

SOCIAL SECURITY CLAIMING STRATEGIES

MAXIMIZING YOUR LIFETIME ANNUITY

Who am I?

- Deborah L. Petrone, CPA, Mtax, CGMA, NSSA
- Senior Tax Manager – Apple Growth Partners
- dpetrone@applegrowth.com
- 2275 State Route 59
- Kent, OH 454240
- Direct 330.931.4927

Qualifications

- Certified by the [National Social Security Association](#) “NSSA”
 - The NSSA is the only body currently authorized to certify individuals as Social Security Advisors
 - NSSA is now in the process of achieving course accreditation by ICE-Institute for Credentialing Excellence-Washington D.C.

Ground Rules

- 20 minutes
- Cover a lot of ground
- 5 minutes of questions
- Not affiliated or endorsed by the Social Security Administration

Quick Social Security Facts

- 60 million recipients in 2016-\$891 Billion in benefits
- Largest benefit check for 2016-\$2,639
- Average benefit check for 2016-\$1,345
- Average couples benefit with both receiving-2016 - \$2,212
- Spouses average benefit for 2016-\$695
- Child average benefit for 2016-\$653

Quick Social Security Facts

- Average age people claim-64.4
- More women claim early
- 27% of men and 34% of women claim at full retirement age
- 10% of men and 9% of women claim @ 67 or later

Social Security Representatives-usually Nice People

1. New GAO study -representatives routinely make major mistakes costing thousands of dollars
2. SS representatives are not trained to advise, do not always have the expertise or time to discuss options in detail. Will tell you the highest benefit TODAY.
3. SS representatives encourages recipients to begin benefits at age 62 - People are living longer and this results in less benefits being paid out
4. SS representatives are order takers - You must do your own homework before applying for benefits

MAXIMIZING YOUR LIFETIME ANNUITY

APPLE
GROW+H
PARTNERS
Healthy Growth.

MAXIMIZING YOUR LIFETIME ANNUITY

- Claiming is a choice, not a necessity
- Biggest retirement fear is outliving your savings
- Benefits are guaranteed for life & inflation protected
- 50% claim at 62 based on emotion-65% consult no one
- 10,000-15,000 become eligible every day
- Usually represents a **\$1,000,000 annuity for a couple**
- Planning can increase total benefits by **\$200,000**
- Major piece of overall retirement planning
- Your claiming decisions can affect spouse, children and survivors

MAXIMIZING YOUR LIFETIME ANNUITY

- Proper planning can extend your portfolio life
- 2-10 years
- No “One Size Fits All”
- People just do not know their options-(my neighbor Ron)
- Married couples may have 10-12 strategies to consider
- 30,000-50,000 date combinations

MAXIMIZING YOUR LIFETIME ANNUITY

- One person could collect 4 benefits:
 - Worker – Spousal – Ex-Spousal – and Survivor
- Just because you CAN claim early – doesn't mean you SHOULD
- Still very complex and doing nothing is a bad option!

