UNDERSTANDING YOUR

Social Security Strategy

For Frank and Minnie

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

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Important Notes

This report of your Social Security benefits is based on the information you provided. Its purpose is to help you frame your thoughts and become better informed before filing. It shows strategies and age combinations that you might not have considered. This report is not intended to provide an exact analysis, but it will help you determine the filing method and age you want to start your benefits. This report reflects the provisions and restrictions included in the Bipartisan Budget Act of 2015.

This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

A portion of your Social Security benefits may be taxable. Since other sources of retirement income can affect taxation of your benefits, proper income tax planning can only be done as part of a comprehensive retirement income plan. The actual income taxation of Social Security benefits will depend on the facts and circumstances at the time the benefits are received. Any illustration of the potential income taxation of Social Security benefits is an estimate.

If you have questions not covered in this report, your Social Security Administration office and its website (www.ssa.gov) are excellent sources of additional information.

IMPORTANT: The projections or other information generated in this report regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

This tool and support materials are designed to provide general information on the subjects covered. It is not intended to provide specific legal or tax advice. You should discuss all strategies with your legal, tax, and financial advisors.

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Planning for Social Security Retirement Benefits

For some people, choosing the right time to file for Social Security retirement benefits appears to be straightforward. Some choose to take benefits at age 62, as soon as they become available. Some choose to take benefits at the same time they stop working. While others delay claiming benefits just to get a higher benefit payment. Unfortunately, it might not be that simple. Indeed, for many, the decision is more complicated.

Most people should ask, and get answers to, the following questions:

- At what age should I file for benefits?
- At what age should my spouse file for benefits?
- When does it make sense to claim a spousal benefit?
- How do I make sure my spouse gets the largest survivor benefit?
- How do we know which of the common filing methods might be right for us?
- If one of us lives a long life, how does that affect our decision?

Clearly there can be a lot involved.

This report illustrates one or more Social Security retirement income planning strategies (start ages and filing method) that may help you reach your retirement income goals. Your Social Security benefits are shown before taxes in future dollars, assuming annual cost of living adjustments from today. The report is based on the information you provided below.

	FRANK	MINNIE
Date of Birth	3/3/1960	4/4/1961
Full Retirement Age (FRA)	67	67
Monthly benefit at FRA[1]	$2,300	$1,500
Assume live to	81	84
Rate of return for cumulative value of benefits		0%
Social Security cost of living adjustment		2.5%
Effective income tax rate		25%
Modified Adjusted Gross Income		$150,000

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

[1] This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

Social Security Strategy

What Does This Mean?

The above grid represents the filing age combinations for starting Social Security benefits. Total benefits are calculated for each available age combination. The darker the square, the higher the total value for a given age combination. The star represents the age combination with the highest overall total. If more than one combination results in the same total, the earliest possible age combination is shown. The check shows an alternative start age combination.

The strategy selected and emphasized in this report starts benefits for Frank at age 70 and Minnie at age 68 (the start ages that will provide maximum benefits over the projected lifetimes). The difference shown below is how much less benefit would be received if an alternative start age combination is selected.

SELECTED START AGES	CUMULATIVE VALUE[1]
★ Frank at 70, Minnie at 68	$1,101,503

ALTERNATIVE START AGES	CUMULATIVE VALUE[1]	DIFFERENCE FROM SELECTED
① Frank at 62, Minnie at 62	$940,823	$160,680 less
② Frank at 70, Minnie at 70	$1,092,971	$8,532 less

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

[1] Cumulative value calculated through 2044.

☆ Selected Strategy (Maximum Benefits)

