



**Your Social Security Timing Report**

**Prepared for: Sam & Susy Sample**

**Prepared by: Bob Gibson MS, CFP, CFS, CAS**

**On: Friday, March 29, 2013**

## Assumptions

High Wage Earner		Spouse
<b>Name</b>	Sam	Susy
<b>Date of Birth</b>	1/9/1956	6/2/1960
<b>Gender</b>	M	F
<b>Assumed Inflation</b>	2.50 %	
<b>Real Rate of Return</b>	2.00 %	
<b>Full Retirement Age</b>	66 years 4 months	67 years
<b>Income Need</b>	\$10,000	
<b>Survivor Need</b>	\$5,000	

## Projected Benefits

Age	Sam	Susy
62	\$2,143	\$558
63	\$2,334	\$623
64	\$2,580	\$692
65	\$2,854	\$780
66	\$3,139	\$874
67	\$3,466	\$975
68	\$3,823	\$1,079
69	\$4,195	\$1,188
70	\$4,583	\$1,302

### Why are the benefit amounts different from my Social Security Statement?

Your Social Security Statement makes certain assumptions that differ from the assumptions we make in preparing your analysis.

First, Social Security assumes that the average wages will not increase in the future. Average wage statistics are used to index your past earnings to equal today's dollars, and to adjust formulas in the benefit calculation. We assume that the average wage will increase at the same pace as inflation, and we adjust your earnings as well as the formulas for future election years based on this assumption.

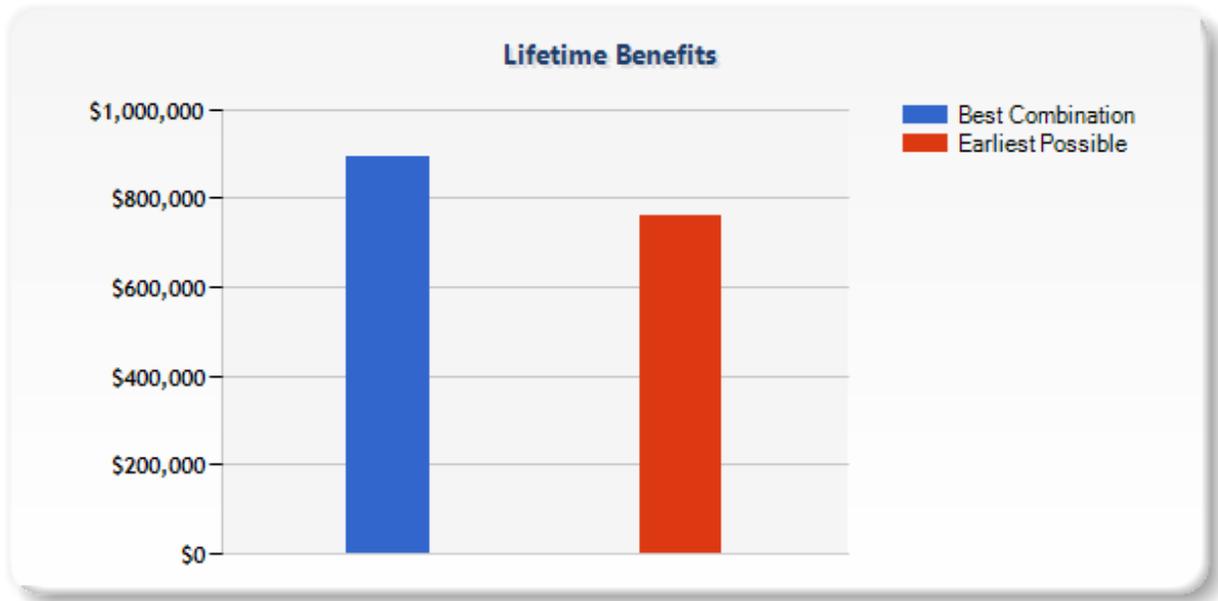
Second, your Social Security Statement does not include cost of living adjustments. Historically, cost of living adjustments have occurred regularly and the most recent Social Security Trustees report assumes long term Cost of Living Adjustments to be between 1.8% and 3.8% per year with the most likely average being 2.8% per year. The benefit amounts above include Cost of Living adjustments based on the 2.50 % inflation assumption per year that you entered.

The raw dollar amount of your future benefit is of interest to most of our clients and as a result, we present that information above and through this report when potential benefit amounts are referenced. As a result, the monthly benefit amounts above and through the remainder of this report represent your benefits in future dollars. We have taken substantial care to utilize the lifetime values of different benefit elections in today's dollars, using a real, risk free rate of 2.00 % as that is the appropriate way to make comparisons across time.