Client Snapshot

Group of 20 Clients

900,344
Date Combinations

Averaging 45,017
Date Combinations
per client

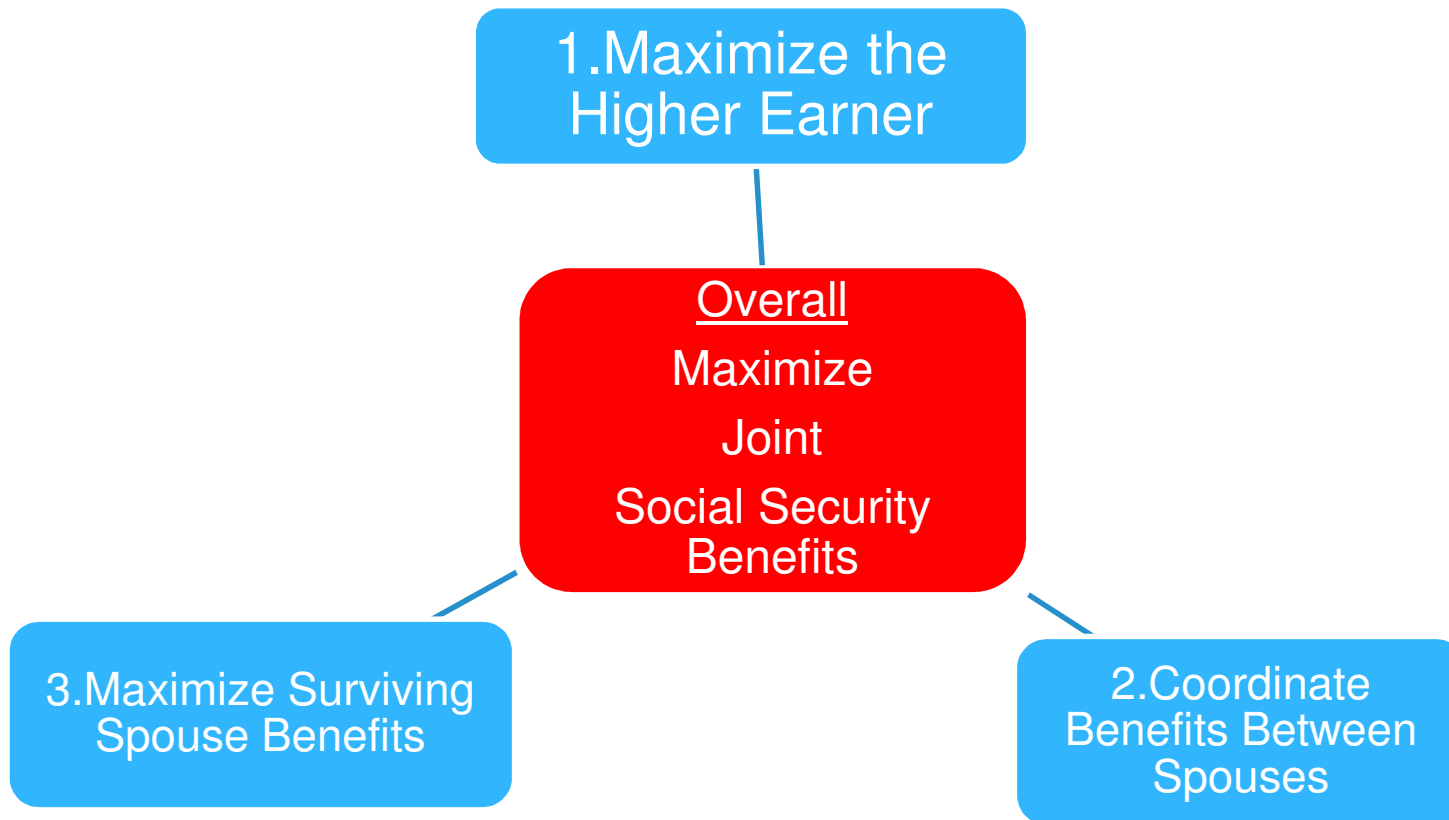
Shown Clients
how to Maximize
their Benefits by

a total of
\$1,908,769

Averaging
\$95,438
per client

APPLE
GROW+H
PARTNERS
Healthy Growth.

Overall Strategy

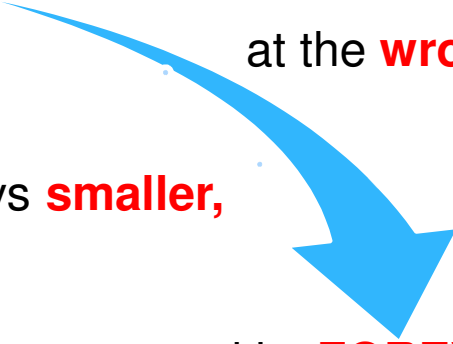


KEY TAKEAWAY

APPLE
GROW+H
PARTNERS
Healthy Growth.

Key Takeaway

Take the **wrong** benefit,
at the **wrong** time,
It's always **smaller**,
and its **FOREVER!**



Absolutes

- No one size fits all.
- Married have more flexibility
- No advantage to deferring spousal benefits past 66 - full retirement age
- No advantage to deferring ex-spousal benefits past 66 - full retirement age
- No advantage to defer collecting worker benefits past 70
- Why?-No increase in benefits by waiting

VOCABULARY

Social Security Vocabulary

- **Primary insurance amount (PIA)**: An amount equal to your Social Security benefit at full retirement age. The PIA is the basis used to compute benefits that may go to you or your family members. It's based on a progressive formula applied to the average indexed monthly earnings.
- **Full retirement age (FRA)**: The age at which you qualify for full (or unreduced) retirement benefits. The full retirement age is based on your year of birth and is gradually rising to 67 for individuals born in 1960 or later. Also known as normal retirement age.
- **Average indexed monthly earnings (AIME)**: The dollar amount used to calculate your Social Security benefit. AIME is based on the **HIGHEST earnings for 35 years** that have been indexed for wage growth and averaged.