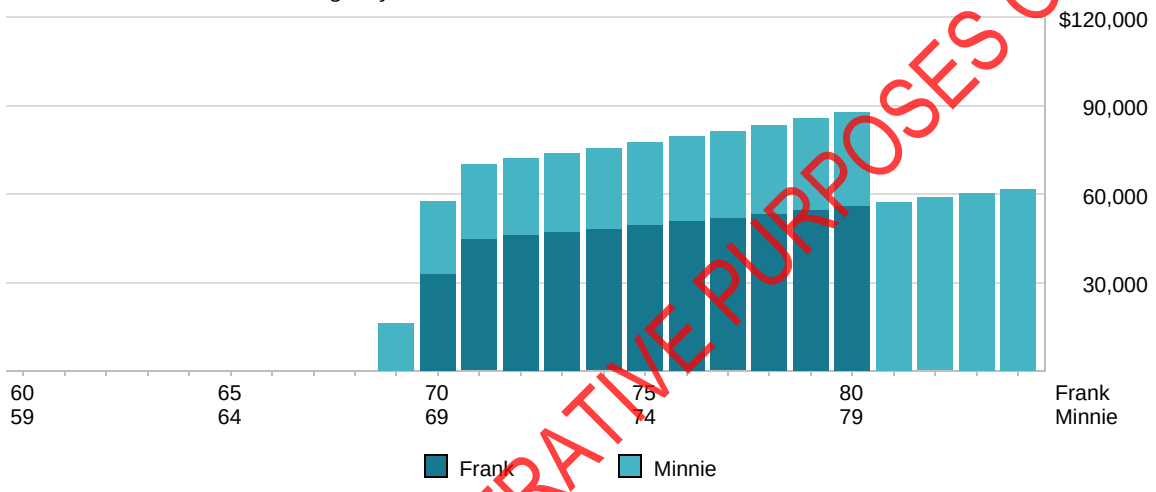
	FRANK	MINNIE
Current Age (at year end)	60	59
Monthly benefit at FRA[1]	$2,300	$1,500
Assume live to	81	84
Start benefits at age	**70**	**68**

CUMULATIVE VALUE OF BENEFITS

$1,101,503

File for Benefits

ANNUAL BENEFITS BY YEAR
Assumes 2.5% Cost of Living Adjustments



DATE	AGE[2]	CHANGE FOR	NEW MONTHLY BENEFITS FRANK	MINNIE	TOTAL	REASON
May 2029	68	Minnie	$0	$2,023	$2,023	Start own retirement benefits
Apr 2030	70	Frank	$3,651	$2,074	$5,725	Start own retirement benefits
Jan 2041	80	Minnie	$0	$4,790	$4,790	Survivor benefits start

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

[1] This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

[2] Age at end of year illustrated.

Annual Social Security Benefits

Assumes 2.5% Cost of Living Adjustment

	FRANK			MINNIE				TOTAL	
Year	**Age[1]**	**Retirement**	**Spousal**	**Age[1]**	**Retirement**	**Spousal**	**Survivor**	**Annual Total**	**Cumulative**
2020	60	0	0	59	0	0	0	0	0
2021	61	0	0	60	0	0	0	0	0
2022	62	0	0	61	0	0	0	0	0
2023	63	0	0	62	0	0	0	0	0
2024	64	0	0	63	0	0	0	0	0
2025	65	0	0	64	0	0	0	0	0
2026	66	0	0	65	0	0	0	0	0
2027	67	0	0	66	0	0	0	0	0
2028	68	0	0	67	0	0	0	0	0
2029	69	0	0	68	16,184	0	0	16,184	16,184
2030	70	32,859	0	69	24,888	0	0	57,747	73,931
2031	71	44,904	0	70	25,512	0	0	70,416	144,347
2032	72	46,032	0	71	26,148	0	0	72,180	216,527
2033	73	47,184	0	72	26,796	0	0	73,980	290,507
2034	74	48,360	0	73	27,468	0	0	75,828	366,335
2035	75	49,572	0	74	28,152	0	0	77,724	444,059
2036	76	50,808	0	75	28,860	0	0	79,668	523,727
2037	77	52,080	0	76	29,580	0	0	81,660	605,387
2038	78	53,376	0	77	30,324	0	0	83,700	689,087
2039	79	54,708	0	78	31,080	0	0	85,788	774,875
2040	80	56,076	0	79	31,860	0	0	87,936	862,811
2041				80	32,652	0	24,828	57,480	920,291
2042				81	33,468	0	25,452	58,920	979,211
2043				82	34,308	0	26,088	60,396	1,039,607
2044				83	35,160	0	26,736	61,896	1,101,503

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

[1] Age at end of year illustrated.

Annual Income Tax Values

Assumes a Modified Adjusted Gross Income of $150,000 and an effective income tax rate of 25%.

