

# A Comprehensive Modular Program

## Foundational Concepts

### Module 1

The Transition Phase of Retirement and Your Business

### Module 2

Framework for Retirement Income Planning

### Module 3

Income Resources and Budgeting Basics

## Major Activities and Decisions

### Module 4

Tapping Into Social Security

### Module 5

Expanding the Scope of Investments

### Module 6

Additional Strategies for Generating Retirement Income

## Advanced Strategies and Implementation

### Module 7

Optimal Withdrawal Strategies for Tax-Advantaged Accounts

### Module 8

Identifying Target Clients and Building a Marketing Strategy

### Module 9

Tying It All Together



# Module 4: Tapping Into Social Security

Income Planning for Clients Nearing Retirement

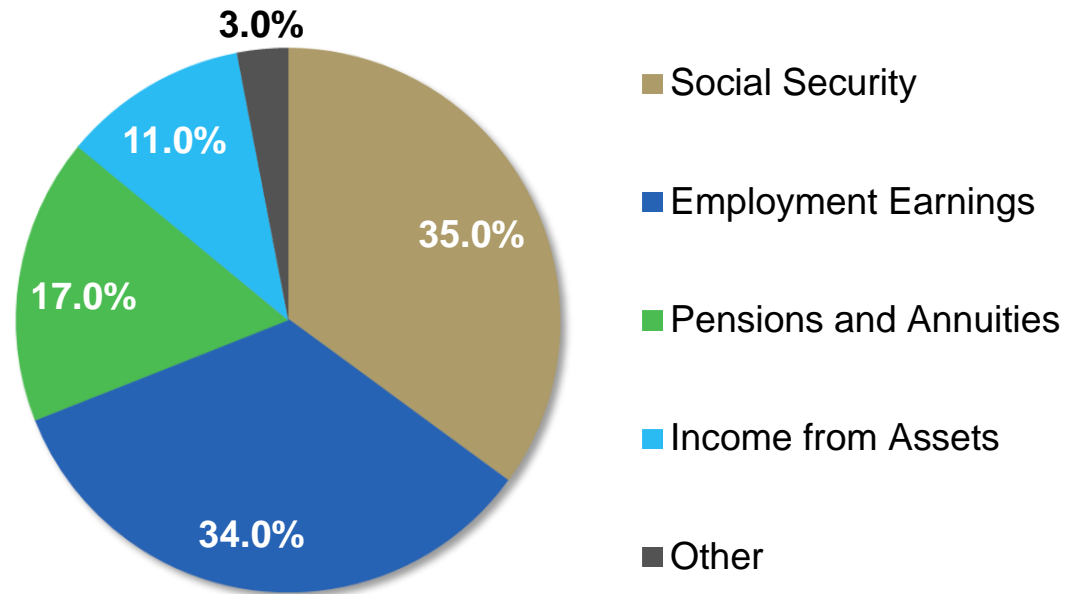
**Pershing**<sup>®</sup>

  
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## Sources of Retirement Income, Ages 65 and Older

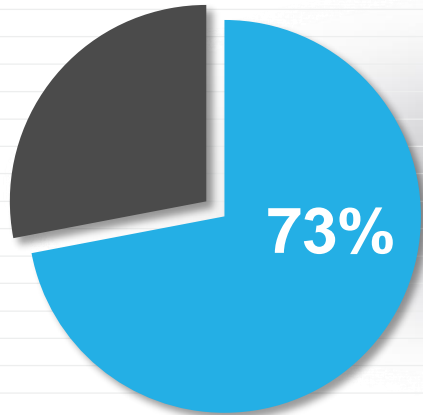
Today's reality is that Social Security is the main source of income for many

Social Security was originally intended only to supplement other sources of income in retirement

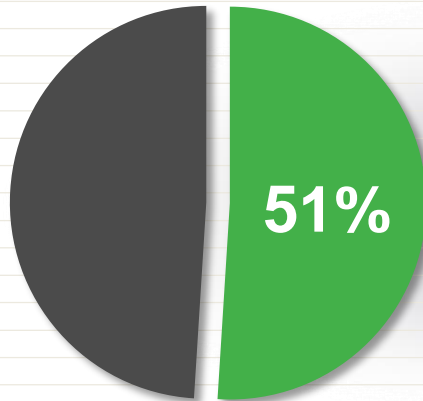


Source: Fast Facts & Figures About Social Security, 2014  
[http://www.ssa.gov/policy/docs/chartbooks/fast\\_facts/2014/fast\\_facts14.pdf](http://www.ssa.gov/policy/docs/chartbooks/fast_facts/2014/fast_facts14.pdf)

# Social Security Remains an Enigma for Individuals



Approximately 73% of retirees are receiving reduced Social Security benefits, because benefits were started before full retirement age<sup>1</sup>



Approximately 51% of workers underestimate the size of benefit increases for waiting until full retirement age<sup>2</sup>

<sup>1</sup>Annual Statistical Supplement to the Social Security Bulletin, 2014," Social Security Administration.

