

Social Security Benefits

A Look at the Big Picture

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Important Information

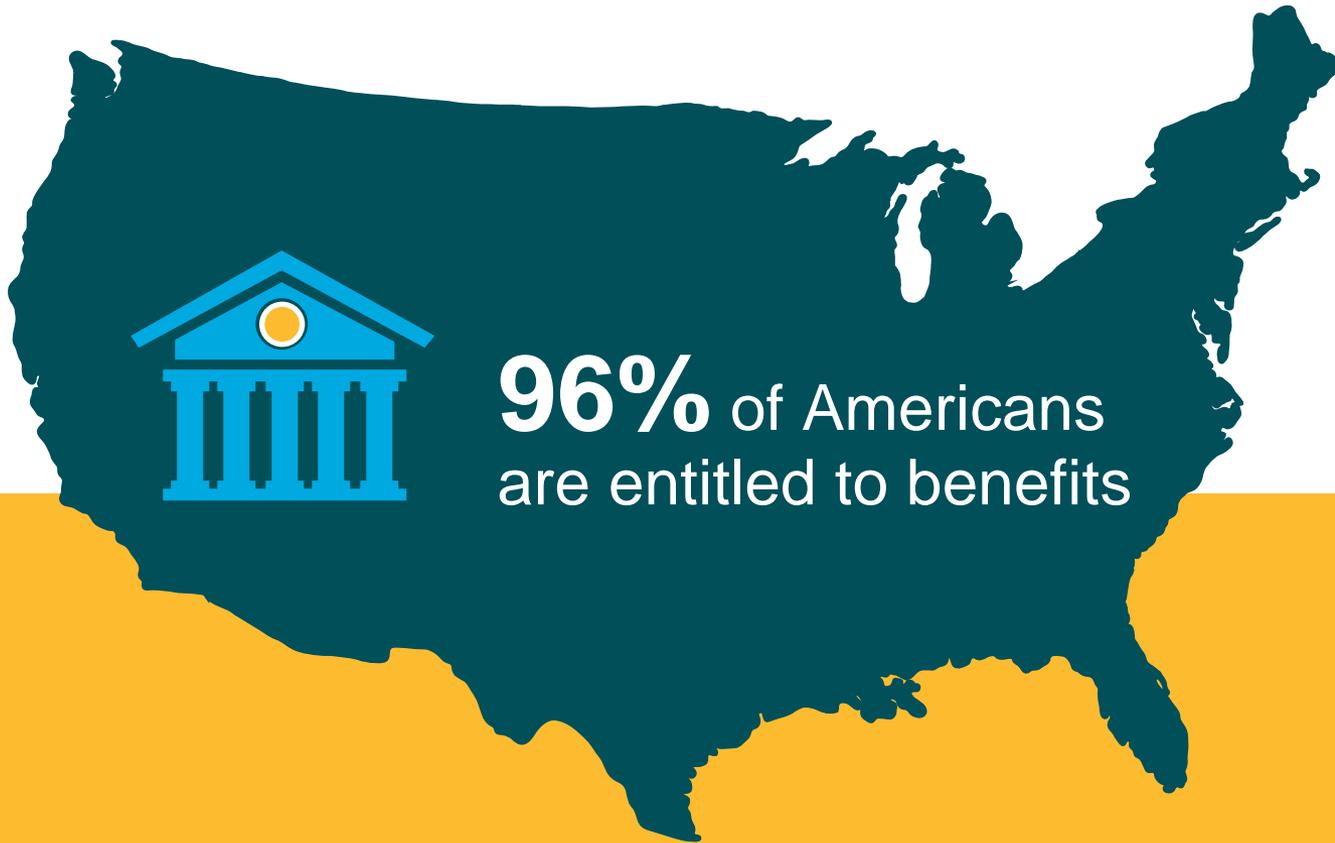
This presentation is intended as educational and informative about Social Security and Medicare programs and is not intended to promote any products or services offered by Protective Life as the CE Provider. The information is provided to assist financial advisors and producers in discussing this topic with their clients.

These materials contain information regarding the availability of and details surrounding the Social Security and Medicare programs. The information represents only our current understanding of Social Security and Medicare in general and should not be considered legal or tax advice by consumers. Details of the Social Security and Medicare programs are subject to change at any time.

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To gain a better understanding of the range of options and benefits your clients may be entitled to under Social Security, visit www.ssa.gov.

Why Is Social Security Important?



Benefits can be more substantial than you think...

Why Is Social Security Important?



\$1,000,000



\$54,198 / Yr.

Agenda

- I. Social Security: Then & Now
- II. Social Security Benefits
- III. When to File
- IV. Filing Strategies, Spousal & Survivor Benefits, Special Situations
- V. Taxes
- VI. Conclusion

A Great System in 1935...