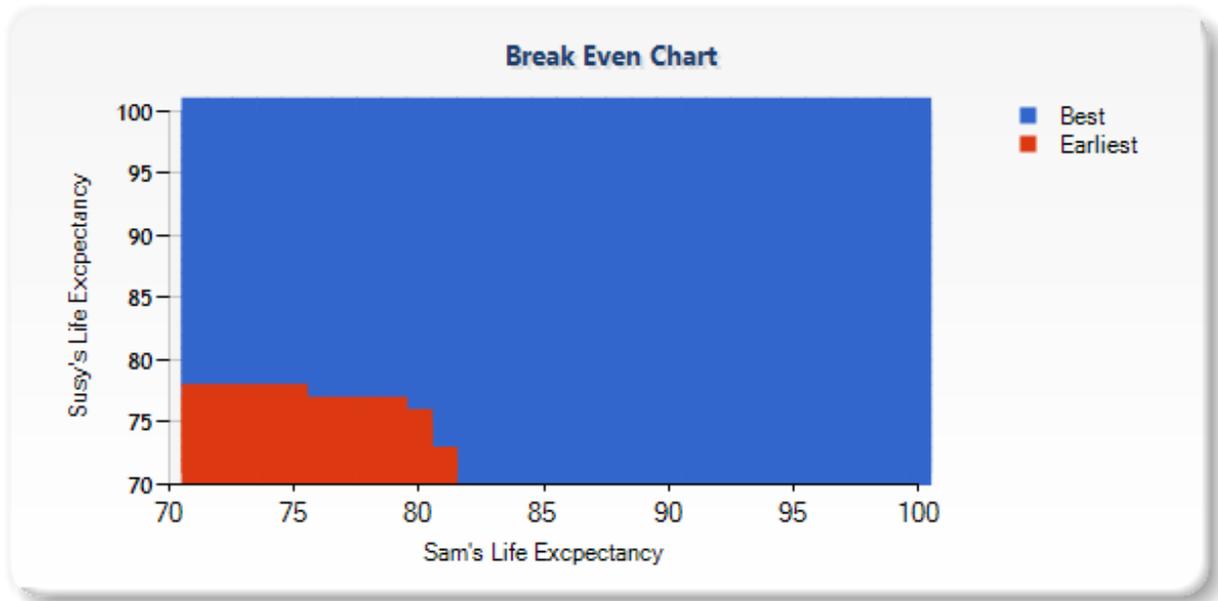
## Strategy Comparison

The expected lifetime family benefit using the **best** strategy is: **\$891,092**

- The expected lifetime family benefit for the **earliest** available combination is: **\$759,026**



**Graph represents present value of Lifetime Family Benefits.** The preceding chart and comparisons assume that Sam dies at age 90 years and Susy dies at age 95 years.



Graph illustrates which of the outlined strategies provides the best outcome at any given set of whole year death age combinations. The best strategy was determined by assuming Sam dies at 90 years and Susy dies at 95 years.