<sup>2</sup>The Impact of Claiming Age on Monthly Social Security Retirement Benefits: How Knowledgeable Are Future Beneficiaries?" Copyright 2012 AARP

# Overview of Social Security Retirement Benefits

## Eligibility

Must have accrued at least  
40 Social Security credits

## Minimum age requirement

62

## Benefit calculation

Based on 35 highest years  
of compensation

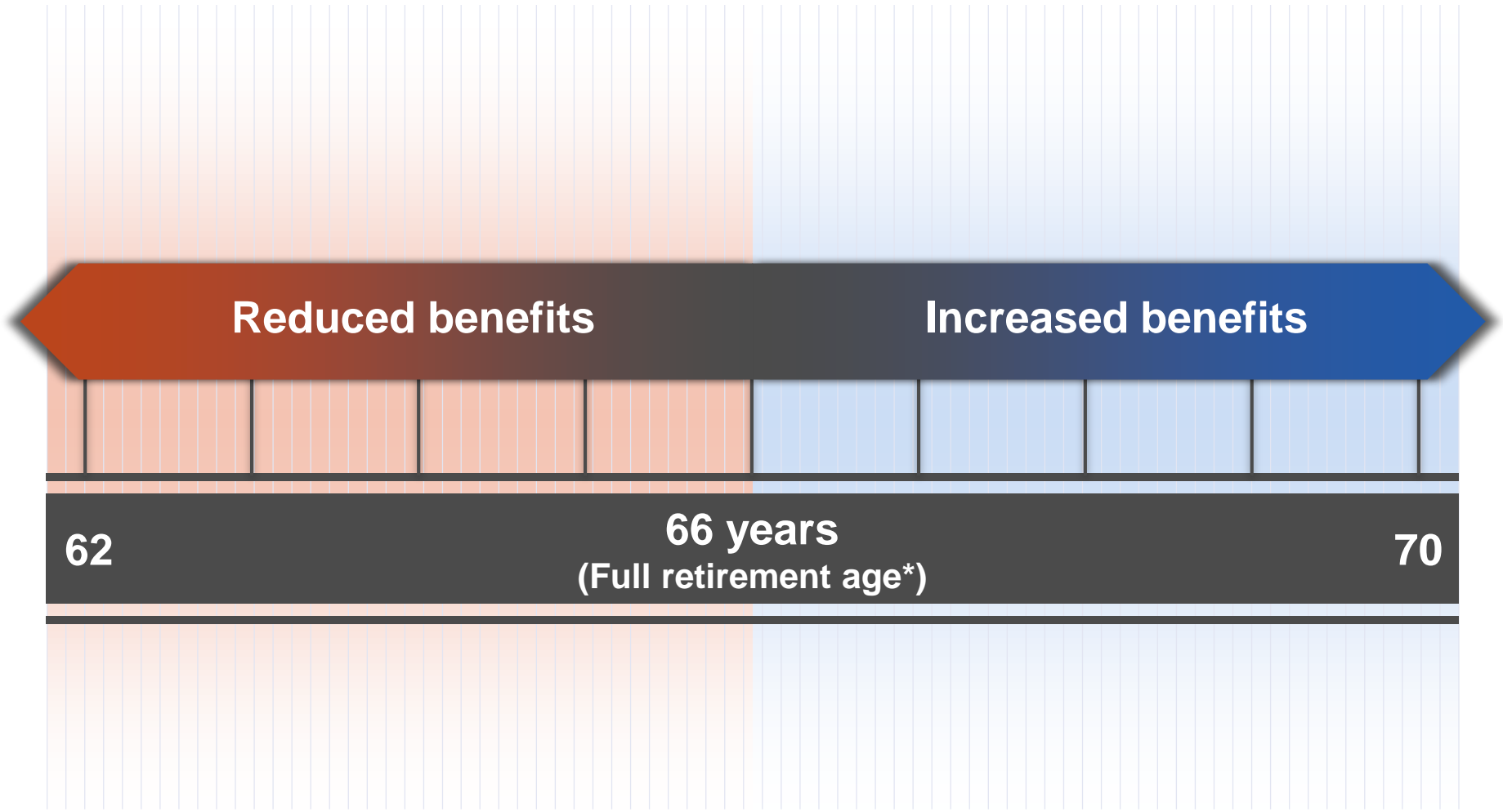
## Maximum retirement benefit for 2015

\$2,663 per month\*

\*Assuming retirement in 2015 at full retirement age