YEAR	AGES	TOTAL ANNUAL BENEFITS	PERCENT SUBJECT TO INCOME TAX	ESTIMATED INCOME TAX ON BENEFITS	TOTAL BENEFITS AFTER-TAX
2020	60/59	0	85%	0	0
2021	61/60	0	85%	0	0
2022	62/61	0	85%	0	0
2023	63/62	0	85%	0	0
2024	64/63	0	85%	0	0
2025	65/64	0	85%	0	0
2026	66/65	0	85%	0	0
2027	67/66	0	85%	0	0
2028	68/67	0	85%	0	0
2029	69/68	16,184	85%	3,439	12,745
2030	70/69	57,747	85%	12,271	45,476
2031	71/70	70,416	85%	14,963	55,453
2032	72/71	72,180	85%	15,338	56,842
2033	73/72	73,980	85%	15,721	58,259
2034	74/73	75,828	85%	16,113	59,715
2035	75/74	77,724	85%	16,516	61,208
2036	76/75	79,668	85%	16,929	62,739
2037	77/76	81,660	85%	17,353	64,307
2038	78/77	83,700	85%	17,786	65,914
2039	79/78	85,788	85%	18,230	67,558
2040	80/79	87,936	85%	18,686	69,250
2041	80	57,480	85%	12,215	45,265
2042	81	58,920	85%	12,521	46,399
2043	82	60,396	85%	12,834	47,562
2044	83	61,896	85%	13,153	48,743

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

This illustration of the potential income taxation of Social Security benefits is an estimate. Social Security benefits are only one source of retirement income. Since other sources of retirement income can affect taxation of these benefits, proper income tax planning can only be done as part of a comprehensive retirement income plan. The actual income taxation of Social Security benefits will depend on the facts and circumstances at the time the benefits are received. Up to 85% of your Social Security benefits may be taxed.[1]

Be sure to consider your retirement plan distributions. All distributions from IRAs and employer plans will be included in MAGI. Roth IRA distributions will not be included.

[1] ssa.gov Retirement Benefits booklet January 2019. This percentage can be changed by Congress.

Action Plan

For Frank starting benefits at age 70 and Minnie starting benefits at age 68

✓	WHEN	WHO	ACTION	NOTES
☐	January 2029	Minnie	File for benefits.	Apply 3 months prior to date benefits would start. Application may be made any time during this month.
☐	December 2029	Frank	File for benefits.	Apply 3 months prior to date benefits would start. Application may be made any time during this month.
☐	At death of a spouse		When a spouse dies, the surviving spouse should notify the Social Security Administration of spouse's death.	Social Security provides a one-time payment of $255 plus potential monthly survivors' benefits.

This schedule was prepared on May 26, 2020

All items should be reviewed regularly and adjusted for any changes in Social Security rules, tax laws, or major life events of either Frank or Minnie. A review with your financial advisors annually is recommended.

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

① Alternative Strategy

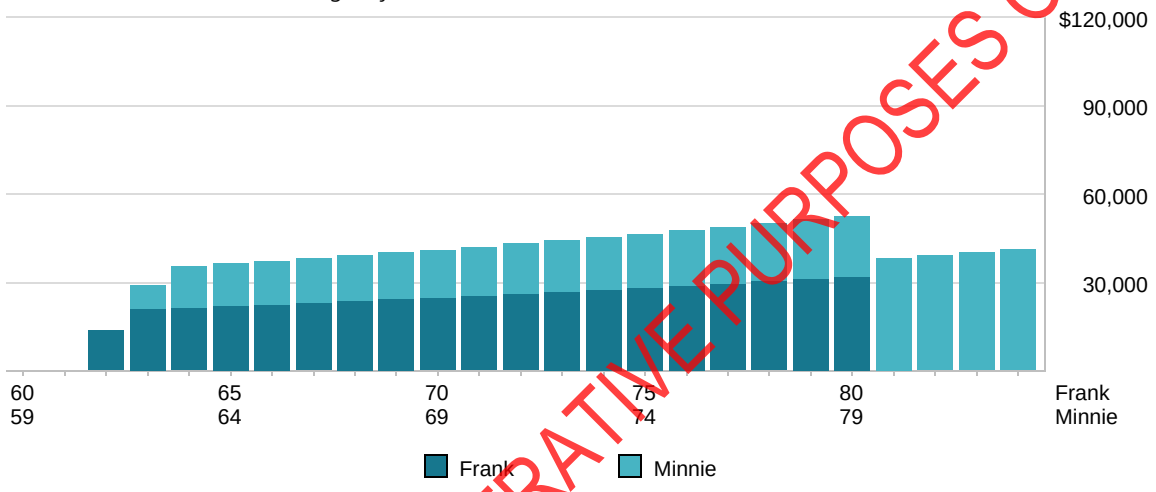
	FRANK	MINNIE
Current Age (at year end)	60	59
Monthly benefit at FRA[1]	$2,300	$1,500
Assume live to	81	84
Start benefits at age	**62**	**62**

