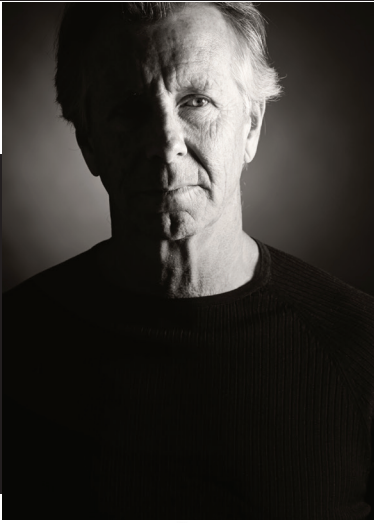




YOUR ★
GUIDE TO
SOCIAL
SECURITY





Franklin D. Roosevelt

In 1935, President Franklin Delano Roosevelt signed the Social Security Act. It was created out of necessity as the United States was coming out of the Great Depression and numerous aging Americans were struggling. Financing would come from workers and employers and be distributed to retirees. After years of paying into Social Security, it is approaching the time that the largest generation ever will start reaping their benefits.



John F. Kennedy

"A Nation's strength lies in the well-being of its people. The Social Security program plays an important part in providing for families, children and older persons in time of stress, but it cannot remain static. Changes in our population, in our working habits, and in our standard of living require constant revision."

The Evolution of Social Security's Taxable Maximum

YEAR	\$
1984	37,800
1985	39,600
1986	42,000
1987	43,800
1988	45,000
1989	48,000
1990	51,300
1991	53,400
1992	55,500
1993	57,600
1994	60,600
1995	61,200
1996	62,700
1997	65,400
1998	68,400
1999	72,600
2000	76,200
2001	80,400
2002	84,900
2003	87,000
2004	87,900
2005	90,000
2006	94,200
2007	97,500
2008	102,000
2009	106,800
2010	106,800
2011	110,100
2012	110,100
2013	113,700
2014	117,000
2015	118,500

SOURCE: SSA

HOW SOCIAL SECURITY WORKS

- When you receive a paycheck from your employer, you pay into Social Security
- 6.2% of your salary is paid by you and 6.2% is paid by your employer
- 40 credits are needed to be eligible to receive benefits
- 1 credit for every \$1,220 made annually
- Maximum 4 credits per year
- 2015 average Social Security benefit is \$1,328
- Maximum benefit for 2015 is \$2,663
- Highest 35 years of earnings are used to determine your Social Security benefit
- If you work less than 35 years, the missing years are counted as zero
- Maximum taxable income is \$118,500

Determining Your Primary Insurance Amount

In 2011, the Social Security Administration (SSA) stopped sending out paper statements to Americans, saving an estimated 70 million dollars. In 2012, the SSA resumed sending out statements to those age 60 and over. However, it can still be challenging to determine the amount you will receive when you begin taking payments.

You can find this information by either calling the SSA or visiting its website (www.ssa.gov). You may also work with a financial services professional to help you get the answers you need to make an informed decision.

When Can You Start Receiving Your Social Security Benefit?

You may begin to receive early benefits from Social Security at age 62. If you start before your Full Retirement Age (FRA); however, your benefit will be reduced. At age 62, your benefit will only be 75 percent of your Primary Insurance Amount (PIA). Depending on your lifespan, this can drastically reduce the amount of Social Security you receive over your lifetime.

Each year you delay receiving your Social Security benefit, your payment will increase. Once you reach your FRA, you can begin receiving your unreduced, full PIA. You can continue to delay receiving benefits until age 70. Your benefit will increase by eight percent each year, from your FRA until a max at age 70. By delaying payments from FRA to age 70, recipients will receive a 32 percent increase in benefits.

What is Your Full Retirement Age?

<u>Year of Birth</u>	<u>Full Retirement Age</u>
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 after	67

<http://www.socialsecurity.gov/pubs/ageincrease.htm>

Discount or Premium of Primary Insurance Amount

<u>Apply at Age</u>	<u>Benefit will be Percent of PIA</u>	<u>Example if PIA is \$1000</u>
62	75.0%	\$750
63	80.0%	\$800
64	86.7%	\$867
65	93.3%	\$933
66*	100.0%	\$1,000
67	108.0%	\$1,080
68	116.0%	\$1,160
69	124.0%	\$1,240
70	132.0%	\$1,320

*Assuming FRA is age 66

http://www.ssa.gov/OACT/ProgData/ar_drc.html
This chart is for illustrative purposes only.