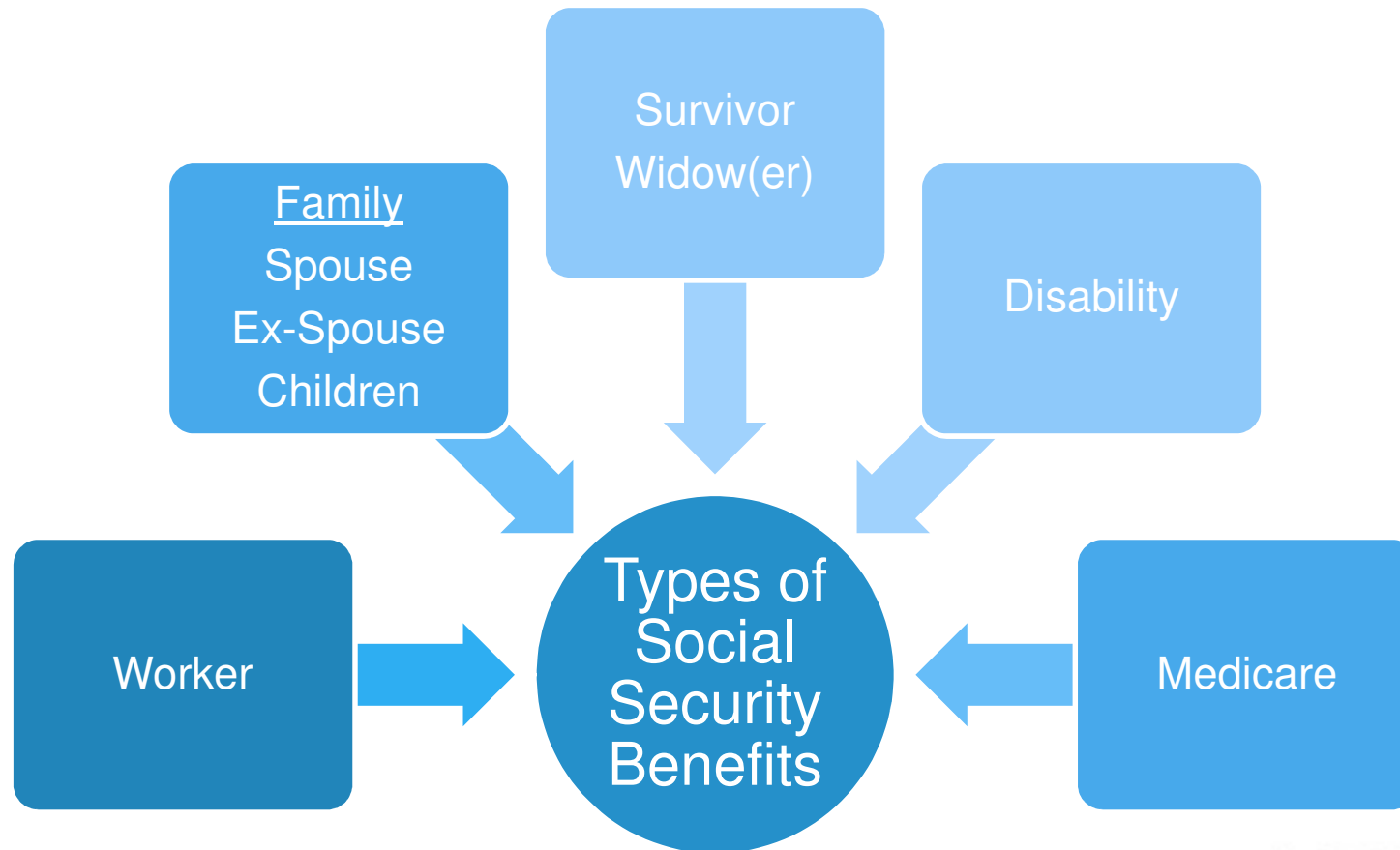
- .

Social Security Vocabulary

- **Delayed retirement credits(DRCs)**: Social Security benefits are increased by a certain percentage (depending on your date of birth) if you delay claiming retirement benefits until after you reach full retirement age. Delayed retirement credits are awarded up to age 70
- **Annual Earnings Test**: Required withholding of benefits if earnings exceed certain limits and you have not reached full retirement age.
- **Windfall elimination provision (WEP)**: A rule that may reduce Social Security retirement benefits for individuals who earned pensions through government work not covered by Social Security. This provision reduces Social Security benefits for many older government workers who were under the Civil Service Retirement System.
- **Government pension offset(GPO)**: A provision that reduces Social Security spousal and widow/widower's benefits, if they're based on the earnings record of a worker who spent part of his or her career in government employment not covered by Social Security