Convergent Retirement Plan Solutions, LLC © 2015

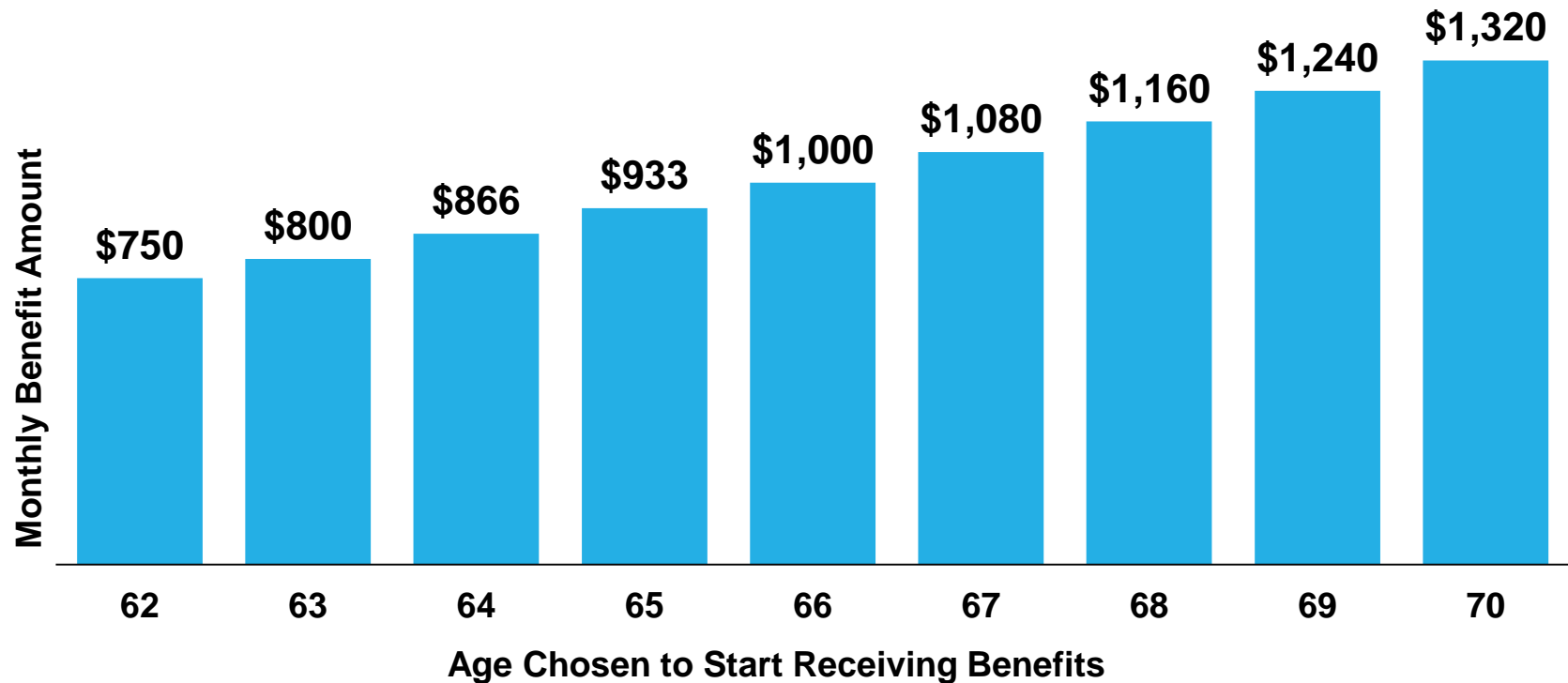
# Social Security: Timing



\*For individuals with dates of birth from 1943-1954

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## Social Security: Impact of Early and Delayed Benefits



**Delaying Social Security benefits until age 70 can result in a 32% increase in monthly benefit amounts\***

\*Assumes a benefit of \$1,000 at full retirement at age 66. Electronic Fact Sheet—When to Start Receiving Benefits,” Social Security Administration, SSA.gov.