## Your Suggested Social Security Strategy

### Sam

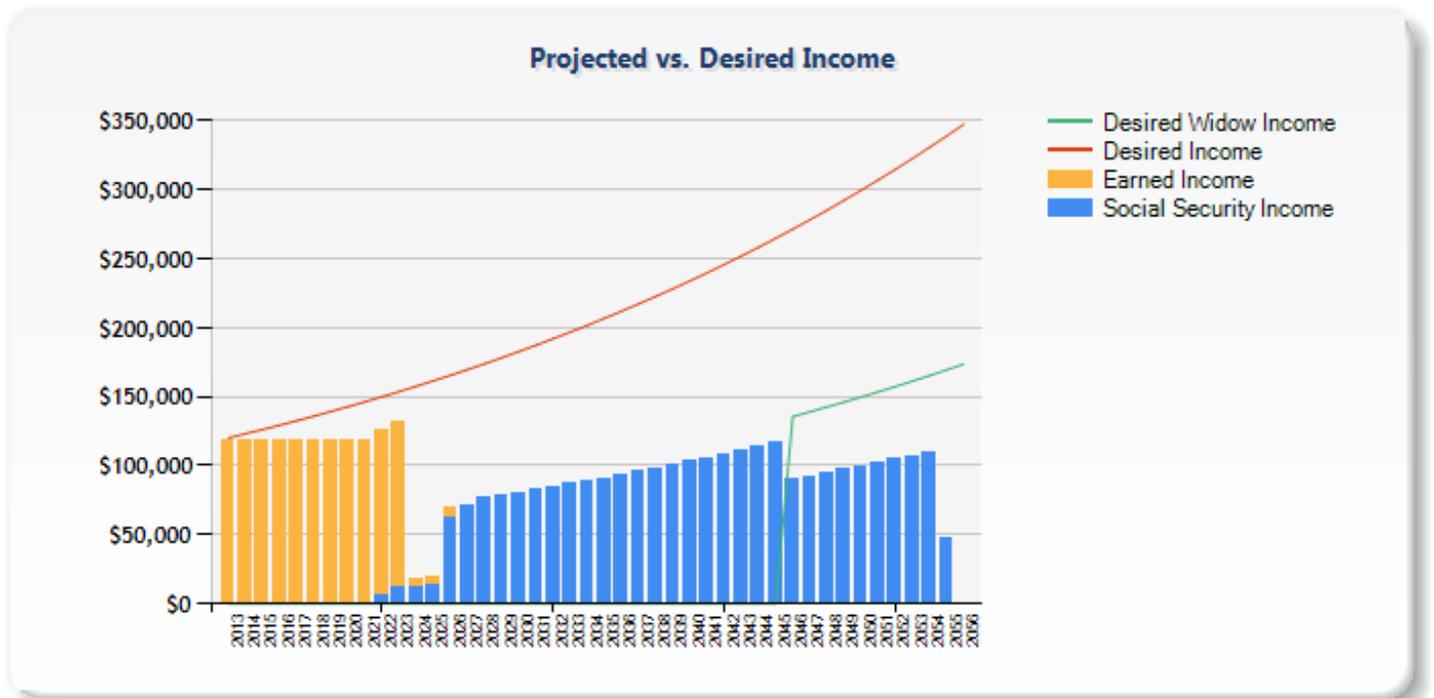
- File a Restricted application for only your spousal benefit based on Susy's earnings record at your age **66 years 5 months**. This allows you to continue to earn delayed retirement credits on your own benefit. Your approximate spousal benefit would be **\$398**
- File for your own benefit at age **70 years**. Your approximate benefit on your own earnings record would be **\$4,583**.

### Susy

- File a standard application for benefits at age **62 years**. Your approximate monthly benefit would be **\$558**.

The expected lifetime family benefit using this strategy is: **\$891,092**

### Using the Suggested Election Ages



The preceding charts demonstrate future value cashflows using the assumptions outlined on the assumptions page of this report, and do not include taxes or any other source of income. The desired income line is generated based on user input and inflated for future value using the same inflation assumptions.

