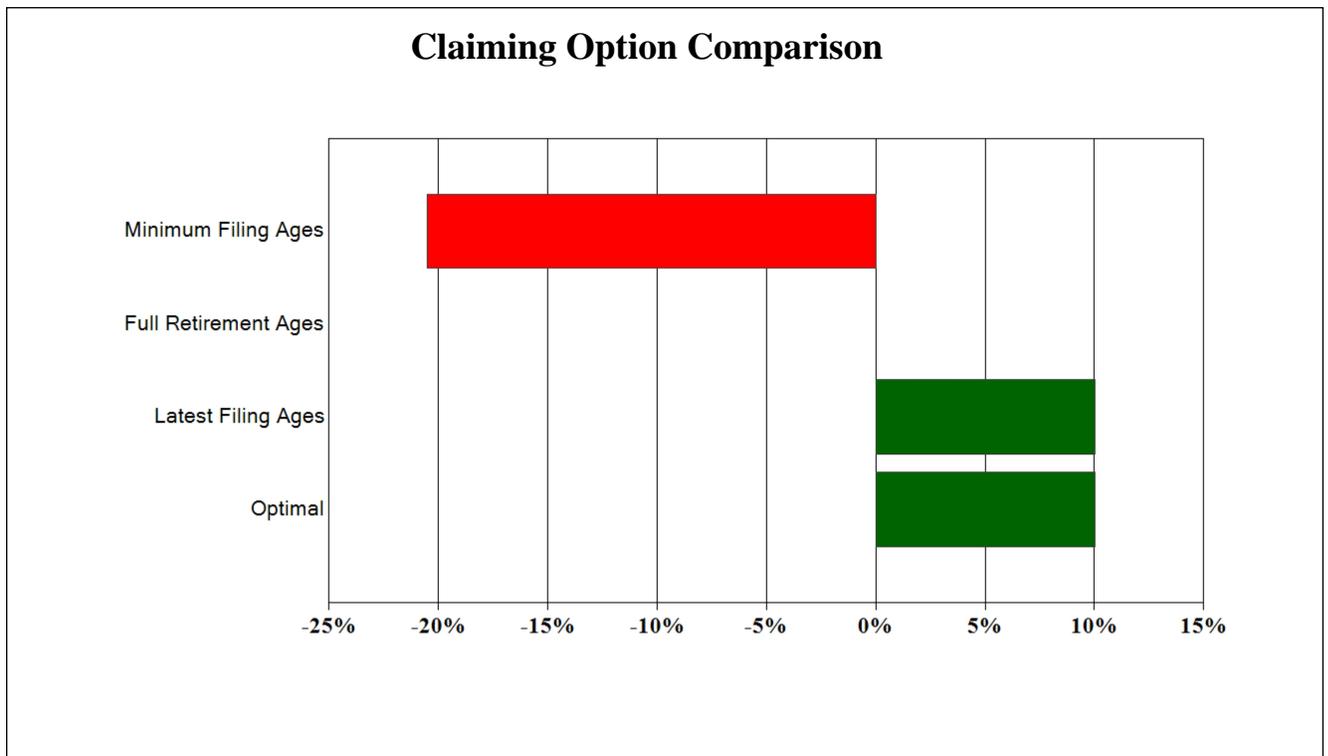
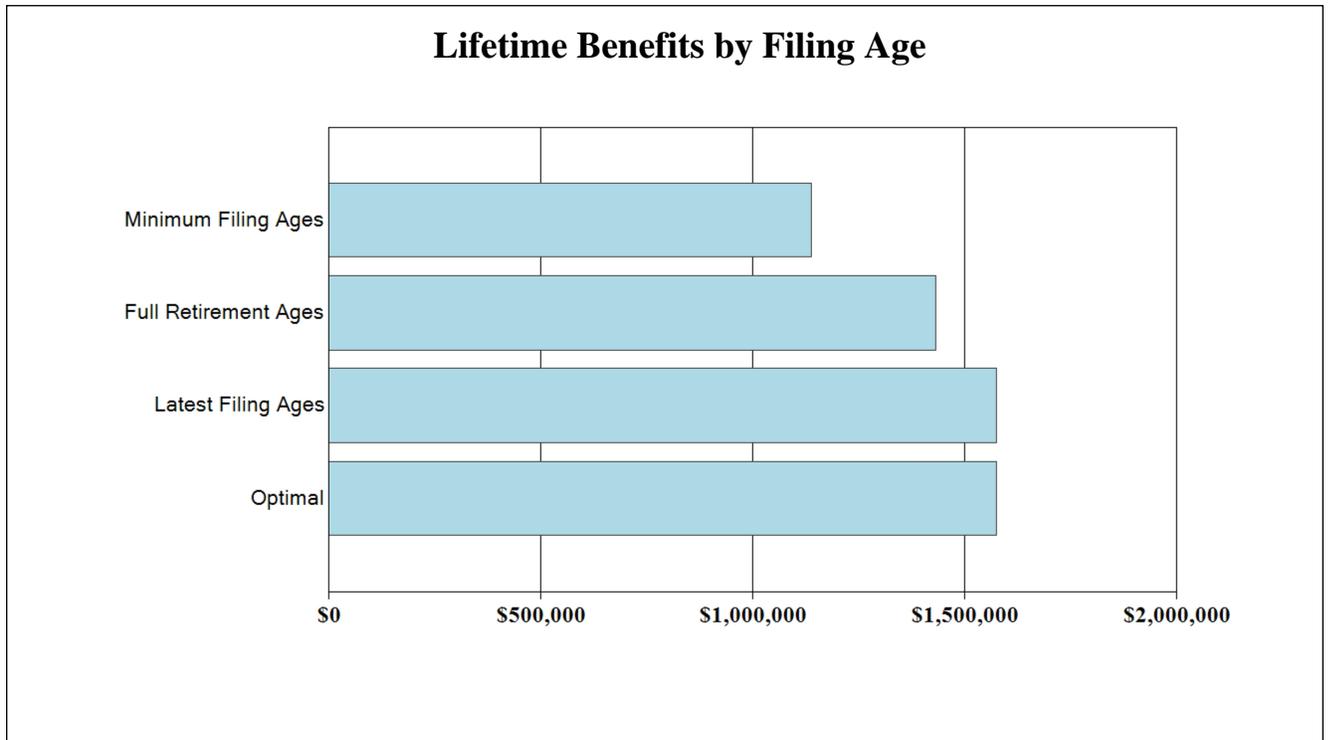
The choices you make will need to take into account your ability to wait for benefit income, your health, your family history of longevity, and how benefits now and in the future affect other aspects of your financial security. One of the more important aspects of your benefits choices are that all increased benefits are inflation adjusted, and thus present a very valuable annuity hedge against inflation, and increased benefits also increase survivor benefits.

