

SPECIAL REPORT

Maximizing My Social Security Benefits

ROSENBERG FINANCIAL GROUP, INC.

Please understand that Social Security is a very difficult and confusing subject. The benefits you may receive are subject to a number of factors. Therefore, this information is general in nature and not meant to apply to your particular situation. If you want more specific information, please contact us.

You may have heard concerns over the future of Social Security. Social Security trustees project that in the year 2035, the system will be able to pay only 75% of promised benefits. Because of this, a lot of people have applied for benefits early, meaning that over their lifetime they will receive less income. Fear about an unknown is not necessarily a good reason to make a permanent financial decision. And, in November of 2015 Congress passed a budget deal that removed some claiming strategies that are expected to save Social Security \$10 billion per year. These changes should make the Social Security program fiscally stable going forward.

We have written this Guide to help you make the best possible decision regarding when to apply for Social Security, and to help you maximize this benefit.

What are my benefits based on?

Most people have heard of the 40 quarters of earnings. It is what makes you eligible to receive Social Security benefits. Your actual benefits are based on your highest 35 years of earnings. If you have less than 35 years of earnings, the missing years will count as zeroes. This is important to understand, especially if you started your career later in life. The longer you work, and the higher your earnings, the greater your benefit. Just one year of increased earnings can result in tens of thousands of dollars of additional benefits over your lifetime.

The 35 years of earnings are indexed for inflation and averaged to create your Average Indexed Monthly Earnings. This is the number that determines what you will receive at Full Retirement Age.

When should I apply for benefits?

You can apply for Social Security as early as age 62 (age 60 for survivor benefits, and age 50 for survivor benefits if you are disabled). You can also wait and receive a higher benefit. The first thing you need to know is your Full Retirement Age (FRA). The following chart shows a birth year column, and the corresponding FRA:

Age To Receive Full Social Security Benefits (Called "Full Retirement Age (FRA))

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

**If you were born on January 1st of any year you should refer to the previous year. (If you were born on the 1st of the month, we figure your benefit (and your full retirement age) as if your birthday was in the previous month.) Source: www.ssa.gov*

For every year you take benefits **early**, they are reduced. The following example is of a person whose Full Retirement Age is 66 with a benefit at FRA of \$2,230/month:

Apply at age	Benefit will be % of Full Retirement Age benefit	Example if FRA benefit is \$2,230
62	75.0%	\$1,672
63	80.0%	\$1,784
64	86.7%	\$1,933
65	93.3%	\$2,080

For every year you wait to take benefits **past** your FRA (up to age 70), they are increased.

Apply at age	Benefit will be % of Full Retirement Age benefit	Example if FRA benefit is \$2,230
66	100%	\$2,230
67	108%	\$2,408
68	116%	\$2,586
69	124%	\$2,765
70	132%	\$2,943

There is a compounding effect of this reduced benefit if you look at benefits earned over your lifetime. For example, let's say an individual retires early (age 62) and applies for benefits, and they receive \$1,672 per month. If they live to age 83, they could receive approximately \$600,000 over that time frame. If they had waited until Full Retirement Age to apply (age 66), their benefit could be \$2,490 per month and they could receive a total of approximately \$687,000 over their lifetime. If this same individual waited until age 70 to apply, they could receive \$3,672 per month, and approximately \$742,000 over their lifetime. The exact amounts, of course, would depend on their particular situation and cost of living adjustments. The benefit at age 70 is **76% greater** than the benefit you would receive at 62. That is a huge difference, not even counting the additional affect of cost of living increases.

Why not apply early?

Studies show that people apply for Social Security early because they can. The magic age of 62 causes people who shouldn't retire to retire. If the age was 64 instead of 62, people would retire at 64. Unfortunately, Social Security rules are causing people to make bad retirement decisions, and that causes them to run out of money.

There are a number of reasons people take their benefits early:

- They're afraid Social Security is going away and they want to make sure they get their benefits while they still can.
- They lost their job, which created the need for any income they could get.
- They're afraid they might die before they get all their benefits.
- They just want more spending money.
- They can't make ends meet without the benefits.

A situation we frequently see is a widow who was living with her husband on two to three income streams. However, once her husband passed away, those 2-3 income streams are down to one Social Security check. If you are married and have earned much more than your spouse, we encourage you to delay applying for benefits so that if something happens to you, your spouse can switch to your higher benefit as a survivor.

Sometimes it is necessary to begin benefits early. But in many cases, it's not.

How can I coordinate spousal benefits?

The budget deal that Congress approved in November, 2015 closes the opportunity for spouses to "file and suspend" benefits for most, but some individuals still qualify. There are two pieces to this legislation. One is for persons turning age 66 and the other is for persons turning age 62. If you are age 66 by May 1, 2016, you still have the right to file and suspend under the old rules. That means you can file for benefits and immediately suspend them in order to trigger benefits for a spouse or dependent child. Your benefit continues to grow by 8% per year, and then you can apply at age 70 for the larger benefit.

Those who turn age 66 after the deadline cannot do this. They must file for and receive their Social Security benefit in order to trigger spousal benefits, which can be up to 50% of the wage earner's full retirement age amount. Anyone who has already filed and suspended benefits before the bill was passed is not affected.

If you are age 62 or older by December 31, 2015, you are still permitted to claim just spousal benefits when you turn age 66, assuming your spouse is receiving benefits or is a qualifies under the "file and suspend" rules outlined above. This means you can file for a spousal benefit only, then apply for your own, larger benefit later.

Anyone turning age 62 after December 31, 2015 loses the right to claim spousal benefits only. This means these beneficiaries will have to apply for their own benefit, and may receive some spousal benefit if that benefit is higher than their own.