TYPES OF BENEFITS

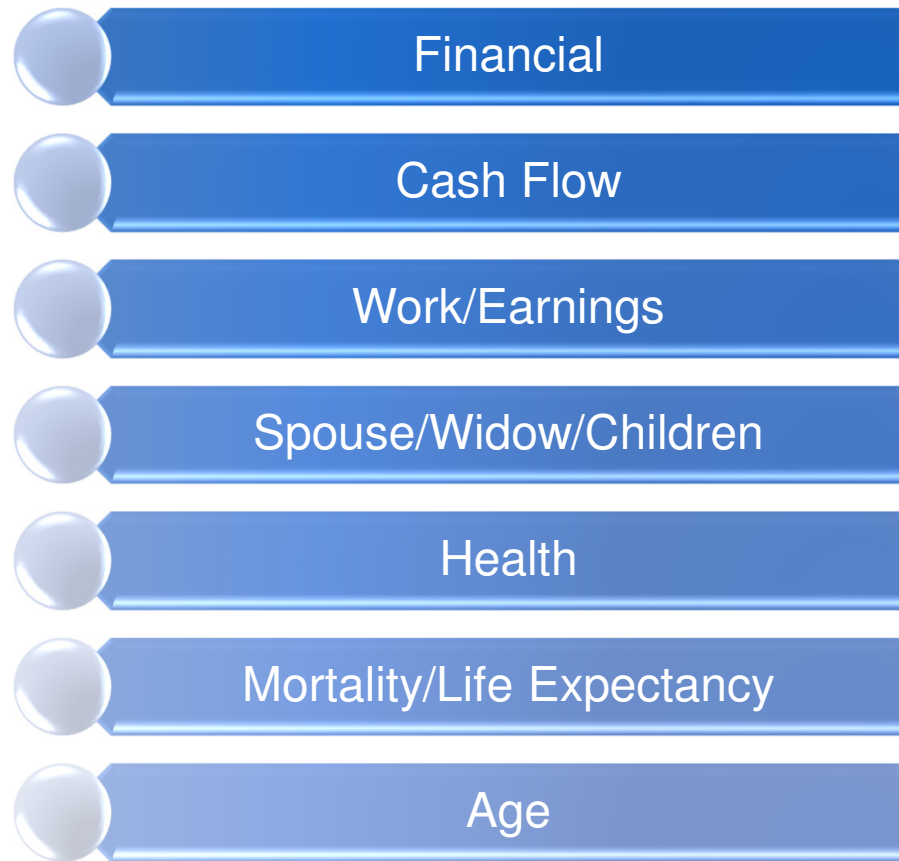
TYPES OF BENEFITS



FACTORS TO CONSIDER WHEN CLAIMING BENEFITS

APPLE
GROW+H
PARTNERS
Healthy Growth.

Factors to Consider when claiming Social Security benefits



FULL RETIREMENT AGE “HAVE IT ALL” -AGE

Reduced Worker Benefits\FRA

Year of Birth	Full Retirement Age	% at age 62
1937	65	80%
1938	65 & 2 months	79.2%
1939	65 & 1 month	78.2%
1940	65 & 6 months	77.5%
1941	65 & 8 months	76.7%
1942	65 & 10months	75.8%
1943-1954	66	75%
1955	66 & 2 months	74.2%
1956	66 & 4 months	73.3%
1957	66 & 6 months	72.5%
1958	66 & 8 months	71.7%
1959	66 & 10 months	70.8%
1960 or Later	67	70%

Full Retirement Age The “Have It All” Age

- Collect full retirement benefits
- No earnings cap restriction-
 - Annual Earnings Test
- Can take advantage of claiming strategies to maximize benefits:
 - ~~File & Suspend~~
 - Restricted Application