## Projected Cashflows for your *Suggested Social Security Strategy*

**Sam**  
Combined Benefit Breakdown *Net Present Value*

Retirement	Spousal	Widow
\$519,758	\$11,460	\$0

**Susy**  
Combined Benefit Breakdown *Net Present Value*

Retirement	Spousal	Widow
\$91,457	\$85,185	\$183,232

### Expected Cashflow *Future Values*

Year	Sam				Susy				Summary		
	Age	Retirement	Spousal	Widow	Age	Retirement	Spousal	Widow	Total	Need	Gap
2013	57	\$0	\$0	\$0	53	\$0	\$0	\$0	\$0	\$120,000	(\$120,000)
2014	58	\$0	\$0	\$0	54	\$0	\$0	\$0	\$0	\$123,000	(\$123,000)
2015	59	\$0	\$0	\$0	55	\$0	\$0	\$0	\$0	\$126,075	(\$126,075)
2016	60	\$0	\$0	\$0	56	\$0	\$0	\$0	\$0	\$129,226	(\$129,226)
2017	61	\$0	\$0	\$0	57	\$0	\$0	\$0	\$0	\$132,457	(\$132,457)
2018	62	\$0	\$0	\$0	58	\$0	\$0	\$0	\$0	\$135,768	(\$135,768)
2019	63	\$0	\$0	\$0	59	\$0	\$0	\$0	\$0	\$139,163	(\$139,163)
2020	64	\$0	\$0	\$0	60	\$0	\$0	\$0	\$0	\$142,642	(\$142,642)
2021	65	\$0	\$0	\$0	61	\$0	\$0	\$0	\$0	\$146,208	(\$146,208)
2022	66	\$0	\$2,786	\$0	62	\$3,906	\$0	\$0	\$6,692	\$149,863	(\$143,171)
2023	67	\$0	\$4,980	\$0	63	\$6,972	\$0	\$0	\$11,952	\$153,610	(\$141,658)
2024	68	\$0	\$5,184	\$0	64	\$7,260	\$0	\$0	\$12,444	\$157,450	(\$145,006)
2025	69	\$0	\$5,400	\$0	65	\$7,560	\$0	\$0	\$12,960	\$161,386	(\$148,426)
2026	70	\$54,996	\$0	\$0	66	\$7,860	\$0	\$0	\$62,856	\$165,421	(\$102,565)
2027	71	\$56,376	\$0	\$0	67	\$8,184	\$5,880	\$0	\$70,440	\$169,556	(\$99,116)
2028	72	\$57,780	\$0	\$0	68	\$8,388	\$10,332	\$0	\$76,500	\$173,795	(\$97,295)
2029	73	\$59,232	\$0	\$0	69	\$8,604	\$10,596	\$0	\$78,432	\$178,140	(\$99,708)
2030	74	\$60,708	\$0	\$0	70	\$8,820	\$10,860	\$0	\$80,388	\$182,594	(\$102,206)
2031	75	\$62,220	\$0	\$0	71	\$9,036	\$11,136	\$0	\$82,392	\$187,159	(\$104,767)
2032	76	\$63,780	\$0	\$0	72	\$9,264	\$11,412	\$0	\$84,456	\$191,838	(\$107,382)
2033	77	\$65,376	\$0	\$0	73	\$9,492	\$11,700	\$0	\$86,568	\$196,633	(\$110,065)
2034	78	\$67,008	\$0	\$0	74	\$9,732	\$11,988	\$0	\$88,728	\$201,549	(\$112,821)
2035	79	\$68,676	\$0	\$0	75	\$9,972	\$12,288	\$0	\$90,936	\$206,588	(\$115,652)
2036	80	\$70,392	\$0	\$0	76	\$10,224	\$12,600	\$0	\$93,216	\$211,753	(\$118,537)
2037	81	\$72,156	\$0	\$0	77	\$10,476	\$12,912	\$0	\$95,544	\$217,047	(\$121,503)
2038	82	\$73,956	\$0	\$0	78	\$10,740	\$13,236	\$0	\$97,932	\$222,473	(\$124,541)
2039	83	\$75,804	\$0	\$0	79	\$11,004	\$13,572	\$0	\$100,380	\$228,035	(\$127,655)
2040	84	\$77,700	\$0	\$0	80	\$11,280	\$13,908	\$0	\$102,888	\$233,736	(\$130,848)
2041	85	\$79,644	\$0	\$0	81	\$11,568	\$14,256	\$0	\$105,468	\$239,579	(\$134,111)
2042	86	\$81,636	\$0	\$0	82	\$11,856	\$14,616	\$0	\$108,108	\$245,568	(\$137,460)
2043	87	\$83,676	\$0	\$0	83	\$12,156	\$14,976	\$0	\$110,808	\$251,708	(\$140,900)
2044	88	\$85,764	\$0	\$0	84	\$12,456	\$15,348	\$0	\$113,568	\$258,000	(\$144,432)
2045	89	\$87,912	\$0	\$0	85	\$12,768	\$15,732	\$0	\$116,412	\$264,450	(\$148,038)
2046	90	\$0	\$0	\$0	86	\$0	\$0	\$90,108	\$90,108	\$135,531	(\$45,423)
2047	91	\$0	\$0	\$0	87	\$0	\$0	\$92,364	\$92,364	\$138,919	(\$46,555)
2048	92	\$0	\$0	\$0	88	\$0	\$0	\$94,668	\$94,668	\$142,392	(\$47,724)
2049	93	\$0	\$0	\$0	89	\$0	\$0	\$97,032	\$97,032	\$145,952	(\$48,920)
2050	94	\$0	\$0	\$0	90	\$0	\$0	\$99,468	\$99,468	\$149,600	(\$50,132)
2051	95	\$0	\$0	\$0	91	\$0	\$0	\$101,952	\$101,952	\$153,340	(\$51,388)
2052	96	\$0	\$0	\$0	92	\$0	\$0	\$104,496	\$104,496	\$157,174	(\$52,678)
2053	97	\$0	\$0	\$0	93	\$0	\$0	\$107,112	\$107,112	\$161,103	(\$53,991)
2054	98	\$0	\$0	\$0	94	\$0	\$0	\$109,788	\$109,788	\$165,131	(\$55,343)
2055	99	\$0	\$0	\$0	95	\$0	\$0	\$46,890	\$46,890	\$169,259	(\$122,369)

