

THE NEW WORLD OF SOCIAL SECURITY PLANNING DECISIONS

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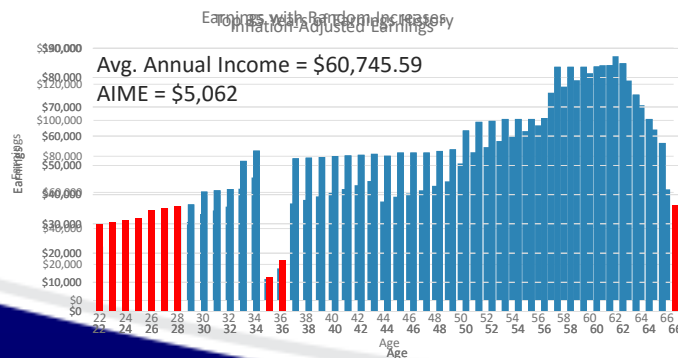
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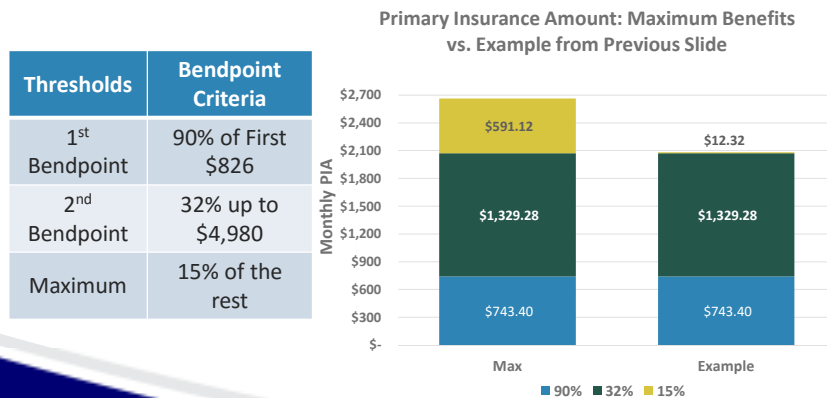
SOCIAL SECURITY PLANNING FOR COUPLES

- Benefits Basics
 - Benefits are based on lifetime earnings



SOCIAL SECURITY PLANNING FOR COUPLES

– Primary Insurance Amount (PIA)



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SOCIAL SECURITY PLANNING

- Benefits Basics – Early Retirement
 - Workers eligible for early benefits before Full Retirement Age (FRA)

- Reduced by 5/9 of 1% for each month early (up to 36)
 - 6.66%/year
- Reduced by 5/12 of 1% for each additional month early
 - 5%/year

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
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

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SOCIAL SECURITY PLANNING

- Benefits Basics – Late Retirement

- Workers eligible for late benefits

- Waiting past FRA earns “delayed retirement credits”
 - Increase accrues monthly based on birth year
 - Birth year affects amount of increase but also FRA

Year of birth	Credit per year
1917-24	3.0%
1925-26	3.5%
1927-28	4.0%
1929-30	4.5%
1931-32	5.0%
1933-34	5.5%
1935-36	6.0%
1937-38	6.5%
1939-40	7.0%
1941-42	7.5%
1943 and later	8.0%

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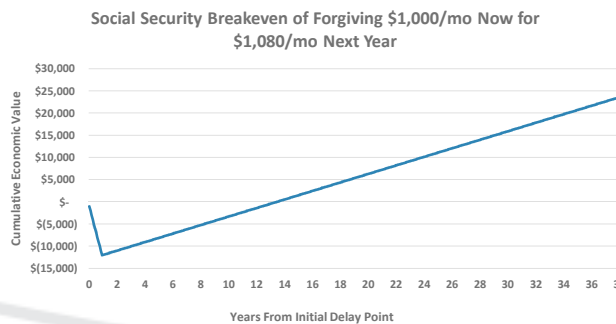
SOCIAL SECURITY PLANNING

- Understanding Social Security Breakevens

- Client gives up current benefits, to receive an incrementally higher future payment
 - \$1,000/month today, vs \$1,080/month starting 1 year from now

- Must include:

- Growth rates
 - Inflation COLAs



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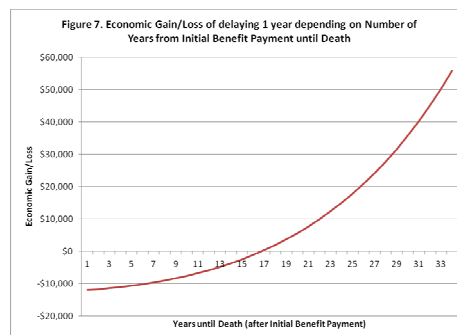
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SOCIAL SECURITY PLANNING FOR COUPLES

- Understanding Social Security Breakevens

- Example:

- Assuming 6% growth & 3% inflation
- Breakeven ~17 years
- Similar profit only 6 more years!



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SOCIAL SECURITY PLANNING FOR COUPLES

- Unique Benefits for Spouses – Spousal Benefit

- Spouses can claim a “spousal benefit” based on 50% of the working spouse’s PIA
 - Receive spousal benefit *or* personal benefit, not both
 - Early/late benefit elections that alter working spouse’s PIA *do not* impact spousal benefit

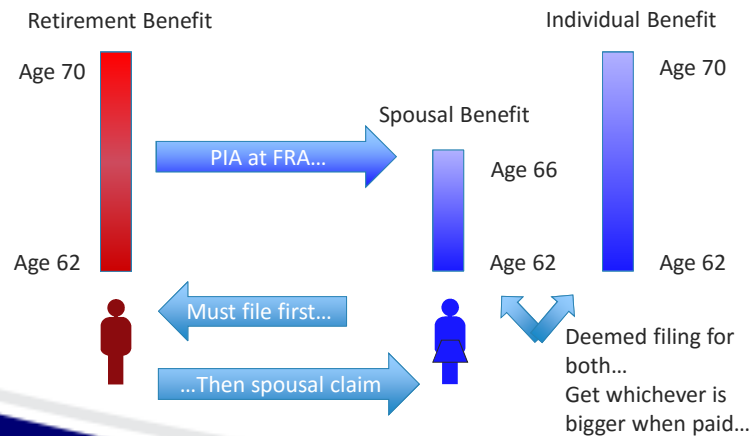
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SOCIAL SECURITY PLANNING FOR COUPLES

- Unique Benefits for Spouses – Spousal Benefit



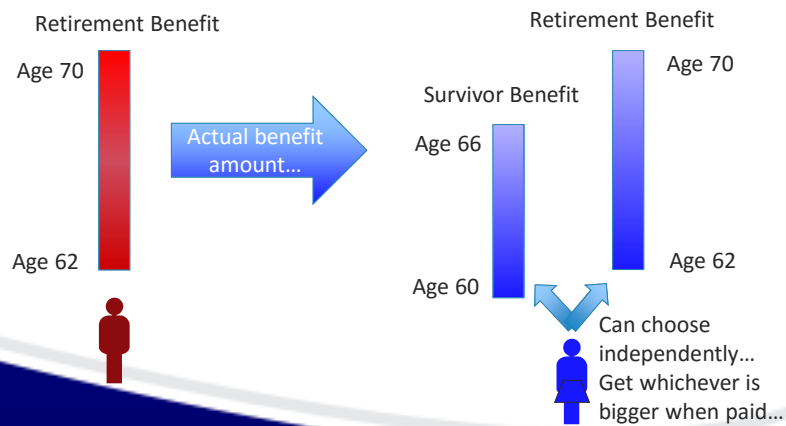
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SOCIAL SECURITY PLANNING FOR COUPLES

- Unique Benefits for Spouses – Survivor Benefit
 - 100% of the deceased spouse's *benefit* (not PIA)



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SOCIAL SECURITY PLANNING FOR COUPLES

- Unique Benefits for Ex-Spouses
 - Still eligible for spousal benefit after a divorce
 - Marriage must have lasted at least 10 years
 - Must currently be unmarried
 - Can choose from most favorable ex-spouse if multiple
 - Timing for spousal benefit based on normal rules
 - Can apply as long as ex-spouse is at least 62
 - Does not require ex-spouse to have actually applied
 - Must have been divorced at least two years