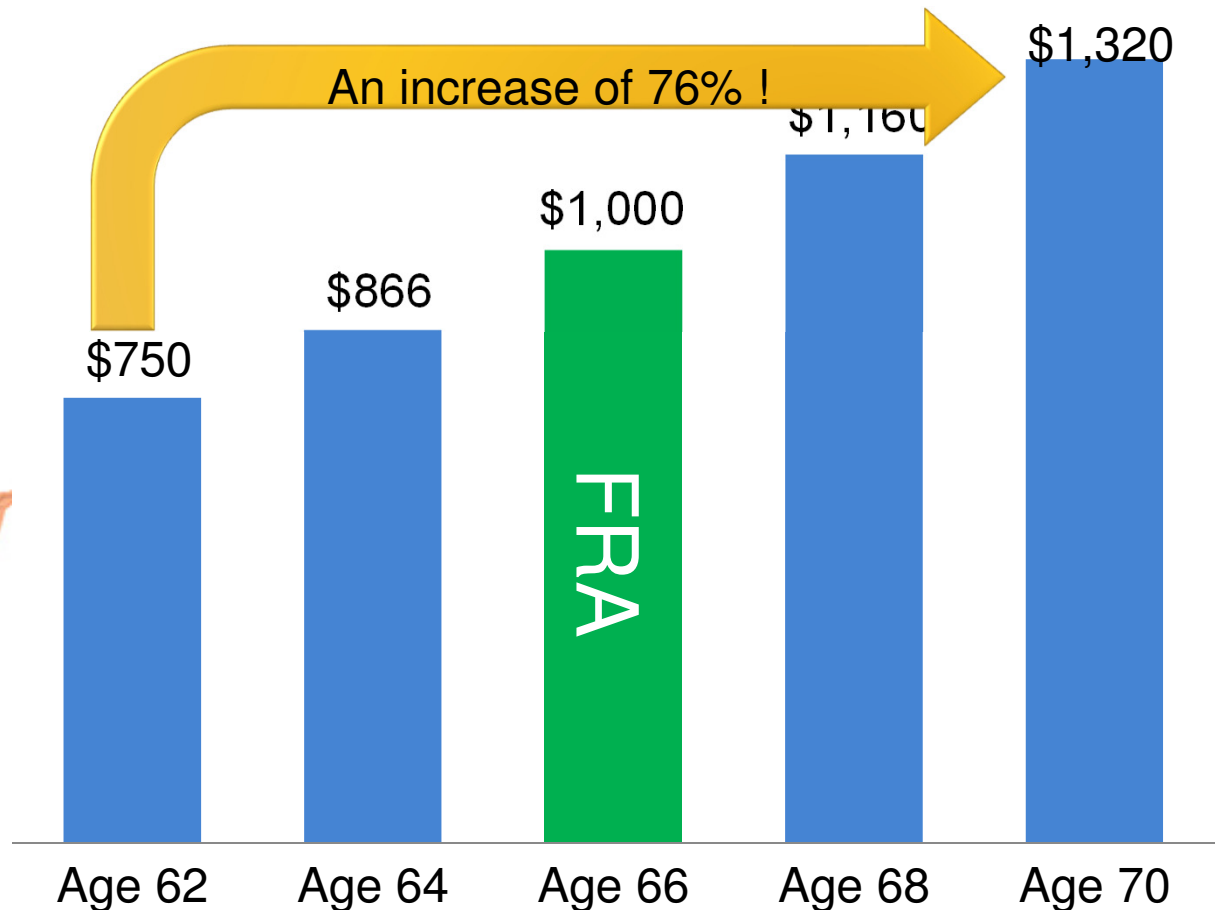
**YOU
CAN
HAVE
IT ALL**

CLAIM EARLY VS LATER

APPLE
GROW+H
PARTNERS
Healthy Growth.

How does retirement age affect my benefit amount?

Good question.
Let's say your "full retirement" age is 66 and your monthly retirement benefit is going to be \$1,000.



Why Claim Benefits Early?

- Health, mortality, work, cash flow
- Spouse and/or minor children who are entitled to benefits now but won't be later.
- If subject to public pension, file early before public pension begins
- Remember-claiming early reduces benefits for life
-

Why Claim Benefits Later?

- 2% OF MEN AND 4% OF WOMEN WAIT UNTIL 70
- Mitigates longevity risk
-
- Earn Delayed Retirement Credits
-
- Maximize survivor benefit
-
- No reason to wait past 70

Claim Benefits Later

Delayed Retirement Credit Rates

Year of Birth	Yr/Mo	Rate of Increase
1943 on	8.0%	2/3 of 1%
1941-1942	7.5%	5/8 of 1%
1939-1940	7.0%	7/12 of 1%
1937-1938	6.5%	13/24 of 1 %
1935-1936	6.0%	1/2 of 1%
1933-1934	5.5%	11/24 of 1 %

ANNUAL EARNINGS TEST

APPLE
GROW+H
PARTNERS
Healthy Growth.

2016 Earnings Limits Before FRA

	In 2016, You may earn up to:	If you make more, some benefits will be withheld:
If you are younger than FRA	\$15,720/year \$1,310/month	\$1 for every \$2 over the annual limit
The Year you reach FRA	\$41,880/year \$3,490/month	\$1 for every \$3 over the annual limit
Once you reach the month of FRA	No limit on earnings	No limit on earnings

First year of retirement Rule – SSA excludes wages prior to your retirement from the above limits

Can only use the monthly amount in the year of retirement

WORKER BENEFITS

APPLE
GROW+H
PARTNERS
Healthy Growth.

