



# Brain Teaser

In life, would you rather:

1

Be early or  
delayed?

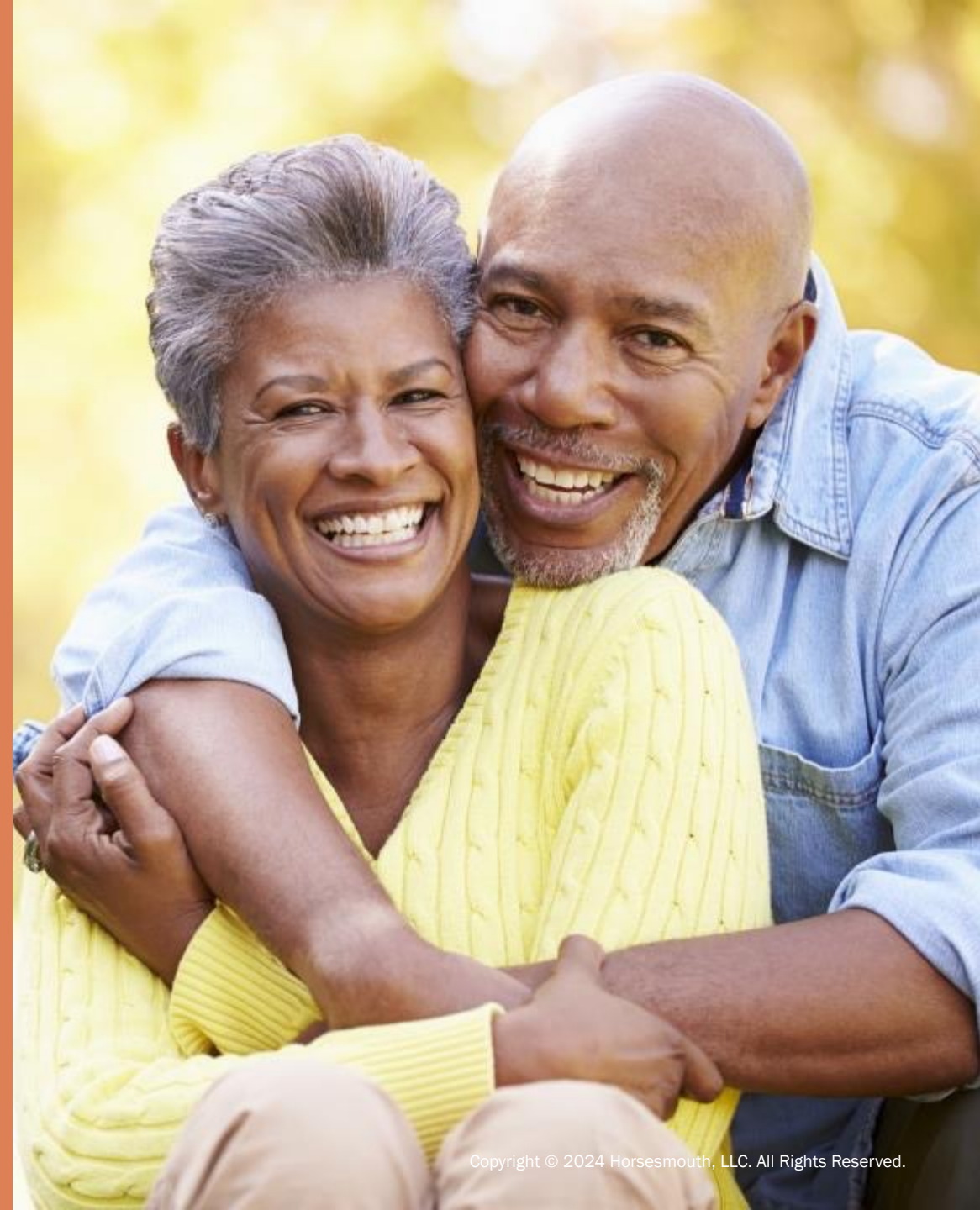
2

Pay a penalty or  
get a bonus?