# Working Can Affect an Individual's Social Security Benefits

Age	Reduction Amount	Maximum Earnings Before Benefit Reduction
Age 62 through year when full retirement age is attained	Benefits generally reduced by \$1 for every \$2 earned above the earnings threshold	\$15,720 (2015)
Year when full retirement age is attained	Benefits reduced by \$1 for every \$3 earned above the earnings threshold	\$41,880 (2015)



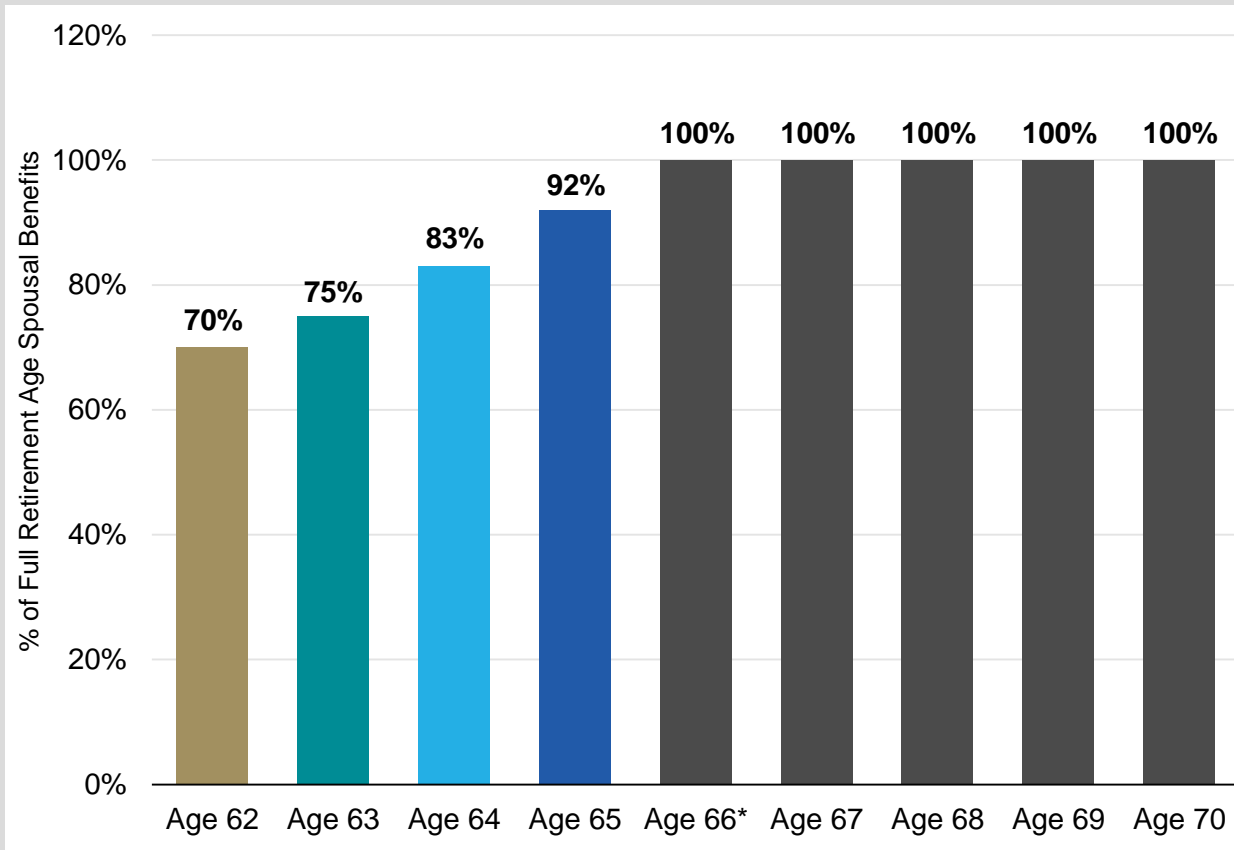
# Taxation of Social Security Benefits

Federal Tax Filing Status	Combined Income	Percentage of Social Security Benefits Taxable*
Individual	\$25,000 - 34,000	50%
	> \$34,000	85%
Joint	\$32,000 - \$44,000	50%
	>\$44,000	85%
Married filing a separate tax return	Generally must pay federal income taxes on Social Security benefits	

\*State taxes may also apply. U.S. citizens residing abroad in certain countries may be exempt from U.S. tax on their Social Security benefits. See Internal Revenue Service Publication 915 for details. Clients should consult with their tax and legal advisors.