Worker Benefits

- Need 40 quarter hours
- Earliest you can apply for benefits is age 62
- Only benefit that accrues “delayed retirement credits”
- Start full benefits between ages 65 to 67(FRA)
- Annual Earnings Test applies
- Windfall Elimination Provision applies
- Can voluntarily suspend @ FRA
- No reason to wait past 70 to collect

Worker Benefit Reductions

- Benefits are reduced for each month taken before your FRA
- Example: If born between 1943-1954 and benefits start:
 - At age 62 Reduced 25%
 - At age 63 Reduced 20%
 - At age 64 Reduced 13.3%
 - At age 65 Reduced 6.7%
 - At age 66 -FRA No reduction

SPOUSAL BENEFITS

APPLE
GROW+H
PARTNERS
Healthy Growth.

Spousal Benefits- One of the most misunderstood benefits

- **MAXIMUM-** Spousal benefits is equal to 50% of your spouse's PIA if they collect benefits at FRA or later.
- Both you and your spouse must be at least age 62
- Married for at least 1 year continuously
- Other spouse must be receiving benefits or “claim & suspend”
- Benefit based on other spouse's earnings record
- Spousal benefit calculated when spouse files

Both spouses cannot receive spousal benefits at the same time on the others record

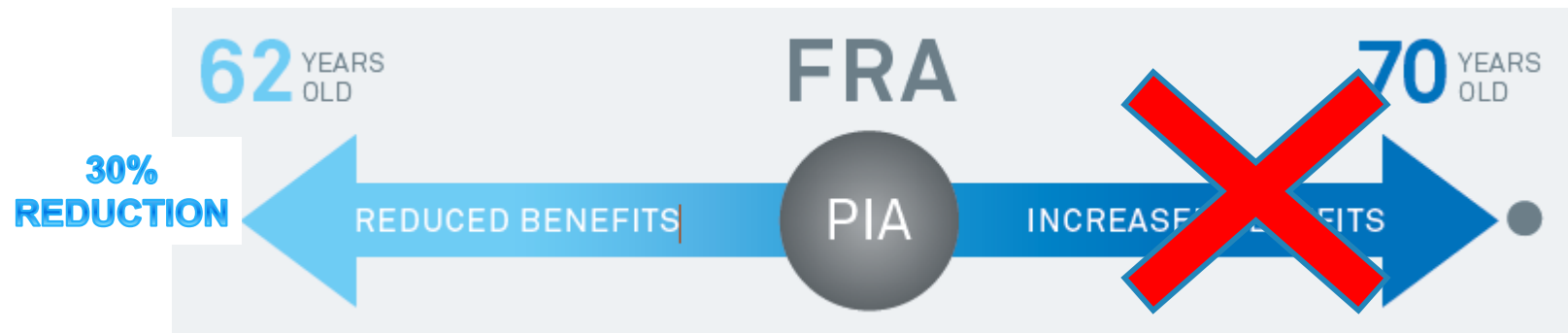
Spousal Benefit Reductions

- If spouse claims spousal benefits early, the 50% is reduced as follows:
- 62 70.0% (i.e. husband=\$2,000-wife = \$1,000-early=\$700)
- 63 75.0%
- 64 83.3%
- 65 91.67%
- 66 NONE

DIVORCED -SPOUSE BENEFITS

Divorced Spouse under 2 years

- **MAXIMUM** benefits will be equal to 50% of your divorced spouse's PIA if you collect benefits at FRA or later.
- SAME benefits as current spouse-other qualifications:
 - Single
 - Both at least age 62
 - Must have been married 10 years (Economic Union)-Not Continuous
 - Highest reduction is 30%



Divorced Spouse under 2 years

- Ex- spouse **needs to be receiving** benefits, then you can claim immediately
- Ex-spouse benefits do not affect worker benefits or current spousal benefits
- Remarry-cannot collect off ex-spouse

INDEPENDENTLY ENTITLED DIVORCED SPOUSE

Divorced Spouse –more than 2 years

- “Independently Entitled”
- Ex-spouse **does not have to be receiving** SS benefits or has claim & suspend at 66
- Not locked into one spouse as an ex-spouse
- Ex-spouse benefits do not affect worker benefits or current spousal benefits
- Ex-spouse benefits are not counted towards the family maximum

CHILDREN'S BENEFITS

APPLE
GROW+H
PARTNERS
Healthy Growth.

Children's Benefits

- One parent needs to be receiving benefits
- 50% of workers full retirement age (FRA) benefit even if the worker filed for retirement benefits before full retirement age
- Unmarried, under 18, under 19 if still in high school
- Disabled, over 18 and disabled before 22
- No reduction for age
- Child subject to Annual Earnings Test
- Family maximum applies-150% to 180% of worker PIA
- Workers own benefits not affected
- No Deeming rules

FAMILY BENEFITS AND FAMILY MAXIMUM

APPLE
GROW+H
PARTNERS
Healthy Growth.