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SOCIAL SECURITY PLANNING FOR COUPLES

- Unique Benefits for Ex-Spouses
 - Still eligible for survivor benefits after a divorce
 - Marriage must have lasted at least 10 years
 - Timing for survivor benefit based on normal rules
 - If remarried after age 60, can still claim survivor benefit based on original ex-spouse

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SOCIAL SECURITY PLANNING FOR COUPLES

- Interplay of Individual, Spousal, & Survivor Benefits
 - Standard breakeven equation still applies, but with couples...
 - Delaying personal benefits affects survivor benefits
 - Timing of personal benefit impacts spousal eligibility
 - Varying age differences impact who's eligible for what & when

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SOCIAL SECURITY PLANNING FOR COUPLES

- Interplay of Individual, Spousal, & Survivor Benefits
 - Social Security rules allowed special elections to...
 - Apply for spousal benefits while *not* claiming individual
 - Allow spouse to claim spousal benefits while *not* starting individual benefits
 - Bipartisan Budget Act of 2015
 - Shutting down couples' claiming strategies!

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SOCIAL SECURITY PLANNING

- File And Suspend Strategy
 - An individual files for retirement benefits, but immediately suspends receiving any payments...
 - By applying for benefits, the spouse is eligible for a spousal benefit
 - By suspending benefits, the individual can still accrue delayed retirement credits for his/her own benefit
 - Also increases the amount of future survivor benefits
 - *Must have reached full retirement age to file and suspend*
 - Suspends *all* benefits

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SOCIAL SECURITY PLANNING

- Interplay of Individual, Spousal, & Survivor Benefits
 - Examples...
 - Darren is 66 years old (at FRA) with a PIA of \$1,800/month
 - Wife Julie is also 66 years old (at FRA) but is not eligible for her own retirement benefit
 - Julie can claim \$900/month spousal benefit

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SOCIAL SECURITY PLANNING

- Interplay of Individual, Spousal, & Survivor Benefits

- Darren can file-and-suspend to make Julie eligible for spousal benefit
- Darren can delay benefits to at age 70

Age	Darren	Julie
66	0	\$900 (spousal)
70	\$2,376	\$900
Darren's death		\$2,376

- \$900/month x 4 years = \$43,200 of "free" money!

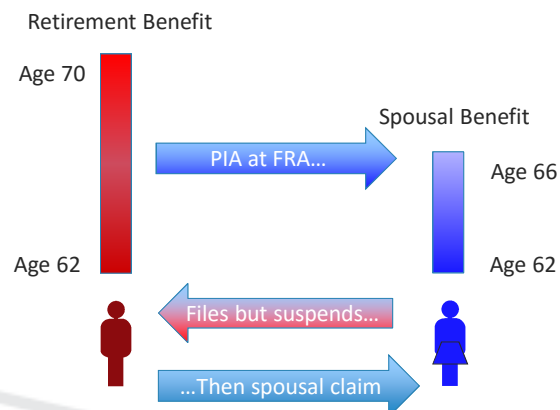
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SOCIAL SECURITY PLANNING FOR COUPLES

- File and Suspend for Spousal Benefit



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SOCIAL SECURITY PLANNING

- Filing a Restricted Application
 - An individual files for spousal benefits, but restricts the application to spousal benefits *only*...
 - By applying for spousal benefits, individual begins to receive payments based on his/her spouse's PIA
 - Can still accrue delayed retirement credits for his/her own benefit
 - Also increases the amount of future survivor benefits
 - *Must have reached full retirement age*
 - Applying early (prior to full retirement age) constitutes a deemed application to begin *all* eligible benefits

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SOCIAL SECURITY PLANNING

- Interplay of Individual, Spousal, & Survivor Benefits
 - Examples...
 - Darren is 66 years old (at FRA) with a PIA of \$1,800/month
 - Wife Julie is also 66 years old (at FRA) with PIA of \$900/month
 - Julie can claim \$900/month individual, or \$900/month spousal benefit

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SOCIAL SECURITY PLANNING

- Interplay of Individual, Spousal, & Survivor Benefits

- Darren files and suspends for benefits
- Julie files a restricted application to get \$900/month
- Julie switches back to her full benefit at age 70

Age	Darren	Julie
66	0	\$900 (spousal)
70	\$2,376	\$1,188 (indiv)
Darren's death		\$2,376

- \$900/month x 4 years = \$43,200 of “free” money!
- Alternatively, Darren could file a Restricted Application if Julie had filed early!