# Spousal Benefits

Delayed credits do not increase a spousal benefit amount



**May Qualify for Benefits Based on a Current, Divorced or Deceased Spouse's Work Record**

\*Full Retirement Age  
Source: Social Security Administration, ssa.gov

# The “Best” Time to Start Benefits

**You can help clients with key decisions and strategies:**

- Break-even analysis
- Advanced claiming strategies for married couples
- Return and restart

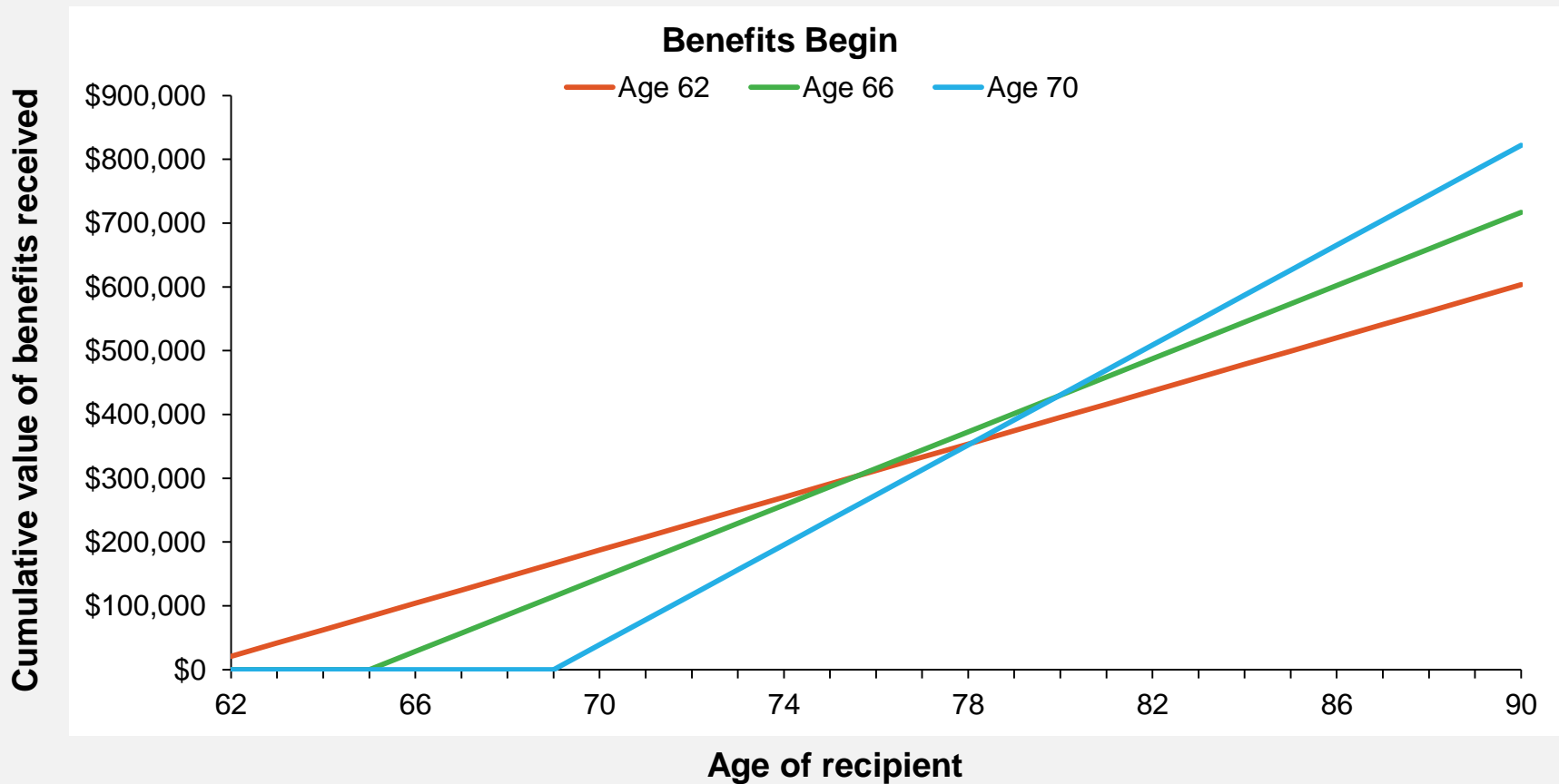
**Review Your Client Base**

**Look for clients:**

- Nearing age 62
- Seeking a holistic retirement income strategy

# Start With a Break-Even Analysis

## A Sample Break-Even Analysis



This is a hypothetical example for illustrative purposes only. Estimates based on data from [ssa.gov](http://ssa.gov), shown in 2015 dollars, using the Social Security Administration's Quick Calculator for an individual born June 30, 1953 with earned income equal to the maximum Social Security wage base (\$118,500 in 2015). No cost of living adjustment is included.

# File-and-Suspend

2015



- Files for benefits and immediately suspends payments (age 66)
- Continues to accrue delayed retirement credits whether working or not working



- Because spouse has filed for benefits, a claim for spousal benefits can be made if at least age 62
- Spousal benefits are reduced if received prior to full retirement age

2019



- At age 70, ends “suspension” of payments
- Due to delayed retirement credits earned since 2015, monthly payments are higher



- Except for cost of living adjustments (COLAs), spousal benefit amount remains unchanged

# Married Couples and Restricted Application

2015



- Qualifies for benefits based on own work history and spousal benefits
- Files for Social Security on his own account



- Qualifies for benefits based on own work history and spousal benefits
- At full retirement age, files a “restricted application” for spousal benefits only
- Continues to earn delayed credits on her own work history

2019



- Continues to receive benefits based on his own account



- At age 70, files for benefits based on her own work history account which replaces the spousal benefits
- Due to delayed retirement credits earned since 2015, monthly payments are higher

## Married Couples and Restricted Application (Continued)

2015



- Qualifies for benefits based on own work history and spousal benefits
- Files for Social Security on his own account



- Qualifies for benefits based on own work history and spousal benefits
- At full retirement age, files a “restricted application” for spousal benefits only