Family Maximum-Current Spouse and Children

- **Maximum Family Benefit is 150% -180%** of the retired workers benefits
- Retired worker collects 100% of his/her benefit and the remaining 50% to 80% is divided equally among all other dependents
- Divorced spouse who qualifies for benefits will not affect family benefits
- Family member payments never reduce worker benefits
- Family benefit will not be paid if you are entitled to a HIGHER benefit on your own work record or another work record

SURVIVOR BENEFITS

APPLE
GROW+H
PARTNERS
Healthy Growth.

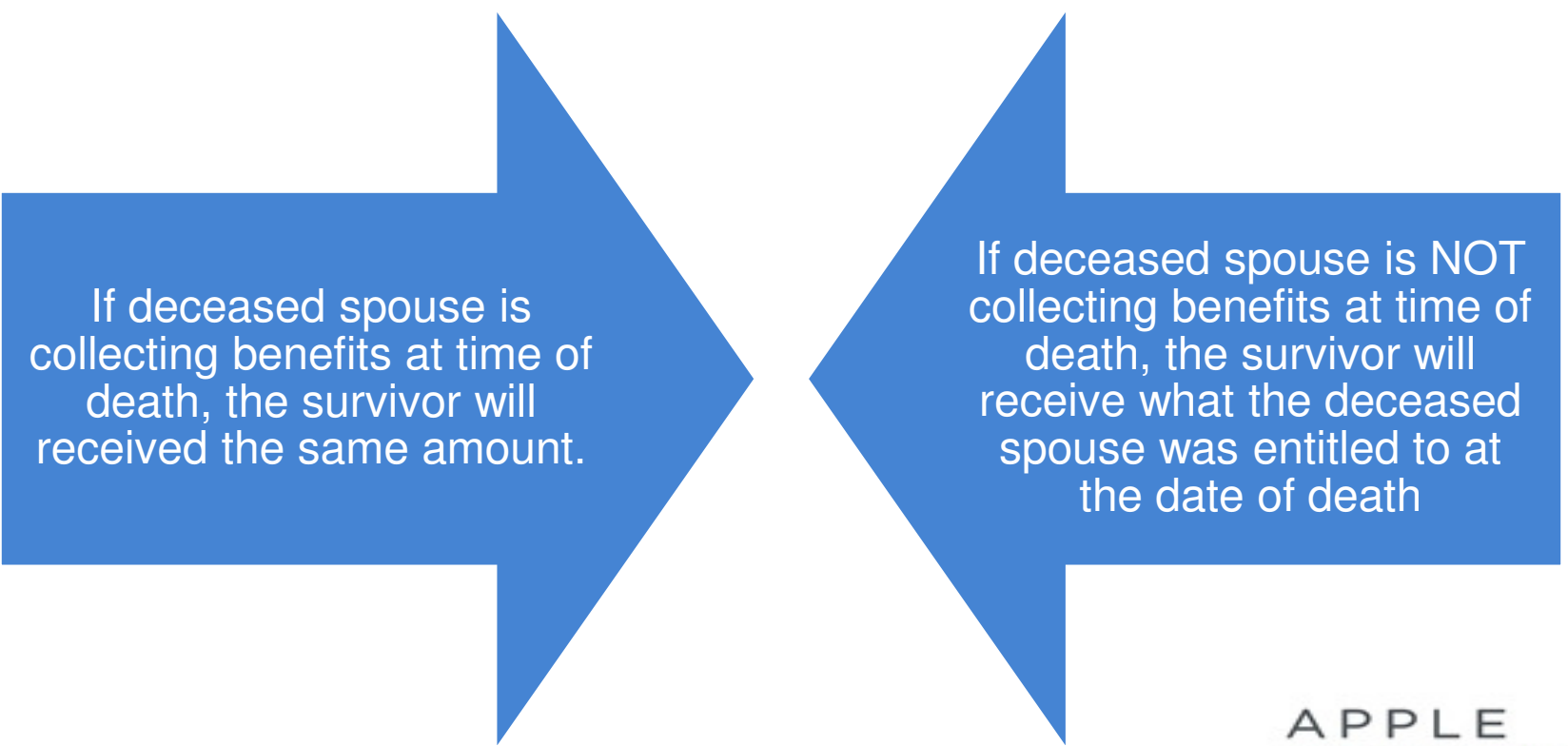
Survivor Benefits

- Paid to spouse, ex-spouse and young children
- Can be more flexible than current spouse-two different pots of money
- To be eligible, the deceased worker:
 - Does not need to be drawing Social Security
 - Nor does the deceased worker need to have reached full retirement age
 - Fewer work credits are need to qualify
 - Highest reduction is **28.5%**
- Need to be married at least 9 months except if an accident
- To receive you must be currently:
 - 60 and unmarried or
 - Age 50 if disabled