2056	100	\$0	\$0	\$0	96	\$0	\$0	\$0	\$0	\$173,491	(\$173,491)
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## Your *Earliest Possible* Social Security Strategy

### Sam

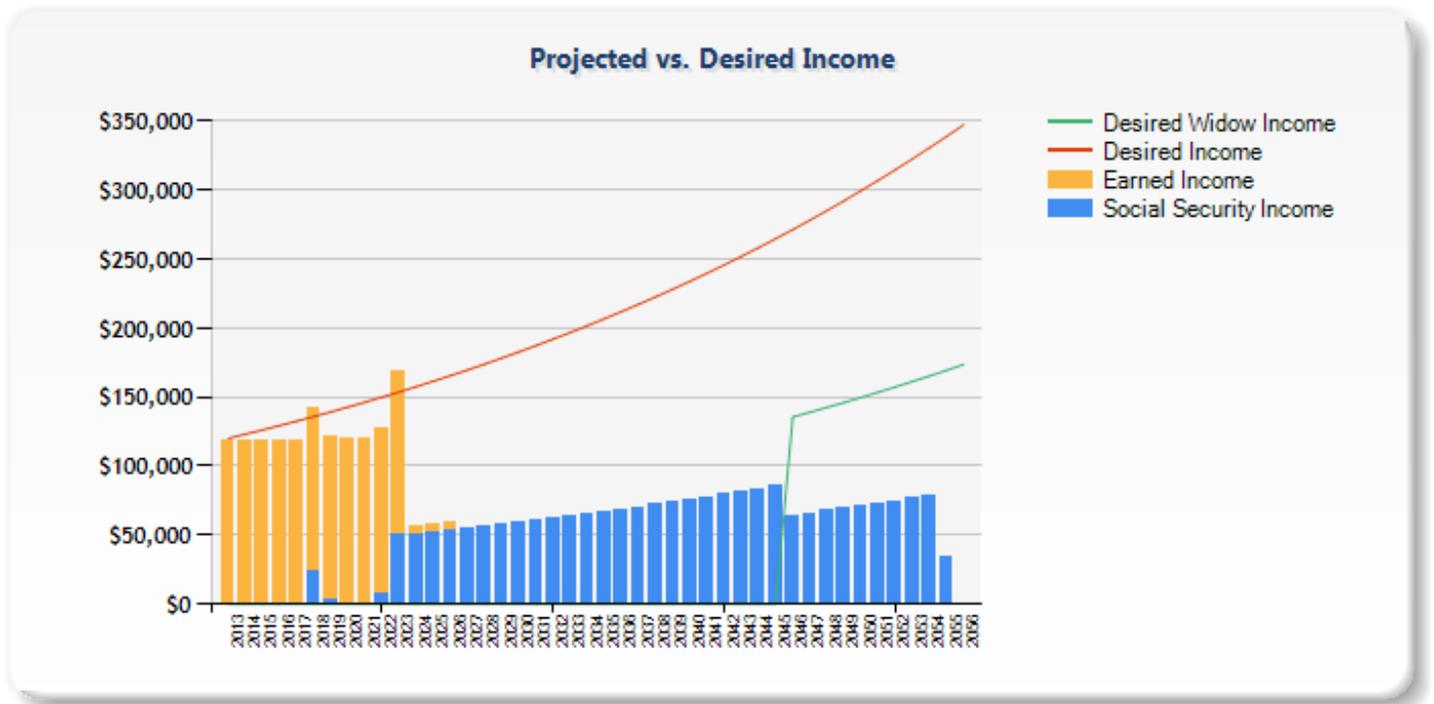
- File a standard application for benefits at age **62 years 1 months**. Your approximate benefit on your own earnings record would be **\$2,143**

### Susy

- File a standard application for benefits at age **62 years**. Your approximate monthly benefit would be **\$558**.

The expected lifetime family benefit using this strategy is: **\$759,026**

### Using the Earliest Possible Election Ages



The preceding charts demonstrate future value cashflows using the assumptions outlined on the assumptions page of this report, and do not include taxes or any other source of income. The desired income line is generated based on user input and inflated for future value using the same inflation assumptions.