CUMULATIVE VALUE OF BENEFITS

$940,823

File for Benefits

ANNUAL BENEFITS BY YEAR
Assumes 2.5% Cost of Living Adjustments



DATE	AGE[2]	CHANGE FOR	NEW MONTHLY BENEFITS FRANK	MINNIE	TOTAL	REASON
May 2022	62	Frank	$1,702	$0	$1,702	Start own retirement benefits
Jun 2023	62	Minnie	$1,744	$1,137	$2,881	Start own retirement benefits
Jan 2041	80	Minnie	$0	$3,187	$3,187	Survivor benefits start

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

[1] This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

[2] Age at end of year illustrated.

Annual Social Security Benefits

Assumes 2.5% Cost of Living Adjustment

	FRANK			MINNIE				TOTAL	
Year	**Age[1]**	**Retirement**	**Spousal**	**Age[1]**	**Retirement**	**Spousal**	**Survivor**	**Annual Total**	**Cumulative**
2020	60	0	0	59	0	0	0	0	0
2021	61	0	0	60	0	0	0	0	0
2022	62	13,616	0	61	0	0	0	13,616	13,616
2023	63	20,928	0	62	7,959	0	0	28,887	42,503
2024	64	21,456	0	63	13,992	0	0	35,448	77,951
2025	65	21,984	0	64	14,340	0	0	36,324	114,275
2026	66	22,536	0	65	14,700	0	0	37,236	151,511
2027	67	23,100	0	66	15,072	0	0	38,172	189,683
2028	68	23,676	0	67	15,444	0	0	39,120	228,803
2029	69	24,276	0	68	15,828	0	0	40,104	268,907
2030	70	24,876	0	69	16,224	0	0	41,100	310,007
2031	71	25,500	0	70	16,632	0	0	42,132	352,139
2032	72	26,136	0	71	17,052	0	0	43,188	395,327
2033	73	26,796	0	72	17,472	0	0	44,268	439,595
2034	74	27,456	0	73	17,904	0	0	45,360	484,955
2035	75	28,152	0	74	18,360	0	0	46,512	531,467
2036	76	28,848	0	75	18,816	0	0	47,664	579,131
2037	77	29,568	0	76	19,284	0	0	48,852	627,983
2038	78	30,312	0	77	19,764	0	0	50,076	678,059
2039	79	31,068	0	78	20,268	0	0	51,336	729,395
2040	80	31,848	0	79	20,772	0	0	52,620	782,015
2041				80	21,288	0	16,956	38,244	820,259
2042				81	21,828	0	17,376	39,204	859,463
2043				82	22,368	0	17,808	40,176	899,639
2044				83	22,920	0	18,264	41,184	940,823

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

[1] Age at end of year illustrated.