The group that retains the right to choose when to claim their benefits are surviving spouses who have also earned their own retirement benefit. They can still choose one benefit first and switch to the other later if it would result in a bigger benefit.

Survivor Benefits

There are two circumstances when dealing with survivor benefits: either you were married to your late spouse at the time of death, or you were divorced from your ex spouse.

If you were still married, you may be eligible for survivor benefits as early as age 60, or age 50 if you are disabled AND the disability started before or within seven years of your spouse's death. There are

additional provisions if you are caring for your late spouse's child who is under 16. The surviving spouse is eligible to collect either the deceased spouse's benefit amount (if they apply at their Full Retirement Age), or a reduced amount (if they apply early), as long as you have not remarried before age 60.

If you were divorced and your marriage lasted 10 years or longer, you can get benefits just the same as a widow or widower can. More than one ex-spouse can apply for divorced spouse benefits, and the primary worker is not notified. Benefits received by one spouse or ex-spouse do not affect benefits received by other beneficiaries or the primary worker.

As we talked about previously, one of the benefits of delaying the higher spouse's benefits is that it would maximize potential survivor benefits for the other spouse. If you die before your spouse, your spouse will have the option of continuing to get his or her benefit, or switching over to your benefit. The chart on page two shows the impact of taking benefits earlier, or later. If you were the higher wage earner, the difference between your spouse getting \$1,672 per month, or \$2,943 per month, is \$1,271 per month. That totals \$15,252 per year, or \$152,520 over a ten-year period. This is a big difference and something to consider.

So let's review the highlights:

- You cannot receive divorced-spouse benefits if you are married
- You cannot receive survivor benefits if you remarry before age 60
- You cannot receive divorced-spouse benefits if you were married less than 10 years
- You may have to wait two years after the divorce to receive divorced-spouse benefits

Your Pension and Social Security

If you ever worked in a job that paid into Social Security, then worked in a job where you earned a pension, and did not contribute to Social Security, your Social Security benefits may be reduced. This is called a pension offset, and can also affect spousal benefits. There are two types of pension offsets: the Windfall Elimination Provision (affects the retiree's own Social Security benefits) and the Government Pension Offset (affects the retiree's Social Security spousal and survivor benefits).

The most important thing for you to know is that these offsets will not be taken into consideration in your estimation of benefits. This is because Social Security doesn't know about your pension until you apply for benefits and provide this information. You can learn more about these offsets on the Social Security website, <http://www.ssa.gov>.

Other Questions You May Have About Social Security:

- Can I get an estimate of my benefits?

Social Security is only sending out benefits statements in five-year intervals, at age 25, 30, 35 and so on. You can always visit www.ssa.gov and click on "My Social Security." To create an account, you will have to enter your personal information, and a User Name and Password. Once you have done this you can easily login any time and check your statement.

- How does working affect my Social Security benefits?

If you apply for Social Security early (before your Full Retirement Age), your benefits will be reduced \$1 for every \$2 you earn over \$16,920 per year (for 2017). If you apply for Social Security during the year that you reach your Full Retirement Age (FRA), you can earn \$44,880 during the months before reaching your FRA. And, once you reach your FRA, you can earn any amount without penalty.

- How are my benefits taxed?

If your Modified Adjusted Gross Income (earned income plus pension, investment, and tax-free income) plus one-half of your SS benefit exceeds a certain amount, your benefits will be taxed. For example, if you're single and your (MAGI) is over \$25,000 (\$32,000 for married filing jointly), you may have to pay tax on up to 50% of your benefit. If it is over \$34,000 (\$44,000 married filing jointly), up to 85% of your benefits may be taxable. A quick way to find out if any of your benefits may be taxable is to add one-half of your Social Security benefits to all your other income, including any tax-exempt interest. Next, compare this total to the base amounts below. If your total is more than the base amount for your filing status, then some of your benefits may be taxable. The three base amounts are:

- **\$25,000** - for single, head of household, qualifying widow or widower with a dependent child or married individuals filing separately who did not live with their spouse at any time during the year
- **\$32,000** - for married couples filing jointly
- **\$0** - for married persons filing separately who lived together at any time during the year

You can learn more about this at www.ssa.gov.

- How do I apply for benefits

You can apply online at www.socialsecurity.gov for retirement, disability and spousal benefits. You can also apply by phone, 800-772-1213. Then you can set up an appointment to have Social Security call you for an interview. Or, you can apply in person at a local Social Security office. You can use the Social Security office locator at www.ssa.gov to find the office closest to you, and you can contact that office for an appointment. You **must go to a local office** to apply for survivor benefits.

Have the following information ready before you begin to apply:

- Name at birth
- Social Security Number
- Date and place of birth
- Citizenship status
- The beginning and ending dates of active duty service before 1968
- Government pension or annuity income you expect to receive
- Current marital status and spouse's name, date of birth, and SS#
- The names, dates of birth and SS#'s for previous spouses as well as the dates and places of marriage, and how and when they ended
- Names of unmarried children under age 18
- The name and address of each employer for the past two years
- Information about self-employment
- Estimated earnings for last year and this year
- If you are within three months of turning age 65, whether you want to enroll in Medicare part B
- Bank account information for direct deposit (the only option for receiving your benefit)

Thank you for reading this report. If you would like a complimentary consultation to talk through your retirement numbers, contact us at 741-4457 in Macon or 922-8100 in Warner Robins. Or you can e-mail becky@rfmoney.com. Read further to learn more about Rosenberg Financial Group, Inc., who we are, and what we can do for you.

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