## Projected Cashflows for your *Earliest Possible Social Security Strategy*

**Sam**  
Combined Benefit Breakdown *Net Present Value*

Retirement	Spousal	Widow
\$464,052	\$0	\$0

**Susy**  
Combined Benefit Breakdown *Net Present Value*

Retirement	Spousal	Widow
\$91,457	\$72,867	\$130,649

### Expected Cashflow *Future Values*

Year	Sam				Susy				Summary		
	Age	Retirement	Spousal	Widow	Age	Retirement	Spousal	Widow	Total	Need	Gap
2013	57	\$0	\$0	\$0	53	\$0	\$0	\$0	\$0	\$120,000	(\$120,000)
2014	58	\$0	\$0	\$0	54	\$0	\$0	\$0	\$0	\$123,000	(\$123,000)
2015	59	\$0	\$0	\$0	55	\$0	\$0	\$0	\$0	\$126,075	(\$126,075)
2016	60	\$0	\$0	\$0	56	\$0	\$0	\$0	\$0	\$129,226	(\$129,226)
2017	61	\$0	\$0	\$0	57	\$0	\$0	\$0	\$0	\$132,457	(\$132,457)
2018	62	\$23,573	\$0	\$0	58	\$0	\$0	\$0	\$23,573	\$135,768	(\$112,195)
2019	63	\$2,803	\$0	\$0	59	\$0	\$0	\$0	\$2,803	\$139,163	(\$136,360)
2020	64	\$660	\$0	\$0	60	\$0	\$0	\$0	\$660	\$142,642	(\$141,982)
2021	65	\$684	\$0	\$0	61	\$0	\$0	\$0	\$684	\$146,208	(\$145,524)
2022	66	\$3,568	\$0	\$0	62	\$3,906	\$791	\$0	\$8,265	\$149,863	(\$141,598)
2023	67	\$36,420	\$0	\$0	63	\$6,972	\$6,348	\$0	\$49,740	\$153,610	(\$103,870)
2024	68	\$37,320	\$0	\$0	64	\$7,260	\$6,396	\$0	\$50,976	\$157,450	(\$106,474)
2025	69	\$38,256	\$0	\$0	65	\$7,560	\$6,456	\$0	\$52,272	\$161,386	(\$109,114)
2026	70	\$39,216	\$0	\$0	66	\$7,860	\$6,504	\$0	\$53,580	\$165,421	(\$111,841)
2027	71	\$40,200	\$0	\$0	67	\$8,184	\$6,552	\$0	\$54,936	\$169,556	(\$114,620)
2028	72	\$41,196	\$0	\$0	68	\$8,388	\$6,720	\$0	\$56,304	\$173,795	(\$117,491)
2029	73	\$42,228	\$0	\$0	69	\$8,604	\$6,888	\$0	\$57,720	\$178,140	(\$120,420)
2030	74	\$43,284	\$0	\$0	70	\$8,820	\$7,056	\$0	\$59,160	\$182,594	(\$123,434)
2031	75	\$44,364	\$0	\$0	71	\$9,036	\$7,236	\$0	\$60,636	\$187,159	(\$126,523)
2032	76	\$45,480	\$0	\$0	72	\$9,264	\$7,416	\$0	\$62,160	\$191,838	(\$129,678)
2033	77	\$46,608	\$0	\$0	73	\$9,492	\$7,596	\$0	\$63,696	\$196,633	(\$132,937)
2034	78	\$47,772	\$0	\$0	74	\$9,732	\$7,788	\$0	\$65,292	\$201,549	(\$136,257)
2035	79	\$48,972	\$0	\$0	75	\$9,972	\$7,992	\$0	\$66,936	\$206,588	(\$139,652)
2036	80	\$50,196	\$0	\$0	76	\$10,224	\$8,184	\$0	\$68,604	\$211,753	(\$143,149)
2037	81	\$51,456	\$0	\$0	77	\$10,476	\$8,388	\$0	\$70,320	\$217,047	(\$146,727)
2038	82	\$52,740	\$0	\$0	78	\$10,740	\$8,604	\$0	\$72,084	\$222,473	(\$150,389)
2039	83	\$54,060	\$0	\$0	79	\$11,004	\$8,820	\$0	\$73,884	\$228,035	(\$154,151)
2040	84	\$55,404	\$0	\$0	80	\$11,280	\$9,036	\$0	\$75,720	\$233,736	(\$158,016)
2041	85	\$56,796	\$0	\$0	81	\$11,568	\$9,264	\$0	\$77,628	\$239,579	(\$161,951)
2042	86	\$58,212	\$0	\$0	82	\$11,856	\$9,492	\$0	\$79,560	\$245,568	(\$166,008)
2043	87	\$59,664	\$0	\$0	83	\$12,156	\$9,732	\$0	\$81,552	\$251,708	(\$170,156)
2044	88	\$61,152	\$0	\$0	84	\$12,456	\$9,972	\$0	\$83,580	\$258,000	(\$174,420)
2045	89	\$62,688	\$0	\$0	85	\$12,768	\$10,224	\$0	\$85,680	\$264,450	(\$178,770)
2046	90	\$0	\$0	\$0	86	\$0	\$0	\$64,248	\$64,248	\$135,531	(\$71,283)
2047	91	\$0	\$0	\$0	87	\$0	\$0	\$65,856	\$65,856	\$138,919	(\$73,063)
2048	92	\$0	\$0	\$0	88	\$0	\$0	\$67,500	\$67,500	\$142,392	(\$74,892)
2049	93	\$0	\$0	\$0	89	\$0	\$0	\$69,192	\$69,192	\$145,952	(\$76,760)
2050	94	\$0	\$0	\$0	90	\$0	\$0	\$70,920	\$70,920	\$149,600	(\$78,680)
2051	95	\$0	\$0	\$0	91	\$0	\$0	\$72,696	\$72,696	\$153,340	(\$80,644)
2052	96	\$0	\$0	\$0	92	\$0	\$0	\$74,508	\$74,508	\$157,174	(\$82,666)
2053	97	\$0	\$0	\$0	93	\$0	\$0	\$76,368	\$76,368	\$161,103	(\$84,735)
2054	98	\$0	\$0	\$0	94	\$0	\$0	\$78,288	\$78,288	\$165,131	(\$86,843)
2055	99	\$0	\$0	\$0	95	\$0	\$0	\$33,435	\$33,435	\$169,259	(\$135,824)