SAVVY SOCIAL SECURITY PLANNING

# What Baby Boomers Need to Know About Their Retirement Income

Lighthouse Wealth Partners



## PROBLEM

**Making terrible, costly decisions about Social Security can hurt your retirement.**

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# Handout and Social Security Analysis Invite

- ▶ **Handout:** The Baby Boomer's Guide to Social Security
- ▶ **Analysis:** Your Customized Social Security Analysis – Spousal, Divorce, Survivor, WEP/GPO, Breakeven, Retirement Spending



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# Things to Know About Social Security

- ▶ You have many claiming options
- ▶ Decisions have far-reaching consequences
- ▶ Choice impacts both spouses
- ▶ System is not bankrupt, nor a Ponzi scheme
- ▶ Benefits likely helped a family member
- ▶ Your friends aren't experts

# Baby Boomers Want to Know:



- ▶ Will Social Security be there for me?
- ▶ How much can I expect to receive?
- ▶ When should I apply for Social Security?
- ▶ How can I maximize my benefits?
- ▶ Will Social Security be enough to live on in retirement?



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# Understanding the Value of Social Security



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# Will Social Security Be There for Me?





# OASDI Trust Fund Drawdown Begins

Trust fund balance on 12/31/21: **\$2.852 trillion**

## 2022 results

- Total income: \$1.222 trillion
- Total expenditures: \$1.244 trillion
- Net decrease in assets: -\$ 22 billion

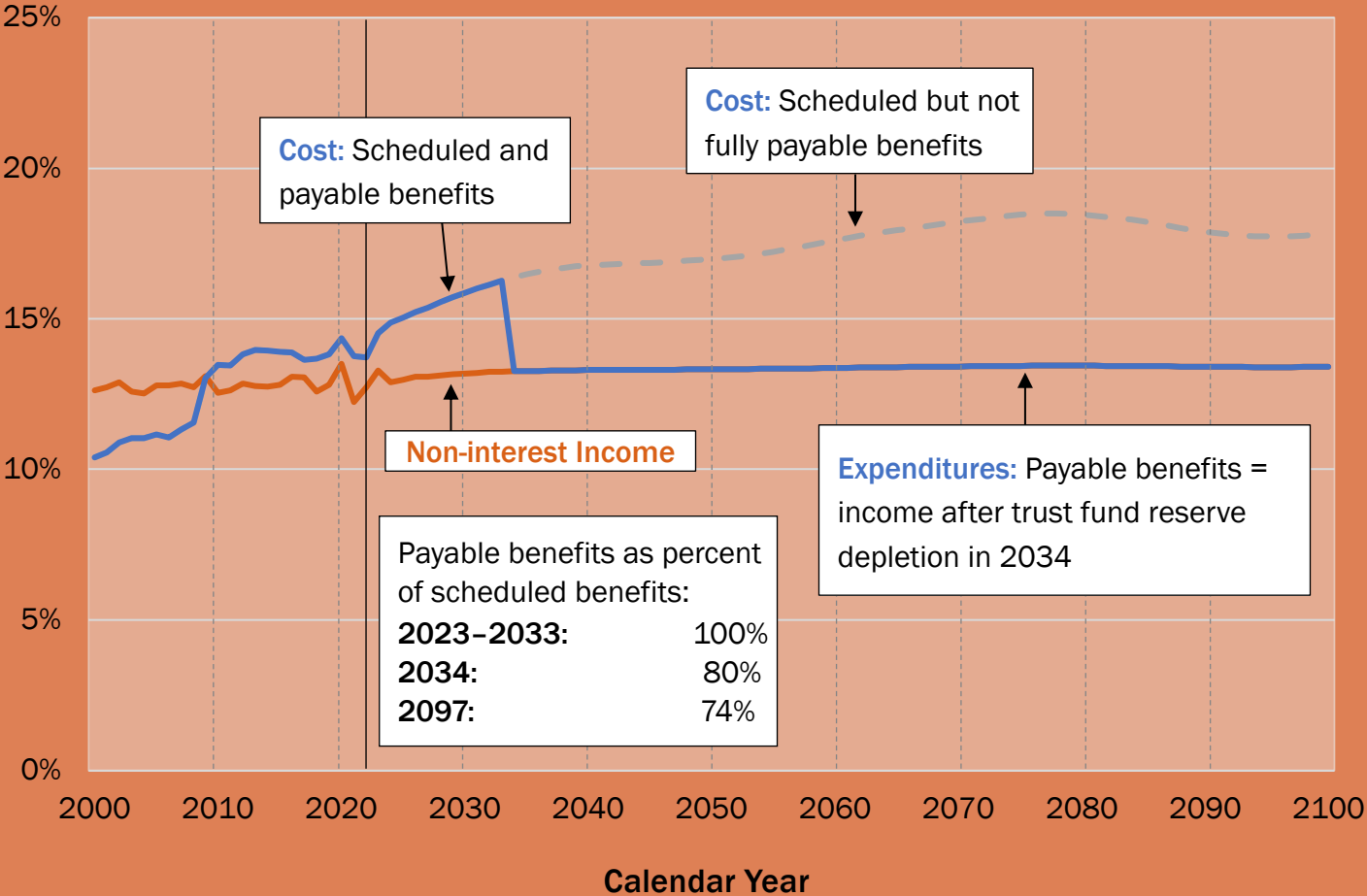
Trust fund balance on 12/31/22: **\$2.830 trillion**

