GUARDIAN®

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Re: ***Quarterly Newsletter/Summer 2016***

Dear Clients and Colleagues:

In this newsletter we will review the 2016 Second Quarter market performance and discuss Social Security claiming strategies in light of recent changes.

Trivia

The answer to last quarter's trivia question is: One dollar invested in the S&P 500 on January 1, 1950 would have been worth $837.68 on December 31, 2013 – earning an annualized return of 11.1%.[1]

This quarter's trivia question: Who has won the most individual medals in Olympic history?

First Quarter Market Performance[2]

	2Q2016	2016YTD
S&P 500	**2.46%**	**3.84%**
MSCI EAFE (Dev. Int'l)	**<-1.46%>**	**<-4.42%>**
MSCI EM (Emerging Mrkt)	**.66%**	**6.41%**
BarclaysUSAgg Indx (Agg. Bond)	**2.21%**	**5.31%**

Social Security Claiming Under New Legislation

In late 2015, Congress passed legislation doing away with two popular social security claiming strategies commonly referred to as "file and suspend" and "restricted application for spousal benefits."

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[1] See www.bankrate.com/finance/investing/historical-returns-investing-calculator.aspx. Past performance is not a guarantee of future results.

[2] 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.

As background, there are three primary social security retirement benefits for married couples: 1) each worker's own benefit; 2) a spousal benefit equal to 50% of the other spouse's full retirement age benefit; and 3) a survivor benefit equal to 100% of the deceased spouse's benefit payable to the surviving spouse.

Generally, the strategies allowed both spouses to delay claiming benefits on their own records – thus increasing the payout – while allowing one spouse to claim a spousal benefit on the other's earnings. Those strategies were grandfathered for those who had already filed, and those born on or before January 1, 1954 remain eligible to file a restricted application – i.e., the higher earning spouse delays his or her own benefit but claims the spousal benefit based on the lower earning spouse's earnings.

For those born January 2, 1954 or later, the question now becomes when to begin receiving social security benefits – age 62 (first eligible), age 67 (full retirement age), age 70 (maximum benefit enhancement age) or some time in between. Benefits received at age 62 are 30% less than at 67 and benefits increase by 8% each year from age 67 up to age 70. For example, a high income earner might have estimated monthly benefits of $1,943 at age 62, $2,830 at age 67 and $3,520 at age 70. Go to https://www.ssa.gov/retire/estimator.html to estimate your social security benefits at different ages.

Under the new rules, absent an unusually short life expectancy, the conventional wisdom is to delay social security benefits until age 70 if possible to take advantage of both the benefit growth and the annuity/insurance component of the social security benefit – i.e., the enhanced benefit will be paid for as long as the recipient and the recipient's spouse are alive.

However, in two income families where one spouse has a much smaller social security benefit than the other, it is often advisable for the spouse with the lower benefit to begin receiving benefits prior to age 70 and then switch to the higher "spousal benefit" when the higher earning spouse files for benefits at age 70. And in some cases, it might be advisable to begin the higher earner's benefits at age 67 (full retirement age) instead of age 70 if the lower earner has very low or no benefits in order to begin the 50% spousal benefit earlier.

Ultimately, the best strategy depends on the level of benefits for each spouse, the ages of the spouses, life expectancy and general cash flow considerations.

Contact us to analyze your social security benefits and to help maximize your retirement income.

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