② Alternative Strategy

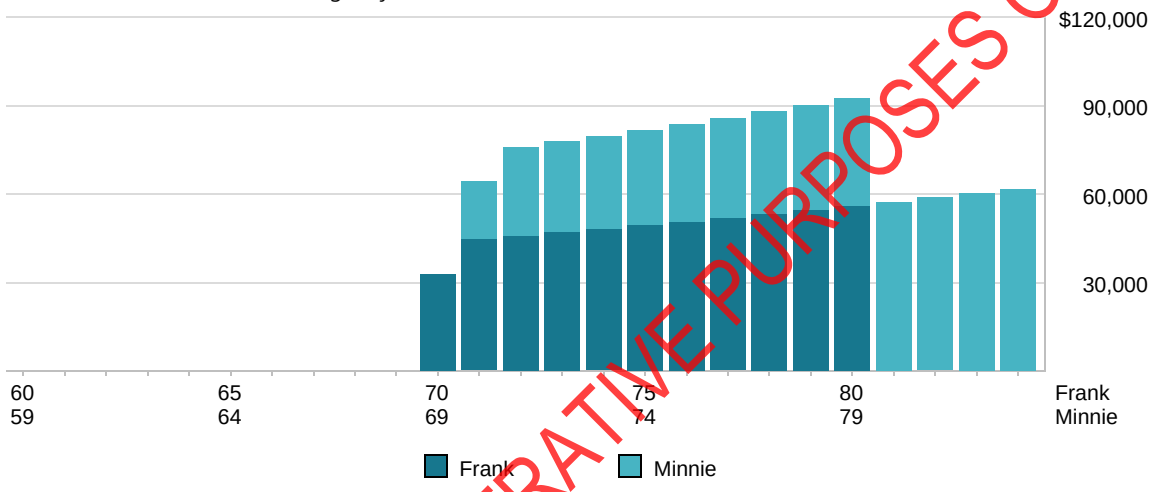
	FRANK	MINNIE
Current Age (at year end)	60	59
Monthly benefit at FRA[1]	$2,300	$1,500
Assume live to	81	84
Start benefits at age	**70**	**70**

CUMULATIVE VALUE OF BENEFITS

$1,092,971

File for Benefits

ANNUAL BENEFITS BY YEAR
Assumes 2.5% Cost of Living Adjustments



DATE	AGE[2]	CHANGE FOR	NEW MONTHLY BENEFITS FRANK	MINNIE	TOTAL	REASON
Apr 2030	70	Frank	$3,651	$0	$3,651	Start own retirement benefits
May 2031	70	Minnie	$3,742	$2,440	$6,182	Start own retirement benefits
Jan 2041	80	Minnie	$0	$4,790	$4,790	Survivor benefits start

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

[1] This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

[2] Age at end of year illustrated.