# OASDI Income, Cost and Expenditures as Percentages of Taxable Payroll

[Under Intermediate Assumptions]

## Long-Term Projections:

Without reform, benefits fall to 80% in 2034



# What Would It Take To Restore Solvency to the System?

Reform Proposals Being Studied

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1

**Increase maximum earnings subject to Social Security tax**  
(currently \$168,600 in 2024)

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2

**Raise the normal retirement age**  
(currently 67 for those born in 1960 or later)

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3

**Lower benefits for future retirees**  
(escalate benefits based on increases in consumer prices rather than wages)

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4

**Reduce cost-of-living adjustments (COLAs)**

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A photograph of an older couple lying on their stomachs on a green lawn. The woman, on the left, is wearing a pink t-shirt and blue jeans, and is holding a white smartphone to take a selfie. The man, on the right, is wearing a blue button-down shirt over a white t-shirt and light-colored pants. Both are smiling broadly. A tan fedora hat lies on the grass to the right of the couple. A thin yellow horizontal line is visible in the upper left corner of the image.

# The Bottom Line for Baby Boomers

Your benefits are not likely to be affected by Social Security reform





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So, what's a clearer  
way to think about  
Social Security?



## INSIGHT #1:

**Social Security is inflation-protected income.  
You've paid the premium in every paycheck, so  
be smart about how and when to collect.**

# Social Security Offers Income You Can't Outlive

If your monthly benefit is \$2,000 today and you live:

10 more years	you'll receive a total of	\$262,793	in lifetime benefits
20 more years		\$583,137	
30 more years		\$973,634	

Assumes 2% annual cost-of-living adjustments

# Social Security Offers Annual Inflation Adjustments

If your monthly benefit is \$2,000 today and annual cost-of-living adjustments are 2%:

In 10 years	your monthly benefit will be	\$2,438
In 20 years		\$2,972
In 30 years		\$3,623

Assumes 2% annual cost-of-living adjustments

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**How Much  
Can I Expect  
to Receive?**



# Your Benefit Will Depend On\*:

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1

How much you earned over  
your working career

2

The age at which you  
apply for benefits

\*Information is subject to change and many factors can influence the amount of your retirement benefit.