Survivor Benefits

- Can chose to claim survivor benefit and switch to your own worker benefit later
- Any time there's a survivor, you should always consider taking one of the two benefits as soon as possible
- If you get remarried at 60 or later, you don't lose widows benefits
-
- One-time death benefit of \$255.

How much are the survivor benefits ?



If deceased spouse is collecting benefits at time of death, the survivor will receive the same amount.

If deceased spouse is NOT collecting benefits at time of death, the survivor will receive what the deceased spouse was entitled to at the date of death

WINDFALL ELIMINATION PROVISION

APPLE
GROW+H
PARTNERS
Healthy Growth.

Windfall Elimination Provision-WEP

- WEP enacted in 1984
- Only applies to “worker” retirement benefits, not spousal or survivor
- This provision can affect you when you earn a pension from an employer who didn’t withhold Social Security taxes and you qualify for Social Security retirement
- Work for city/state/federal/public schools/universities and in Social Security
- No reductions until public pension starts
- **Reduces but does not eliminate Social Security benefit-\$428 maximum reduction for (2016)**
- Limit to 50% of non covered pension
- 30 years of substantial earnings-phases out between 20-30
- years of “substantial earnings

GOVERNMENT PENSION OFFSET

Government Pension Offset

- Applies to spouses, ex-spouses and survivors
- Reduction in Social Security benefits is 2/3rds of the non Social Security retirement benefit
- **Can eliminate SS benefit totally**
- **No 30 year exemption like WEP**
- Lump sums are converted to annuity payments
- Usually no reduction in SS benefits for one's military service

DO OVER

APPLE
GROW+H
PARTNERS
Healthy Growth.

Do Over

- December 2010 changed
- Can only do this once
- Interest free loan
- “Request for Withdrawal of Application” form, filed within one year of first claiming benefits-SSA 521
- Repay all benefits including spouse and children within the first 12 months of claiming
- Anyone who received benefits based on your application must consent in writing to the withdrawal.
- Medicare premiums or voluntary federal income tax withheld these must also be repaid

2015 BUDGET CHANGES

APPLE
GROW+H
PARTNERS
Healthy Growth.

Basic Thrust of New Legislation & Grandfathered Rules

- The Bipartisan Budget Act of 2015 11/2/2015
- As an overall general rule, what the new legislation did was to prevent other family members the ability to receive a benefit if the worker is not actually receiving a benefit
- Benefits claimed prior to the act will continue to be received as they are now being received

ADVANCED CLAIMING OPTIONS

APPLE
GROW+H
PARTNERS
Healthy Growth.

Advanced Claiming Options

- Claim & Suspend – ~~At FRA~~ allows spouse and children to collect benefits and lets worker benefits earn delayed retirement credits on their own record
- Restricted Application – ~~At FRA~~ allows spouse who has attained full retirement age, who was also eligible for their own retirement benefit, to collect spousal benefits only, while deferring their own benefit to earn delayed retirement credits
- Voluntary Suspension– ~~At FRA~~ -can voluntarily suspend benefits to earn DRC's. Basically gets you back to PIA

Final Results

- Provides you with an individualized strategy producing the highest benefits
- Can add up to \$200,000 in additional lifetime benefits
- Provides a “cost benefit” analysis for different strategies
- Proper benefit planning can extend portfolio 2-10 years
- GIVES YOU THE “PEACE OF MIND” THAT YOU HAVE MADE THE RIGHT DECISION, NOT SOLELY AN EMOTIONAL DECISION



Thomas R. Hager, CPA, CGMA, NSSA | Managing Partner

525 Wolf Ledges Parkway | Akron | OH 44311

Direct 330.968.0202 www.mistersocialsecurity.com

thager@schlabigcpa.com



@MisterSocSec



facebook.com/SchlabigCPA

APPLE
GROW+H
PARTNERS
Healthy Growth.

Thank you for your time!

**Deborah L. Petrone, CPA, CGMA, NSSA
Apple Growth Partners**

dpetrone@applegrowth.com

National Social Security Advisor

@MsSocialSec

**2275 State Route 59
Kent, Ohio 44240**

Direct 330.931.4927

**APPLE
GROW+H
PARTNERS**
Healthy Growth.