Annual Social Security Benefits

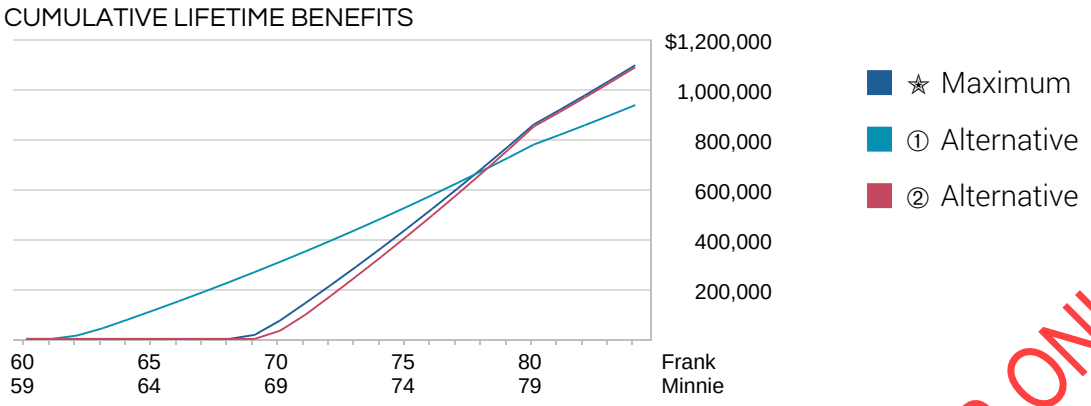
Assumes 2.5% Cost of Living Adjustment

	FRANK			MINNIE				TOTAL	
Year	**Age[1]**	**Retirement**	**Spousal**	**Age[1]**	**Retirement**	**Spousal**	**Survivor**	**Annual Total**	**Cumulative**
2020	60	0	0	59	0	0	0	0	0
2021	61	0	0	60	0	0	0	0	0
2022	62	0	0	61	0	0	0	0	0
2023	63	0	0	62	0	0	0	0	0
2024	64	0	0	63	0	0	0	0	0
2025	65	0	0	64	0	0	0	0	0
2026	66	0	0	65	0	0	0	0	0
2027	67	0	0	66	0	0	0	0	0
2028	68	0	0	67	0	0	0	0	0
2029	69	0	0	68	0	0	0	0	0
2030	70	32,859	0	69	0	0	0	32,859	32,859
2031	71	44,904	0	70	19,520	0	0	64,424	97,283
2032	72	46,032	0	71	30,012	0	0	76,044	173,327
2033	73	47,184	0	72	30,768	0	0	77,952	251,279
2034	74	48,360	0	73	31,536	0	0	79,896	331,175
2035	75	49,572	0	74	32,328	0	0	81,900	413,075
2036	76	50,808	0	75	33,132	0	0	83,940	497,015
2037	77	52,080	0	76	33,960	0	0	86,040	583,055
2038	78	53,376	0	77	34,812	0	0	88,188	671,243
2039	79	54,708	0	78	35,676	0	0	90,384	761,627
2040	80	56,076	0	79	36,576	0	0	92,652	854,279
2041				80	37,488	0	19,992	57,480	911,759
2042				81	38,424	0	20,496	58,920	970,679
2043				82	39,396	0	21,000	60,396	1,031,075
2044				83	40,368	0	21,528	61,896	1,092,971

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

[1] Age at end of year illustrated.

Comparison of Strategies



		ANNUAL BENEFIT			CUMULATIVE VALUE[1]		
Year	**Ages**	**★ Maximum**	**① Alternative**	**② Alternative**	**★ Maximum**	**① Alternative**	**② Alternative**
2020	60/59	0	0	0	0	0	0
2021	61/60	0	0	0	0	0	0
2022	62/61	0	13,616	0	0	13,616	0
2023	63/62	0	28,887	0	0	42,503	0
2024	64/63	0	35,448	0	0	77,951	0
2025	65/64	0	36,324	0	0	114,275	0
2026	66/65	0	37,236	0	0	151,511	0
2027	67/66	0	38,172	0	0	189,683	0
2028	68/67	0	39,120	0	0	228,803	0
2029	69/68	16,184	40,104	0	16,184	268,907	0
2030	70/69	57,747	41,100	32,859	73,931	310,007	32,859
2031	71/70	70,416	42,132	64,424	144,347	352,139	97,283
2032	72/71	72,180	43,188	76,044	216,527	395,327	173,327
2033	73/72	73,980	44,268	77,952	290,507	439,595	251,279
2034	74/73	75,828	45,360	79,896	366,335	484,955	331,175
2035	75/74	77,724	46,512	81,900	444,059	531,467	413,075
2036	76/75	79,668	47,664	83,940	523,727	579,131	497,015
2037	77/76	81,660	48,852	86,040	605,387	627,983	583,055
2038	78/77	83,700	50,076	88,188	689,087	678,059	671,243
2039	79/78	85,788	51,336	90,384	774,875	729,395	761,627
2040	80/79	87,936	52,620	92,652	862,811	782,015	854,279
2041	80	57,480	38,244	57,480	920,291	820,259	911,759
2042	81	58,920	39,204	58,920	979,211	859,463	970,679
2043	82	60,396	40,176	60,396	1,039,607	899,639	1,031,075
2044	83	61,896	41,184	61,896	1,101,503	940,823	1,092,971

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

[1] Cumulative value calculated through 2044.

Summary

SELECTED START AGES	CUMULATIVE VALUE[1]
★ Frank at 70, Minnie at 68	$1,101,503

ALTERNATIVE START AGES	CUMULATIVE VALUE[1]	DIFFERENCE FROM SELECTED
① Frank at 62, Minnie at 62	$940,823	$160,680 less
② Frank at 70, Minnie at 70	$1,092,971	$8,532 less

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[1] Cumulative value calculated through 2044.

Definitions and Additional Information

Full retirement age

Full retirement age (FRA) is the age at which a person may first become entitled to full or unreduced Social Security benefits. If your birthday is on January 1, the previous year's FRA will determine your full retirement age.

YEAR OF BIRTH	FULL RETIREMENT AGE
1943 through 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

Reductions for retirement before full retirement age

You may start Social Security retirement benefits as early as age 62; however, each month prior to FRA will result in a reduction in your benefits. This reduction ranges from 25% for those with a FRA of 66 to 30% for FRA of 67. The formula is 5/9 of 1% per month up to 36 months, plus 5/12 of 1% per month exceeding 36.