Break Even Analysis | Cumulative Balance



This illustration represents a hypothetical situation and is for informational purposes only.

When Should I Apply for Social Security?

One of the most challenging questions is when to start receiving your Social Security benefit. There are pros and cons to delaying your benefit as well as receiving it as soon as you become eligible.

Two primary factors may help you make your decision. First, do you need the money? If you need the income to cover expenses in retirement, your decision is made. If you do not need the money, it might make sense to delay receiving your benefit and let your future payments continue to increase. The second factor is your health and life expectancy. Individuals in poor health may want to

begin receiving their benefits earlier rather than later. If you are in good health and have a history of longevity in your family, it may behoove you to wait. No matter what you decide, there is an element of risk in your decision because your finances and health can change throughout retirement.

There are calculators to help you determine your available benefit at various ages. By determining your breakeven age and your projected life expectancy, you can make an informed decision about when to apply for your Social Security benefit.

Cost-Of-Living % Adjustments

Year	COLA %	Year	COLA %
1977	5.9	1997	2.9
1978	6.5	1998	2.1
1979	9.9	1999	1.3
1980	14.3	2000	2.5
1981	11.2	2001	3.5
1982	7.4	2002	2.6
1984	3.5	2003	1.4
1985	3.5	2004	2.1
1986	3.1	2005	2.7
1987	1.3	2006	4.1
1988	4.2	2007	3.3
1989	4.0	2008	2.3
1990	4.7	2009	5.8
1991	5.4	2010	0.0
1992	3.7	2011	0.0
1993	3.0	2012	3.6
1994	2.6	2013	1.7
1995	2.8	2014	1.5
1996	2.6	2015	1.7

<http://www.socialsecurity.gov/news/press/factsheets/colafacts2015.html>

Can My Social Security Benefit Increase?

Each October, the SSA announces the amount in which monthly benefits will increase. Cost-of-living adjustments (COLA) are applied to individuals who are already receiving benefits and to those who have not begun yet. COLA is based off the Consumer Price Index from the third quarter of one year to the third quarter of the next. There is no guarantee of COLA annually, which can make it more challenging to plan your retirement income. As illustrated in the above table, there was no COLA increase in 2010 and 2011.

How Spousal Benefits Work

If you are a married individual who had little to no earnings throughout your working years, Social Security can be received through spousal benefits. Once your working spouse files for his or her benefit, you can also file and start receiving half of your working spouse's benefit. As the non-working spouse, you may file for benefits before FRA; however, you will receive a reduced spousal benefit.

Two high income-earning spouses can also utilize spousal benefits. One of the spouses can file for benefits, and the other can claim spousal benefits. The one who claims spousal benefits can earn Social Security payments but allow his or her personal benefit to continue rolling up until age 70. At that time, one can forfeit spousal benefits and begin taking his or her own Social Security income at the maximum benefit amount.

Divorced or Widowed

If you were married for at least 10 years and have not remarried, you can receive spousal benefits based on your ex-spouse's work history. Again, you may apply as early as age 62, but you will have a reduced payment. If you have been divorced for over two years, your ex-spouse does not need to apply for benefits in order for you to receive yours. You will need to produce information to verify you were married and for the SSA to locate appropriate records. With that information, they will be able to calculate your benefits.

If you are widowed, you may receive survivor benefits. You can apply as early as age 60. If you apply before your FRA, you will receive reduced benefits. If you are over your FRA, your benefit will equal 100 percent of your deceased spouse's



benefit. **Important:** Your survivor benefit will be 100 percent of your deceased spouse's actual benefit. If your deceased spouse took benefits early, it will be 100 percent of the reduced amount received. If benefits were delayed to age 70, it will be 100 percent of his or her maximum amount. If you were both receiving Social Security at the time of a passing, you will receive either 100 percent of your spouse's benefit or continue receiving your benefit, whichever is greater.