2056	100	\$0	\$0	\$0	96	\$0	\$0	\$0	\$0	\$173,491	(\$173,491)
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## Concepts for Married Couples

Social Security offers three distinct types of benefits for retired workers and/or their spouses:

- a **Retired Worker benefit**, which is based on his or her own earnings record;
- a **Spousal Benefit**, which provides a worker's spouse with a benefit once the worker has claimed his own benefit; and
- a **Survivor Benefit**, which provides a surviving spouse with a benefit after a worker's death.

If you file prior to full retirement age, you are **deemed** to have filed for all benefits to which you are entitled. At full retirement age and beyond, there are two primary ways you can modify you or your spouse's application to increase your lifetime family benefits: the restricted application, and the ability to file and suspend.

From these two techniques arise several "Switch Strategies." We refer to these planning options as "Switch Strategies" because they often involve the election of a limited benefit initially, then a "Switch" to a larger benefit later. A major University study suggested that these strategies represent over \$10 Billion in unclaimed Social Security benefits. For an individual family, it is not uncommon for a family to receive an additional \$20,000 to \$50,000 or more in benefits.

### How do Switch Strategies Work?

There are two basic techniques that enable switch strategies: the "restricted application," and the "file and suspend."  
*When you go to the Social Security office, the individual you meet with may only be trained to help you identify the highest benefit you can get today, not necessarily over your lifetime, or over the joint lives of you and your spouse.* As a result, you are unlikely to hear about these techniques during a typical visit.

Once you reach Full Retirement Age, you have the option to restrict your application to exclude certain benefits. If a benefit is excluded, it will continue to build delayed retirement credits. As an example, a higher earning spouse, who may want to wait until age 70 to collect his own benefit may be able to file at 66 for only the benefit available under his spouse's work record, while still allowing his own benefit to build delayed retirement credits. At age 70, he would switch to his own benefit. Alternatively, a lower earning spouse could restrict his or her application to only spousal benefits while continuing to claim delayed credits on his or her own earnings record. This technique can be used to help to increase lifetime income as well as survivor's benefits.

The second technique is the ability to file and suspend. Spousal benefits are not available until the primary earner has filed for his or her own benefits. The Senior Citizens' Freedom to Work Act of 2000 allows a worker to earn delayed retirement credits after filing for benefits if he requests that he not receive benefits during a given period. As a result, a higher-earning spouse can file for benefits, then immediately suspend the benefit, and continue to earn delayed credits. In the process, he will have made his spouse eligible for spousal benefits under his earnings record.

It is important to note that Social Security benefits are completely gender-neutral. In other words, any technique that is available to the "primary earner" is also available to the "secondary earner."