Delayed retirement credits for retirement after full retirement age

If you choose to delay starting Social Security benefits, you will receive an increase in your benefit amount of 8% per year up to age 70. After age 70 there are no further credits for delaying benefits. The credit is 2/3 of 1% for each month beyond FRA.

Monthly benefit at full retirement age

You can find your monthly benefit at full retirement age on your annual Social Security statement or from the on-line statement. The amount used in this report is the monthly value in today's dollars. This report automatically applies cost of living adjustments for you. This monthly benefit amount is also known as Primary Insurance Amount or PIA.

SAMPLE FOR ILLUSTRATIVE PURPOSES ONLY

Spousal and family benefits

If you are receiving Social Security retirement benefits, your spouse and children may also qualify to receive benefits on your record. Your spouse or child may receive a monthly payment of up to one-half of your full retirement benefit amount, subject to a family maximum of approximately 150-180% of your full retirement payment. These payments will not reduce your retirement benefit. If there is more than one beneficiary, the payments are prorated among your family members eligible for benefits. However, if you suspend your benefits, all benefits based on your earnings will also be suspended. Individuals age 62 or younger in 2016 do not have this option.

Survivor benefits

Social Security provides survivor benefits for your family. If you die and your children are under 18, they are eligible for survivor benefits. In addition, your spouse qualifies for survivor benefits if age 60 or greater or caring for your children under age 16. Your spouse's survivor benefits when not caring for children under 16 will be reduced if benefits start prior to your spouse's full retirement age.

Family benefits

This report does not consider Social Security survivor or retirement payments available for children, which may increase the total benefits your family may receive.

Disability benefits

This report does not consider disability payments that you or your family may be eligible to receive.

Pensions based on earnings not covered by Social Security

If you receive a pension for work not covered by Social Security, your monthly retirement or survivors' benefit may be reduced.

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Government Pension Offset (GPO)

This provision affects only individuals who have earned a pension from work not covered by Social Security, Two-thirds of the monthly non-covered pension amount may reduce any spousal benefits you are otherwise entitled. GPO does not reduce any benefits based on your work record covered by Social Security.

Windfall Elimination Provision (WEP)

Your Social Security benefits may be reduced if you are entitled to a monthly pension from work not covered by Social Security and also qualify for Social Security retirement benefits. The years and earnings covered by Social Security determine the reduction, if any.

Each year worked up to starting retirement may affect benefits. The Social Security Administration does not include this reduction on your annual statement. It is calculated when you file for benefits. For 2020, this reduction is limited to the lesser of $480 or one-half of your non-covered monthly pension.[1]

Marital status

Married: Currently married under federal definition of marriage. Applicable spousal benefits and survivor benefits have been included.

Widowed: Currently not married under federal definition of marriage. Survivor benefits have been considered throughout the tool.

Divorced: If you were married for at least 10 years before divorce. You may receive spousal benefits based on an ex-spouse's benefit. It does not have to be the most recent ex-spouse, but your marriage must have lasted ten years. Claiming this benefit will in no way affect your ex-spouses benefits. Anyone born after January 1, 1954 will be deemed to file for both their benefits and any spousal benefits at the same time and receive the higher of the two amounts. They will no longer be able to claim spousal benefits only.

Single: Currently not married under federal definition of marriage (or were married for less than 10 years before divorce). Benefits will only consider your earning record.

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[1] Source: https://www.ssa.gov/planners/retire/wep-chart.html

File for benefits

You file for all eligible benefits. You must file for all benefits to which you may be eligible, including your own benefit as well as any spousal benefit if one exists. Benefits will be reduced for each month prior to FRA.

File and suspend

Once you have reached FRA, you file your application for benefits and immediately suspend payments until a later date. This allows you to delay benefits up to age 70 to earn delayed retirement credits to increase monthly payments. If you suspend after April 29, 2016, any benefits based on your earnings will also be suspended.

File a restricted application

For individuals born on or before January 1, 1954, once you have reached FRA, you file a restricted application for spousal benefits. This allows you to begin spousal benefits while earning delayed retirement credits. Your spouse must have filed for benefits for you to receive spousal benefits. You apply for your own benefits at a later date and receive increased monthly payments.