1935



Paid retired workers only



More people paying in than drawing out



Life expectancy was 63

...but Not as Good of a System Today

Today



Baby Boomers did not have enough children



Parents of Boomers are living longer



Average life expectancy of 65-year-old today is 85

Living at 65*

33% will live to 90

15% will live to 95

Can retirees depend on it?



- An estimated 173 million workers are covered
- More than 65 million Americans receive benefits
- There are currently around 46.6 million older Americans. By 2033, the number will increase to more than 77 million
- Currently there are 2.8 workers for each beneficiary. By 2037, there will be 2.1 workers for each beneficiary
- Under current assumptions, the program will only be able to pay full benefits until 2034

Where does Social Security fit in the retirement picture?



Current maximums

How much could they really be?



monthly | \$3,011

annual | \$36,132

Amounts are equivalent to the **investment income** on a \$720,000 asset.

How much could benefits really be?

Amounts are significant



Adjust for inflation

Last retiree's lifetime

Can also last spouse's lifetime

Determining benefit amounts

Wage earners been “saving” for years

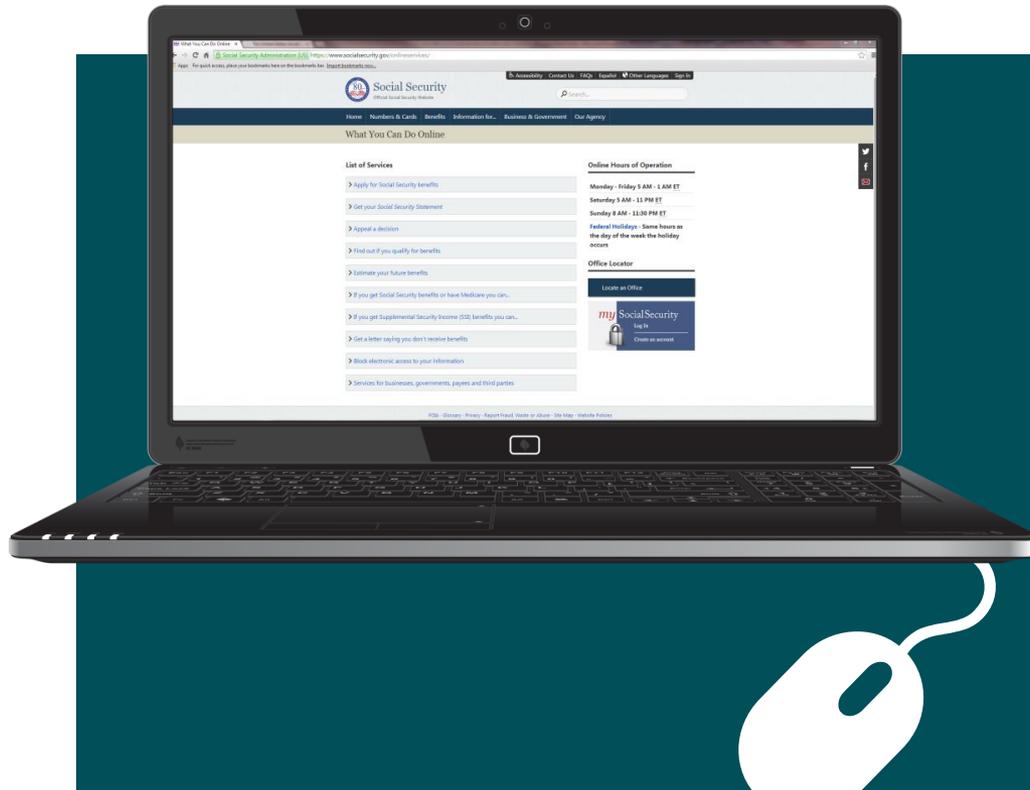


\$1,410 earnings = 1 credit



- **40 credits** required to draw
- Maximum **4 credits** per year
- Take the highest 35 years of earnings, monthly average

How do I find out about my benefits?



Paper Statements Only mailed to those age 60+

- Not receiving benefits yet
- Have not signed up for a *mySocial Security* account

Online Statements www.ssa.gov/myaccount

Request a Statement 1.800.772.7213

When can clients start receiving benefits?

Full Retirement Age:

- The age when you can start receiving full benefits
- Between ages 65-67



Reduced benefits **before full retirement age**, at age **62** (Early)



Increased benefits **after full retirement age**, until age **70** (Delayed)

Full Retirement Age

Birth
Year

Full
Retirement

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



67

is the **new 65**
for retirement planning

Age and Benefits



At age 62,
you get a lower
monthly payment
(Permanently)

At full retirement
age, you get
your full benefit

You get an
even higher
monthly payment
if you work
past your full
retirement age

Sooner or Later?



