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Re: Quarterly Newsletter/Spring 2017

Dear Clients and Colleagues:

In this newsletter we will review the First Quarter 2017 market performance and revisit the timing of social security benefits as we see that as a critical issue for many of our clients.

Trivia

The answer to last quarter's trivia question is: Lindsay Vonn has won four overall World Cup skiing titles, more than any other American skier.

First Quarter Market Performance¹

	<u>1Q 2017</u>	<u>Trailing One Year</u>
S&P 500	6.07%	17.17%
MSCI EAFE (Dev.Int'l)	7.25%	11.67%
MSCI EM (EmergingMrkt)	11.45%	17.22%
BarclaysUSAggIndx	.82%	.44%

When you may begin receiving Social Security benefits

Full retirement age for people born between 1943 and 1954 is 66. This is the age at which you may begin receiving your full, unreduced social security benefit. Early eligibility begins at age 62. If you apply at this age, your benefit will be reduced. The age at which you apply for Social Security benefits has a tremendous impact on your monthly income and the total amount of benefits you stand to receive over your lifetime. This is one of the most crucial aspects of Social Security planning.

What if you apply between the ages of 62 and 65?

If you apply for Social Security when you first become eligible at 62, your benefit will equal 75% of your full retirement age benefit. So if Boomer Bob, whose full retirement benefit is \$2,788, applies in 2017 when he turns 62, his monthly benefit will be 75% of his full benefit, or \$2,091. This is the amount he would receive for the rest of his life, increased only by annual cost of living adjustments.

What if you apply between the ages of 66 and 70?

At age 66, you attain full retirement age. Now you can start receiving your full, unreduced social security benefit. If you delay the onset of benefits past age 66, you will earn delayed credits.

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¹ Indices are unmanaged and one cannot invest directly in an index. Past performance is not a guarantee of future results. MSCI EAFE Index serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. MSCI EAFE Emerging Markets Index is a free float-adjusted market capitalization index designed to measure equity market performance in the global emerging markets. Barclays U.S. Aggregate Bond Index represents the US investment-grade fixed-rate bond market. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market.

For each year you delay the start of benefits, your benefit will increase by 8% per year up to age 70, after which no further credits may be earned. So if Boomer Bob waits until age 70 to apply, his \$2,788 benefit will be increased by 32% to \$3,680 (not including annual COLAs).

How spousal benefits are calculated

A married person who has little or no earnings history can receive a spousal benefit equal to half the working spouse's full retirement age benefit. Let's say Boomer Bob is married to Boomer Barbara, who spent her time raising children and doing nonprofit work and therefore has no earnings records under Social Security. When Bob applies for his Social Security benefit, Barbara can apply for her spousal benefit. If his benefit is \$2,788, her benefit will be half that, or \$1,394, if she applies at full retirement age. If she applied at 62, her spousal benefit will be 35% of his benefit, or \$975.80.

It may also be possible for two high earners to make use of spousal benefits. Let's say Barbara worked in a high-paying career and has her own full retirement age benefit of \$1,800. After she files for her benefit, and as soon as Bob turns 66, he may restrict his application to his spousal benefit. This would give him an income of \$900 per month (50% of Barbara's \$1,800 benefit) while his own benefit builds delayed credits. When he turns 70, he switches to his own higher benefit. (Note: Under the Bipartisan Budget Act of 2015, a person must have turned 62 prior to January 2, 2016, to file a restricted application for spousal benefits at full retirement age.)

Coordinating spousal benefits is one of the most complex areas of social Security planning. It provides many opportunities to maximize a married couple's combined benefits, but the rules are complicated.

How widowhood affects Social Security benefits

If you are both receiving Social Security when your spouse dies, the deceased spouse's benefit will stop. You can then switch over to your survivor benefit if it is higher. Your survivor benefit will equal 100% of your deceased spouse's benefit if you are over full retirement age when you claim it. The survivor benefit will be based on your deceased spouse's accrued benefit. So if he maximizes his benefit by waiting until age 70 to apply, this would also maximize your survivor benefit. For this reason, the higher-income spouse is often encouraged to delay applying for benefits because this is the benefit that will prevail in the event of either spouse's death.

Another consideration is that one of the benefits will stop after the death of a spouse. If your spouse dies and you switch over to your survivor benefit, your own benefit will stop. If your own benefit is higher and that's the one you keep, your spouse's benefit will stop. Either way, you will need to plan for this loss of income, since most survivors need at least two-thirds of the income they were receiving as a couple.

Contact us if we may assist you or someone you know in maximizing social security benefits.