It is also important to note that the two techniques can be combined. For example, the higher earner could file and suspend to make a spousal benefit available to the secondary earner, who could then file a restricted application for only spousal benefits. This would allow both earners to earn delayed retirement credits on their own earnings records while still collecting some benefit now.

Our analysis considers all 81 possible whole-year election age combinations (62/62, 62/63, 62/64, etc) across nine separate election strategies incorporating the techniques above. It calculates the expected lifetime family benefit at each age combination for each strategy and identifies the age combination and strategy that provides the highest expected family benefit. The optimal age combination and election strategy is then outlined for your consideration.

## The Retirement Earnings Test

### How does work affect Social Security?

You are able to work and receive Social Security retirement, spousal, or survivor's benefits. However, you may be subject to a reduction in benefits if you haven't attained full retirement age.

The Social Security Administration will withhold benefits during the year in which you work assuming that you provide an estimate to the Social Security office about your expected earnings. If you do not report projected earnings, the SSA will withhold your monthly payments in the following year until all benefits that should have been withheld are paid in full.

### How much of my benefit will be withheld?

In 2013, you are allowed to earn up to \$15,120 before benefits are withheld. For every \$2 you earn above the exempt amount, \$1 dollar will be withheld. This applies to all years leading up to the year in which you attain your full retirement age. During the year you attain full retirement age the exempt amount increases to \$40,080 and for every \$3 you earn over the exempt amount \$1 will be withheld.

Even though your benefits are withheld they are not completely lost. Once you reach full retirement age, your benefits will be increase to account for the number of months that you did not receive a benefit. For example, if your full retirement age is 66 and you filed for benefits at 62 you received a reduction in benefits for taking benefits 48 months early. If 12 payments are withheld due to the earnings test, your benefits will be adjusted at your full retirement age and it will be as if you elected at age 63, or 36 months early.

### What is considered income?

If you are employed by someone else only wages are considered earned income for the purpose of the annual earnings test. For people who are self-employed only net earnings count. It is important to note that employee contributions to pension or retirement plans are included in gross wages.

Income that is not counted as earnings include:

- Government benefits,
- Investment earnings,
- Interest,
- Pensions,
- Annuities; and
- Capital gains

### Special Rule

For people who file for benefits mid-year and have already earned more than the exempt amount, the monthly earnings test is used. For any month during that first year that you earn under the monthly exempt amount, which is simply 1/12th of the annual exempt amount, you will receive your full benefit for that month, regardless of your earnings before you filed for benefits.

This analysis has incorporated the Social Security Annual Earnings Test.

## Disclosures

This report is intended as a diagnostic tool to suggest potential election options that may be beneficial. The election options considered may not be exhaustive. While substantial effort has been taken to ensure the accuracy of all calculations, we provide no guarantees. Further, this report can not anticipate future changes to the Social Security System, formulae, or claiming rules.

This report specifically excludes the following situations:

1. This report does not account for prior disability years. If you have years in which you received Social Security Disability benefits, the result will be inaccurate.
2. This report assumes you will not elect benefits while you are still working. It does not apply the earnings test to determine whether your benefit will be reduced due to income above the earned income limits. If you plan to continue to work between age 62 and Full Retirement Age for your birth year, check to be sure your earnings will be below the earnings limit, or your benefit will be reduced.
3. This report does not incorporate children's benefits, dependent parent's benefits, or the family maximum calculation.
4. This report assumes that the surviving spouse will begin receiving the higher of his or her own benefit, or the deceased spouse's benefit at the time of the first death. Further, the calculation does not assume election of widow's benefits prior to age 70. As a result, if the date of death for either spouse is prior to age 70, the results will be inaccurate.
5. This report does not treat Railroad or Military earnings separately. Workers who have 10+ years of Railroad earnings, or certain military service may experience inaccurate results.
6. We assume "Fully Insured" status. If you have not reached fully insured status for retirement benefits, the results will be inaccurate.

Election options also must be coordinated with your other retirement planning. The contents of this report when judged in the context of your overall financial plan may not be optimal for your circumstances, as it may cause unacceptable trade-offs with your other investment assets. Please seek the advice of your own tax, financial, and legal advisors before implementing any strategies contained in this report.

In this report, life expectancy assumptions may be manually entered, or based on Social Security mortality tables, available at [www.ssa.gov/OACT/STATS/table4c6.html](http://www.ssa.gov/OACT/STATS/table4c6.html). Report contents and calculations provided by Social Security Timing.

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