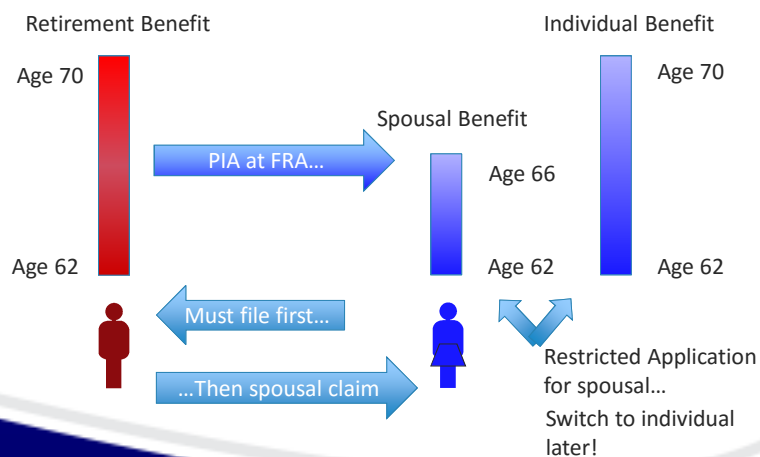
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SOCIAL SECURITY PLANNING FOR COUPLES

- Unique Benefits for Spouses – Spousal Benefit



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SOCIAL SECURITY PLANNING FOR COUPLES

- New rules ending File-and-Suspend and Restricted Application
 - When someone suspends, *all benefits based on that person's record also end*
 - No more spousal (or dependent) benefits tied to claim!

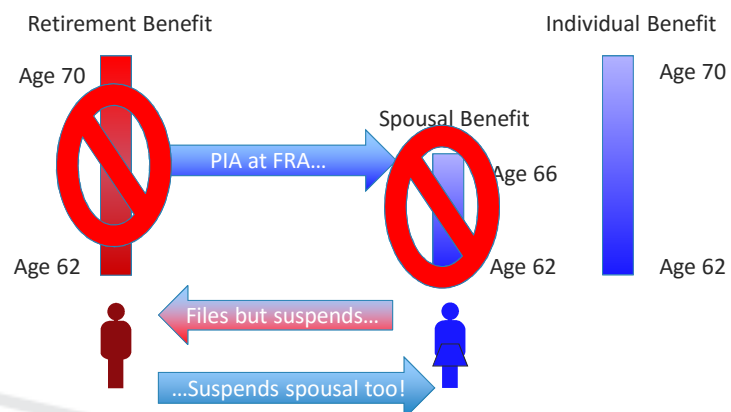
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SOCIAL SECURITY PLANNING FOR COUPLES

- Unique Benefits for Spouses – Spousal Benefit



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SOCIAL SECURITY PLANNING FOR COUPLES

- New rules ending File-and-Suspend and Restricted Application
 - When someone files for spousal, they are *deemed to file* for *all* available benefits
 - Receiving the higher of the two, but can't claim one and switch to the other later!

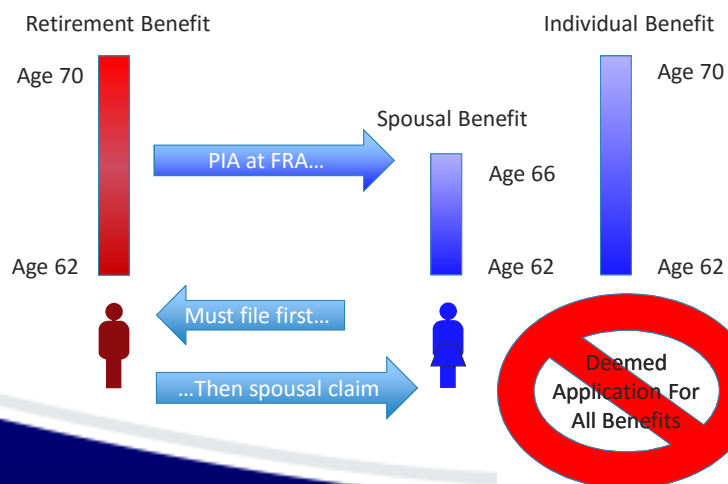
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SOCIAL SECURITY PLANNING FOR COUPLES