Options to change your selection

Within 12 months of starting benefits if you change your mind, you may withdraw your claim and reapply. If approved, you must repay all benefits paid. This is only allowed once.

If you are already receiving benefits, you may suspend current or future payments up to age 70. The suspended payments will automatically resume at age 70, unless you request them sooner.

Voluntary Reinstatement of Benefits

Due to the 2015 Budget Bill Act, retroactive (lump sum) benefits are no longer payable. Reinstating a suspended benefit will only pay an adjusted monthly benefit (including delayed retirement credits).

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Precaution if benefits are suspended

If you are enrolled in Medicare Part B, premiums cannot be deducted from suspended payments. You will need to pay them directly or have them automatically paid by your bank.

Cost of living adjustment

Historically prices have risen over time. Social Security Administration reviews the cost of living each year and adjusts benefits accordingly. The 30-year average annual adjustment is 2.5%.

Social Security Administration determines if a cost of living adjustment is made, and if so, how much. Typically, benefits have increased by 2.5% to 3.0% in the past. Using 0% will show basic benefits without any adjustments for inflation. More information can be found at www.socialsecurity.gov/cola.

Break-even

Break-even is the age when total Social Security income from two different filing strategies is the same. Break-even analysis is one way to decide which of two strategies maybe be the best choice for an individual or a couple. In addition, rate of return, income tax rates and cost of living increases may affect the break-even age.

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What if you work during retirement?

You may work while receiving Social Security benefits and working may mean higher future benefits. However, while working your benefits may be reduced until you reach full retirement age. After full retirement age, the Social Security Administration will recalculate your benefits considering months when benefits were reduced or withheld due to excess earnings. In any year when earnings are higher than a prior year in your earnings record, the higher year will be used to recalculate your PIA and your payment amount.

The excess earnings limit in 2020 is $18,240. A formula determines the amount benefits will be reduced based on your age. If you are under full retirement age for the entire year, benefits will be reduced $1 for every $2 earned above the limit. In the year you attain full retirement age, the deduction will be $1 for every $3 over $48,600 (2020). Starting with the month you reach full retirement age, there is no longer a reduction in benefits or a limit to the amount you may earn.

If Social Security Administration is notified in advance of your anticipated monthly earnings, they will adjust your payments accordingly. If Social Security Administration learns of the excess earnings later, they withhold all future payments until excess benefits are recovered.

Modified Adjusted Gross Income (MAGI)

MAGI is generally defined as all of your taxable income, plus certain net foreign income, minus allowed deductions. MAGI may include income such as taxable pensions, wages, interest, dividends, and other taxable income plus tax-exempt interest income (such as interest on municipal bonds) and any exclusion from income, such as interest from US savings bonds. See Internal Revenue Code Section 86b(2) or Internal Revenue Service Publication 915 for more information.

Be sure to consider your retirement plan distributions. Generally, all distributions from IRAs and employer plans will be included in MAGI. Roth IRA distributions will not be included.

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Effective tax rate

The effective income tax rate is the average rate at which income is taxed. It takes into account the deductions and credits used to compute income taxes. It is total income taxes divided by total income, and is less than the "tax bracket" or marginal rate.

How are Social Security benefits taxed?

About one out of three people who get Social Security have to pay income taxes on their benefits. Combined income is the sum of your MAGI plus nontaxable interest plus half of your Social Security benefits.

- If you are married and file a joint return, up to 50% of your benefits may be taxable if you and your spouse have a combined income that is between $32,000 and $44,000. If your combined income is more than $44,000, up to 85% of your Social Security benefits is subject to income tax.
- If you are married and file a separate return, you may pay taxes on your benefits.
- If you are single and your combined income is between $25,000 and $34,000, you may have to pay taxes on up to 50% of your Social Security benefits. If your combined income is more than $34,000, up to 85% of your Social Security benefits is subject to income tax.
- No more than 85% of your total benefits is taxable.[1]

For more information

Your Social Security Administration office is an excellent source for questions about your benefits. The website (www.ssa.gov) is extremely helpful. This report should help you frame your thoughts before filing. It shows strategies that you may not have considered. It helps reduce guessing or rules-of-thumb by calculating almost all possible combinations and illustrating the largest benefit.

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[1] ssa.gov Retirement Benefits booklet January 2019

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