Lastly, if you remarry, your survivor benefit will stop unless you are age 60 or over when you remarry.

Working in Retirement

Because of the recent economy, more people are choosing to work in retirement. Between age 62 and your FRA, you may have some of your Social Security benefit withheld if you earn too much income. If you are receiving your benefit and earning over \$15,720

during your Low Threshold years (age 62 to your FRA), your benefit will be reduced. One dollar of your Social Security benefit will be withheld for every \$2 you make over the threshold. During your High Threshold year (the year you reach your FRA), there is another threshold income amount that is triggered. In the months leading up to your FRA, your benefit is reduced by \$1 for every \$3 you earn over \$41,880.

The amount of Social Security withheld while you were earning income and receiving benefits will be used to recalculate your PIA; however, the recalculation will usually still work out to be lower than if you would have waited until your FRA to receive benefits. Once you reach your FRA, there is no limit to the amount of income you can earn. You can maximize your earnings without fear of reduced Social Security benefits.



Taxation of Social Security Benefits

Depending on how much income you earn in retirement, your Social Security benefit may be taxable. Income that counts toward your limits include: pensions, dividends and interest, and even tax-free interest from municipal bonds. To determine your threshold income, take your modified adjusted gross income and add half of your combined Social Security benefits plus your tax exempt income. The chart below illustrates how much of your Social Security will be taxed.

There are only two ways to reduce the amount of tax you pay on your Social Security. One, reduce the amount of other income you are receiving. Two, change the type of investments you have that are paying dividends and interest. There is a planning opportunity that will allow you to receive a portion of your already taxed money and minimal interest. This option can help you continue receiving the income you need and potentially reduce the amount of money that counts toward your threshold income.

Social Security Reform

Because of the current debt situation in the United States, many pre- and post-retirees have become concerned about their Social Security benefits. Current projections suggest that, in 2037, only 78 percent of promised benefits will be able to be paid. The government has proposed many options for reform, including raising the retirement age, raising taxes and revising benefits. Any revision will likely be phased in over a period of time thus minimally affecting the baby boomer generation.

Social Security Tax	Retired Married Couple	Retired Single Worker
Social Security Exempt	Total income less than \$32,000	Total income less than \$25,000
50% of Social Security benefits are taxable	Total income between \$32,000 and \$44,000	Total income between \$25,000 and \$34,000
85% of Social Security benefits are taxable	Total income exceeding \$44,000	Total income exceeding \$34,000

- What percentage of Americans age 65 and older receive Social Security benefits?

Answer: 90%¹

- Social Security represents what percentage of income for elderly Americans?

Answer: 38%

- Claiming Social Security benefits at the wrong time can reduce your monthly benefit by how much?

Answer: 30%²

- How long is this reduction applied to your monthly benefit?

Answer: FOR LIFE²

- What percentage of retirees claim Social Security benefits at age 62?

Answer: 43% of men and 48% of women³

- What percentage of retirees receive reduced Social Security benefits?

Answer: 74%³

1935: Social Security is enacted⁴

1940: Ida Mae Fuller receives the first monthly benefit from Social Security. Her check is for \$22.54⁵



1950: President Truman signs the 1950 Social Security Amendments, adding the first COLA so benefits can keep pace with inflation⁵



1961: The Social Security Amendments of 1961 are signed by President Kennedy, permitting all workers to elect early retirement at age 62⁶



1972: Automatic cost-of-living adjustments are enacted⁴

1983: President Reagan signed into law the Social Security Amendments of 1983⁷



1995: The Social Security Administration becomes an independent agency⁸

2000: President Clinton signs into law a bill eliminating the retirement earnings test (RET) for persons at or above the full retirement age (FRA)⁹



2012: The Social Security Statement became available online via SSA's website by visiting: www.ssa.gov/mystatement¹⁰

¹ <http://www.socialsecurity.gov/news/press/basicfact.html>

² <http://www.ssa.gov/oact/quickcalc/earlyretire.html>

³ <http://corporate.morningstar.com/ib/documents/Methodology-Documents/WhentoClaimSocialSecurityRetirementBenefits.pdf>