Additional \$199,800 of income over 30 years



When filing early may make sense

Health Problems



Financial issues

Already retired

Single income households/lower wage earners

School age children at home

Spousal benefits



3 types:

1. Basic Spousal Benefits
2. Widow/Widower Benefits
3. Divorced Benefits

1. Basic spousal benefits

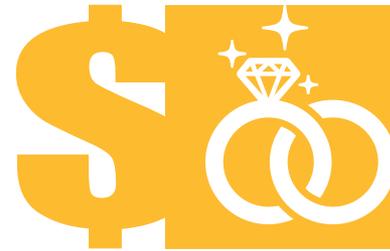
Spousal benefit is

Their
work benefit



50% of their
living spouse's benefit

1. Basic spousal benefits



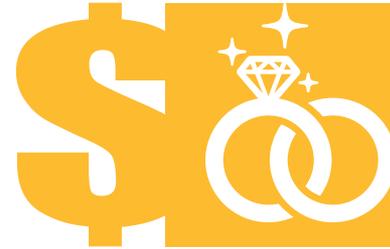
- To file for a spousal benefit, the spouse must also file
- Filing for spousal benefits early reduces the benefit
- The percentage of reduction depends on how early the benefit is taken

2. Widow/Widower benefits



- Widow/Widower receives full benefit at their full retirement age
- Widow/Widower can begin collecting deceased spouse's benefits at age 60
- If taken at 60, the benefit is reduced by 30%
- Widow/widower can collect survivor benefit while letting their own benefit defer

3. Benefits for the divorced



- The marriage lasted at least 10 years
- Have been divorced at least two years
- The former spouse is entitled to benefits
- The claiming ex-spouse is unmarried
- The claiming ex-spouse is at least 62
- The claiming ex-spouse cannot qualify for a higher benefit on their own earnings record

Attention Government Employees

Teachers, State, Fire, and Police

Social Security benefits may be affected by the following:

1. Windfall Elimination
2. Government Pension Offset

1. Windfall Elimination Provision

- For those who have earned a Social Security benefit
- AND a government pension
- \$480 is the maximum reduction for 2020
- If you have 30 years of work under Social Security, no reduction is taken

2. Government Pension Offset

- If client will take a spousal benefit AND have earned a government pension
- The spousal benefit may be offset by two-thirds of the amount of the pension

Working while receiving benefits

Before full retirement age

Planning to receive benefits while still working
- AND - before full retirement age?

Consider the effect...

Working while receiving benefits

Before full retirement age

Benefit is *reduced*

\$1 for every \$2
earned above the earnings limit*



*2020 Earnings Limit= \$18,240

What can this information do for you?

- Teach your clients how to identify and prepare for key retirement decisions
- Learn how to guide clients through these key decisions
- Educate clients about their options
- Enhance client relationships
- Help position yourself as the premier retirement planning resource



The next several slides discuss tax concepts as they relate to your retirement. This information is for educational purposes only. Please note that neither Protective Life as the CE provider nor its representatives offer legal or tax advice. You should consult with your legal or tax advisor regarding your individual situation before making any tax-related decisions.

Social Security & Taxes

- Wages are taxed throughout your earnings years
- Payments from Social Security system are taxable throughout benefit years

How much is taxable?

Provisional Income:

- + all income from wages
- + pensions
- + investments
- + any non-reportable income
(interest on tax-exempt bonds)
- + any other exclusions to income
- + half of your Social Security benefits



How much is taxable?

Income amount

Taxable amount

\$32,000 or less for joint filers
(\$25,000 for single filers)

0%

\$32,000 to \$44,000
(\$25,000 and \$34,000 for single filers)

Up to 50%

Greater than \$44,000
(\$34,000 for single filers)

Up to 85%

Where to file for benefits



In person
your local Social Security office



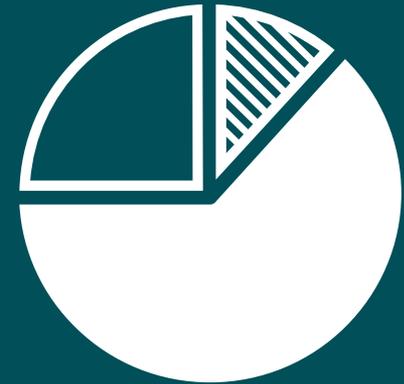
Online
<https://secure.ssa.gov/iClaim/rib>



By phone
1.800.772.1213
to schedule a phone appointment

Retirement: The Big Picture

- Social Security
- Investments
- Annuities and Life Insurance



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Answers to your questions