For discussion and comparison purposes, five primary options are illustrated along with their estimated lifetime benefits in today's dollars. For easier comparison, the (loss) or gain compared to filing at full retirement age is also shown. Understanding your options, and discussing them with your advisor, can help you make more informed decisions about your filing options, and how Social Security benefits may fit into your financial future.

	<u>Lifetime Benefits</u>	<u>Difference</u>	<u>Percent</u>
1.) Filing at Minimum Ages	\$1,136,916	(\$293,328)	79%
62 John files for own benefits at 62.			
62 Mary files for own benefits at 62.			
2.) Filing at Full Retirement Age	\$1,430,244	\$0	100%
67 John files for own benefits at 67.			
67 Mary files for own benefits at 67.			
3.) Filing at Maximum Age	\$1,573,827	\$143,583	110%
70 John files for own benefits at 70.			
70 Mary files for own benefits at 70.			
4.) Optimal - File at Age(s):	\$1,573,827	\$143,583	110%
70 John files for own benefits at 70.			
70 Mary files for own benefits at 70.			

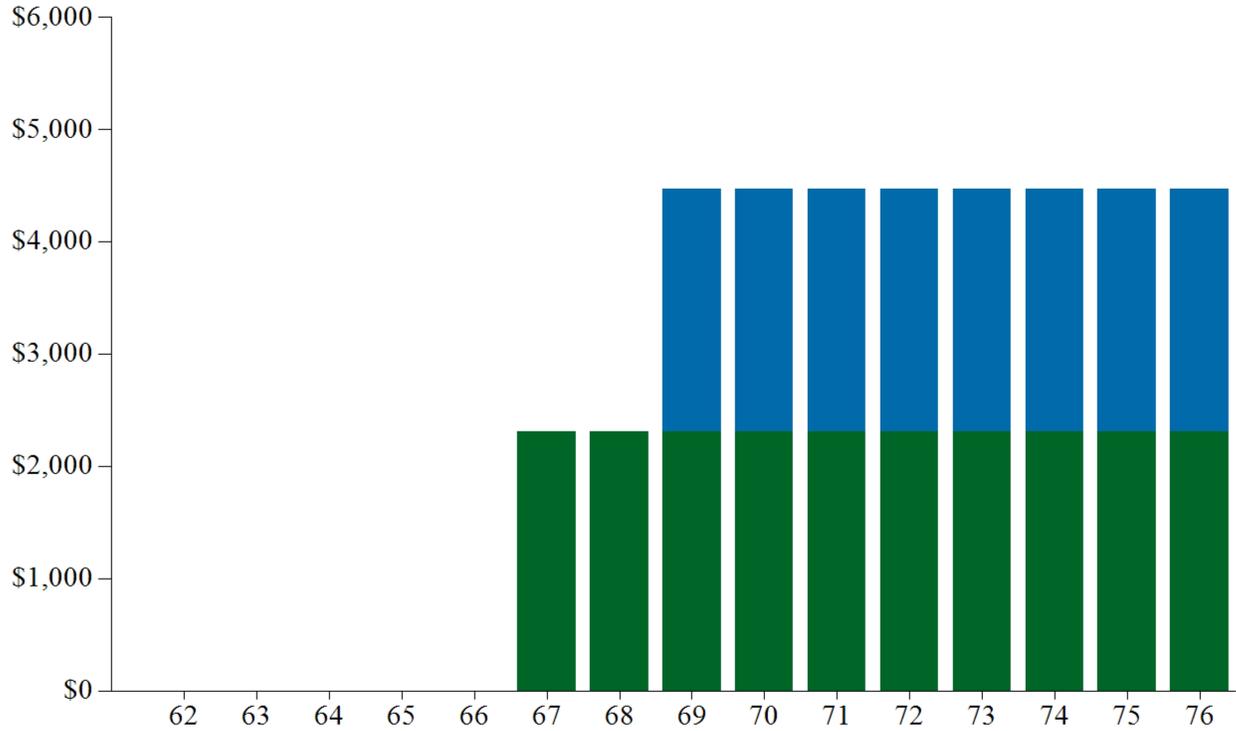
Note: Lifetime Social Security benefit calculations are for comparative and illustrative purposes only, and are based upon estimates and assumptions of future incomes, existing benefit levels, and life expectancies.

Social Security Claiming Options



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Social Security Timeline



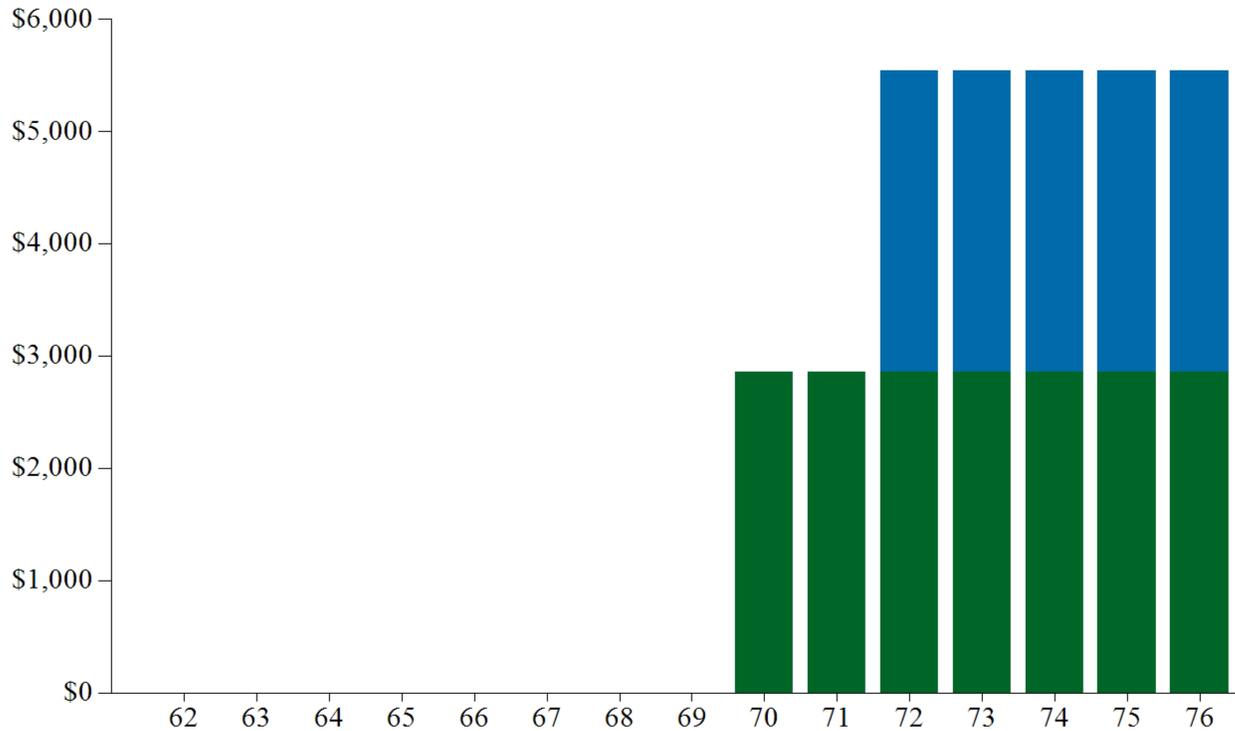
Full Retirement Age - Timeline:

Monthly amount (in today's dollars)

John	Mary	Action
62	60	
63	61	
64	62	
65	63	
66	64	
67	65	John files.
68	66	
69	67	Mary files.
70	68	
71	69	
72	70	
73	71	
74	72	
75	73	
76	74	
Lifetime Total		\$1,430,244

Note: Lifetime Social Security benefit calculations are for comparative and illustrative purposes only, and are based upon estimates and assumptions of future incomes, existing benefit levels, and life expectancies.

Social Security Optimal Timeline



Optimal - File at Age(s):

Monthly amount (in today's dollars)

John	Mary	Action
62	60	
63	61	
64	62	
65	63	
66	64	
67	65	
68	66	
69	67	
70	68	John files.
71	69	
72	70	Mary files.
73	71	
74	72	
75	73	
76	74	
Lifetime Total		\$1,573,827

Note: Lifetime Social Security benefit calculations are for comparative and illustrative purposes only, and are based upon estimates and assumptions of future incomes, existing benefit levels, and life expectancies.

Social Security Application Options

File Early: Social Security retirement benefits can be started as early as age 62. For those that need the income, this may be the only choice. Taking early benefits lowers payouts permanently. Benefits are reduced 5/9 of one percent for each month before normal retirement age, up to 36 months. If the number of months exceeds 36, then the benefit is further reduced 5/12 of one percent per month.

File at Full Retirement: If the applicants can wait until "Full Retirement Age", they receive what Social Security considers their full benefits. Waiting for full benefits results in higher primary, spousal, and survivor payments. What Social Security considers an individual's "Full Retirement Age" is determined by the year of their birth.

<u>Year of Birth</u>	<u>Full Retirement Age</u>
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

File Late: Waiting beyond "Full Retirement Age" raises benefits 8% per year up to age 70, for a maximum potential increase ranging from 24% to 32%. In situations where one or both of a married couple are healthy, and/or have a history of longevity in their family, filing late can increase the lifetime benefit payout, and potentially reduce the "longevity risk" of outliving financial assets.

File "Restricted": For some married couples, it makes sense to use a two-step benefit claiming process. One of these strategies is known as "Restricted" filing. Restricted filing may make sense when both spouses of the married couple have substantial or equal income records. If the first spouse claims benefits on their own record, and the second spouse has reached "Full Retirement Age", the second spouse may file an application "Restricted" to just receive their spousal benefit, which amounts to half the first spouse's benefit. Meanwhile, the second spouse's full benefit increases until they claim it on their own record at age 70. In order to take advantage of this strategy, the spouse that is filing restricted must have been born on or before January 1st, 1954.

Monthly Starting Benefits by Age:

<u>Age to Start Social Security</u>	<u>John Starting Retirement Benefit</u>	<u>Mary Starting Retirement Benefit</u>
62	1,616	1,514
63	1,731	1,623
64	1,847	1,731
65	2,001	1,876
66	2,154	2,019
67	2,309	2,164
68	2,493	2,337
69	2,678	2,510
70	2,863	2,683

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