⁴ <http://www.ssa.gov/policy/docs/ssb/v66n1/v66n1p1.html>

⁵ <http://www.socialsecurity.gov/history/briefhistory3.html>

⁶ <http://www.ssa.gov/history/1960.html>

⁷ <http://www.ssa.gov/history/1980.html>

⁸ <http://www.ssa.gov/history/1990.html>

⁹ <http://www.ssa.gov/history/2000.html>

¹⁰ <http://www.ssa.gov/history/2010.html>



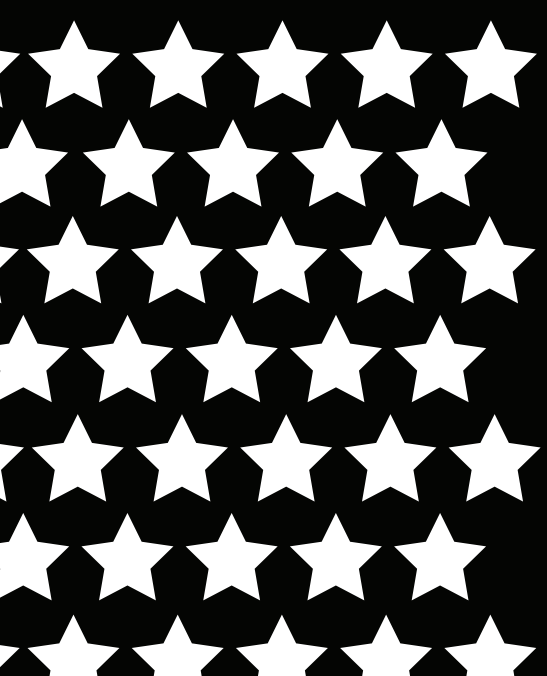
Meet My Team

Eric Cheek, IAR - *Founder, President, Investment Advisor Representative*
Michael Baum, IAR - *Investment Advisor Representative*
Patty Lebedoff, CSA - *Certified Senior Advisor, Insurance Planner*
Nicole Lindauer - *Operations Manager*

Strategic Team

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Mariann Montagne, CFA - *Senior Investment Analyst*
Nick Stovall, CPA, MBA - *Chief Tax Strategist*
Richard Blower, ESQ - *Estate Planning Attorney*

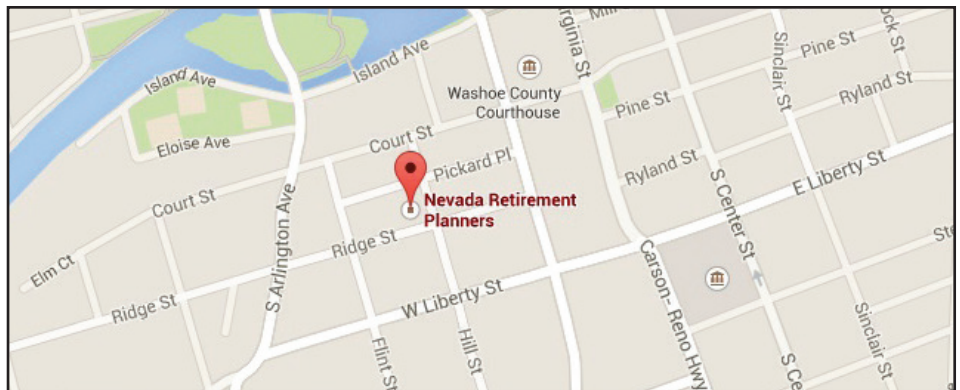
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Map Data © Google 2014

From I-80

Exit at Virginia St. – Exit 13.
Turn south on Sierra St.
Cross the Truckee River and turn right on Court St.
Turn left on Hill St.
We are on the corner of Hill St. and Ridge St. at 275 Hill St. Suite 210
Parking is available on the street and we do have meter money available.

From I-580/US 395

Exit at Plumb Ln. – Exit 65.
Turn west on Plumb Ln.
Turn right on Arlington St.
Turn right on Court St.
Turn right on Hill St.
We are on the corner of Hill St. and Ridge St. at 275 Hill St. Suite 210
Parking is available on the street and we do have meter money available.

If you are unable to find us,
please do not hesitate to call our office at 775-674-2222



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