- Unique Benefits for Spouses – Spousal Benefit



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SOCIAL SECURITY PLANNING FOR COUPLES

- New rules ending File-and-Suspend and Restricted Application
 - New file-and-suspend rules apply to any suspensions beginning 180 days after enactment
 - You have until April 29, 2016!
 - Restricted application rules grandfathered for those who turned at least 62 by the end of 2015
 - Still available in the future for anyone born 1953 or earlier!
 - Or born on January 1st of 1954!

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SOCIAL SECURITY PLANNING FOR COUPLES

- Transition planning scenarios and opportunities
 - Couples
 - Divorcees
 - Individuals
 - Parents
 - Surviving spouses

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SOCIAL SECURITY PLANNING FOR COUPLES

- Transition planning - Couples
 - If one spouse is $>65 \frac{1}{2}$ (will be 66 by the effective date), does it make sense to file and suspend?
 - Grant access to spousal benefits?
 - Grant access for spouse to do a restricted application?
 - Will you be doing a restricted application later?
 - Remains available for any spouse who was born in 1953 or earlier

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SOCIAL SECURITY PLANNING FOR COUPLES

- Transition planning - Divorcees
 - File-and-Suspend was/is irrelevant
 - Can do a restricted application for ex-spouse spousal benefits at full retirement age
 - Former spouse must be at least age 62
 - Permitted for divorcees born in 1953 or earlier
 - Still must meet normal requirements
 - Married >10 years
 - Currently unmarried

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SOCIAL SECURITY PLANNING FOR COUPLES

- Transition planning - Individuals
 - File-and-Suspend for future reinstatement option
 - Must still be able to file-and-suspend by deadline
 - Age 65 ½ or older now?
 - Still works to reinstate in the future, as long as the suspension occurs by the deadline!
 - Restricted application is irrelevant

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SOCIAL SECURITY PLANNING FOR COUPLES

- Transition planning - Parents
 - File-and-Suspend turns on benefits for dependent/disabled children as well
 - Must still be able to file-and-suspend by deadline
 - And must have eligible children in the first place!
 - Restricted application is irrelevant here
 - But may still be useful for a spouse?
 - Start-Stop-Start strategy remains available for those <66
 - Voluntary suspension rules remain in effect

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SOCIAL SECURITY PLANNING FOR COUPLES

- Transition planning – Surviving Spouses
 - Survivor's benefit remains available
 - Filed independently of retirement benefit
 - Timing not impacted by new rules at all!
 - Still available for eligible ex-spouse widows, too!

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SOCIAL SECURITY PLANNING FOR COUPLES

- Couples Claiming Strategies – Post Transition
 - No more File-and-Suspend at all in 6 months
 - Restricted application will remain relevant until 2019
 - Coordinating benefits remains relevant thereafter
 - But will simply have to decide whether one/both neither start early, or delay late
 - Often best to split?
 - Higher earner delays to 70, other spouse starts early at 62?
 - Double-delay only valuable if *both* live into their 90s!
 - Still beware of the Earnings Test!

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SOCIAL SECURITY PLANNING FOR COUPLES

- Bringing It All Together
 - Still must be integrated with the rest of the plan
 - Timing of pensions and other fixed income benefits
 - Timing of employment and earned income changes
 - Liquidations from the portfolio to bridge delay years
 - To analyze all combinations, consider tools like www.ssanalyzer.com, www.socialsecuritytiming.com, or www.maximizemysocialsecurity.com?
 - But the tools must be updated for the new rules!

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