- Continues to earn delayed credits on her own work history

2019



- Continues to receive benefits based on his own account



- At age 70, files for benefits based on her own work history account which replaces the spousal benefits
- Due to delayed retirement credits earned since 2015, monthly payments are higher

# Hybrid Method (File-and-Suspend/Restricted Application)

2015



- Files for benefits and immediately suspends payments (age 66)
- Continues to accrue delayed retirement credits whether working or not working



- At full retirement age, files a “restricted application” for spousal benefits only
- Continues to earn delayed credits on her own work history

2019



- At age 70, ends “suspension” of payments
- Due to delayed retirement credits earned since 2015, monthly payments are higher



- At age 70, files for benefits based on her own work history account which replaces the spousal benefits
- Due to delayed retirement credits earned since 2015, monthly payments are higher



# The “Fresh-Start” Approach


## A little known Social Security rule lets individuals:

- Pay back benefits received from an earlier application
- Make a new request for benefits based the client’s current age and earnings record


## To be eligible to for the “fresh start” individuals must:

- Withdraw their applications within 12 months
- Repay any amounts received (including amounts received by a spouse or family members)
- Not have used their once-per-lifetime “fresh start”


## Some Conclusions



Clients expect you to integrate Social Security payments into their retirement income plans



Several different strategies for tapping Social Security are available



Clients should seek the advice of a tax and legal professional

# Resources

Industry Resources	
<a href="#">Nolo.com Legal Information on Retirement and Social Security</a>	<a href="#">Social Security Administration Benefit Calculators</a>
<a href="#">Center for Retirement Research at Boston College</a>	<a href="#">Social Security Quick Calculator</a>
<a href="#">Social Security Administration</a>	<a href="#">Social Security Claiming Guide</a>
<a href="#">Social Security Retirement Planner</a>	<a href="#">IRS Publication 915</a>

Pershing Resources	
<a href="#">Asset Inventory Worksheet</a>	<a href="#">Budgeting Tool Spreadsheet</a>
<a href="#">Pershing's Client Profile Sheet for Retirement</a>	<a href="#">Pershing Retirement Solutions Brochure</a>
<a href="#">Sample Client Letter for Social Security</a>	

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