# How Social Security Benefits Are Calculated

- ▶ At age 62, each year's earnings are tallied up and indexed for inflation
- ▶ Highest 35 years of earnings are averaged (AIME)
- ▶ AIME is divided by three "bend points" to determine your primary insurance amount (PIA). This is the amount you'll receive at full retirement age.
- ▶ Benefit is increased each year by cost-of-living adjustments (COLAs)

# Example of Benefit Formula

- ▶ Baby Boomer born in 1962—turns 62 in 2024
- ▶ Maximum Social Security earnings every year since age 22
- ▶ AIME = \$13,100

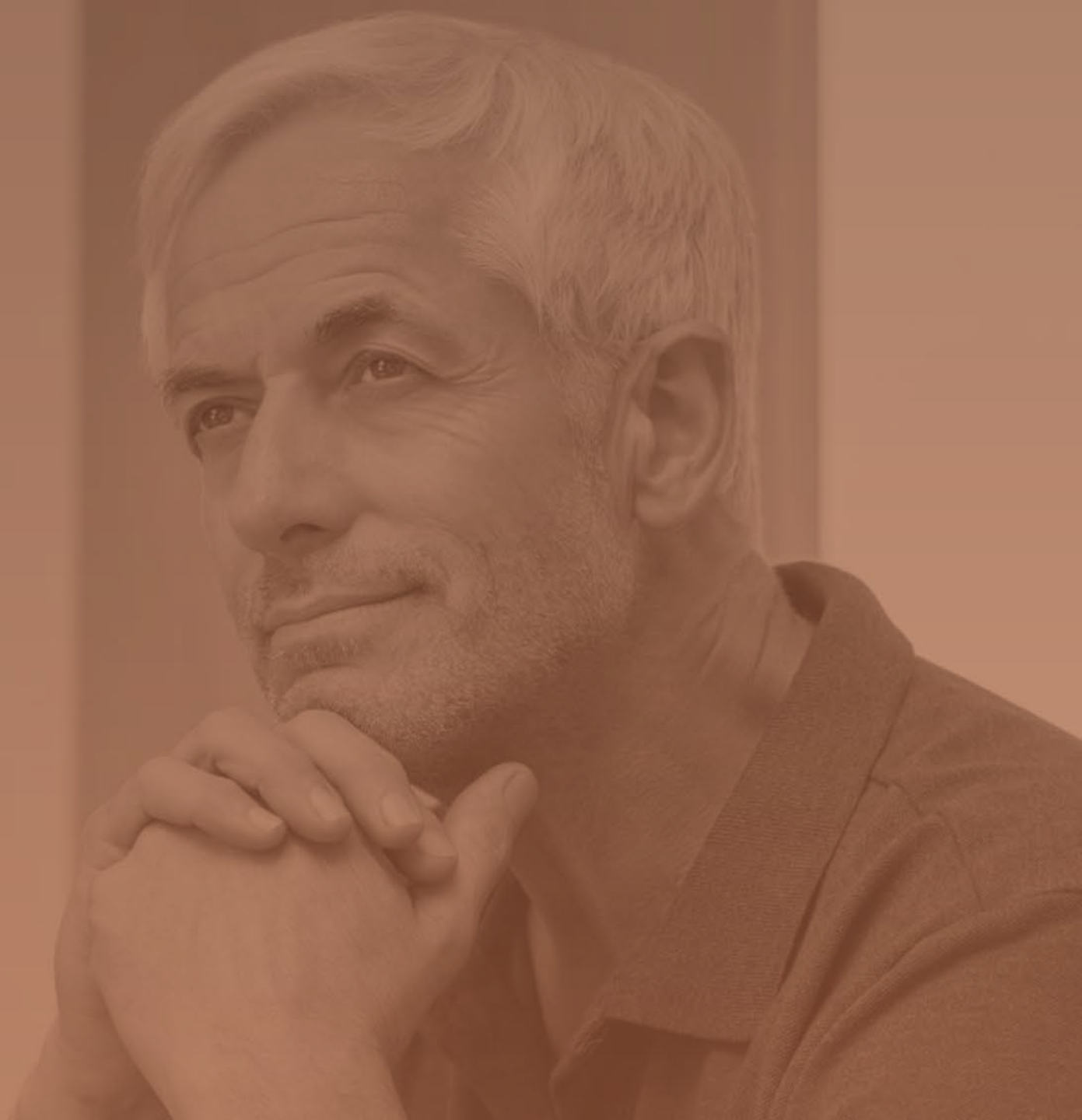
## PIA Formula:

- $\$1,174 \times 0.90 = \$1,056.60$
- $\$5,904 \times 0.32 = \$1,889.28$  ( $\$7,078 - \$1,174 = \$5,904$ )
- $\$6,022 \times 0.15 = \underline{\$903.30}$  ( $\$13,100 - \$7,078 = \$6,022$ )
- **Total =**  $\$3,849.18$

**PIA = \$3,849.10**

Amount worker will receive at full retirement age

“That’s good to know,  
but why shouldn’t I  
claim early at 62,  
instead of delaying to  
full retirement age or  
even 70?”



## INSIGHT #2:

**Your monthly benefit will be reduced if you claim early. It may also be reduced for taxes and Medicare premiums. And benefits could be withheld if you work.**

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# When Should I Apply for Benefits?





# Factors to Consider When Deciding When to Apply



1

**Health  
Status**



2

**Life  
Expectancy**



3

**Need for  
Income**



4

**Whether or  
not you  
plan to  
work**



5

**Survivor  
Needs**

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Will Social  
Security Be  
Enough to Live  
on in  
Retirement?

ANSWER:  
**Probably not.**

# Full Retirement Age (FRA)

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Year of Birth	Full Retirement Age
1943–54	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

# What if You Apply for Early Benefits?

You will receive a percentage of your PIA

Apply at age	If FRA = 66	If FRA = 67
62	75.0%	70%
63	80.0%	75%
64	86.7%	80%
65	93.3%	86.7%
66	100%	93.3%
67		100%

# What if You Apply After FRA?

You will earn 8% annual delayed credits

Apply at age	Benefit will be a % of PIA if FRA = 66	Benefit will be a % of PIA if FRA = 67
66	100%	93.3%
67	108%	100%
68	116%	108%
69	124%	116%
70	132%	124%



# How to Estimate Your Social Security Benefits

Obtain your annual Social Security statement at [www.socialsecurity.gov/myaccount](https://www.socialsecurity.gov/myaccount)

OR

Use the Retirement Estimator at your [socialsecurity.gov/myaccount](https://socialsecurity.gov/myaccount)

OR

Use one of the calculators on the SSA website: [www.ssa.gov/planners/benefitcalculators.htm](https://www.ssa.gov/planners/benefitcalculators.htm)

# Why Delay Benefits?

Bigger checks to start

Age at which benefits are claimed	% of PIA if FRA = 67	Benefit without COLAs (\$)	Benefit with COLAs (\$)
62	70.00	2,100	2,100
63	75.00	2,250	2,295
64	80.00	2,400	2,497
65	86.67	2,600	2,759
66	93.33	2,800	3,031
67	100.00	3,000	3,312
68	108.00	3,240	3,649
69	116.00	3,480	3,997
70	124.00	3,720	4,359

# Why Delay Benefits?

More income later on

Benefit at age	If claim at 62	If claim at 67	If claim at 70
70	\$2,460	\$3,515	\$4,359
75	\$2,717	\$3,881	\$4,812
80	\$2,999	\$4,285	\$5,313
85	\$3,311	\$4,731	\$5,866
90	\$3,656	\$5,223	\$6,477
95	\$4,037	\$5,767	\$7,151
100	\$4,457	\$6,367	\$7,895

Assumes FRA is 67, PIA = \$3,000 and 2% annual COLAs from age 62

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# How Can I Maximize My Benefits?



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# Improve Your Earnings Record

Examine your earnings record from your latest Social Security statement, available online at [www.socialsecurity.gov/myaccount](https://www.socialsecurity.gov/myaccount)

- ▶ Is it accurate?
- ▶ Any missing years?
- ▶ Can you improve it by working longer?

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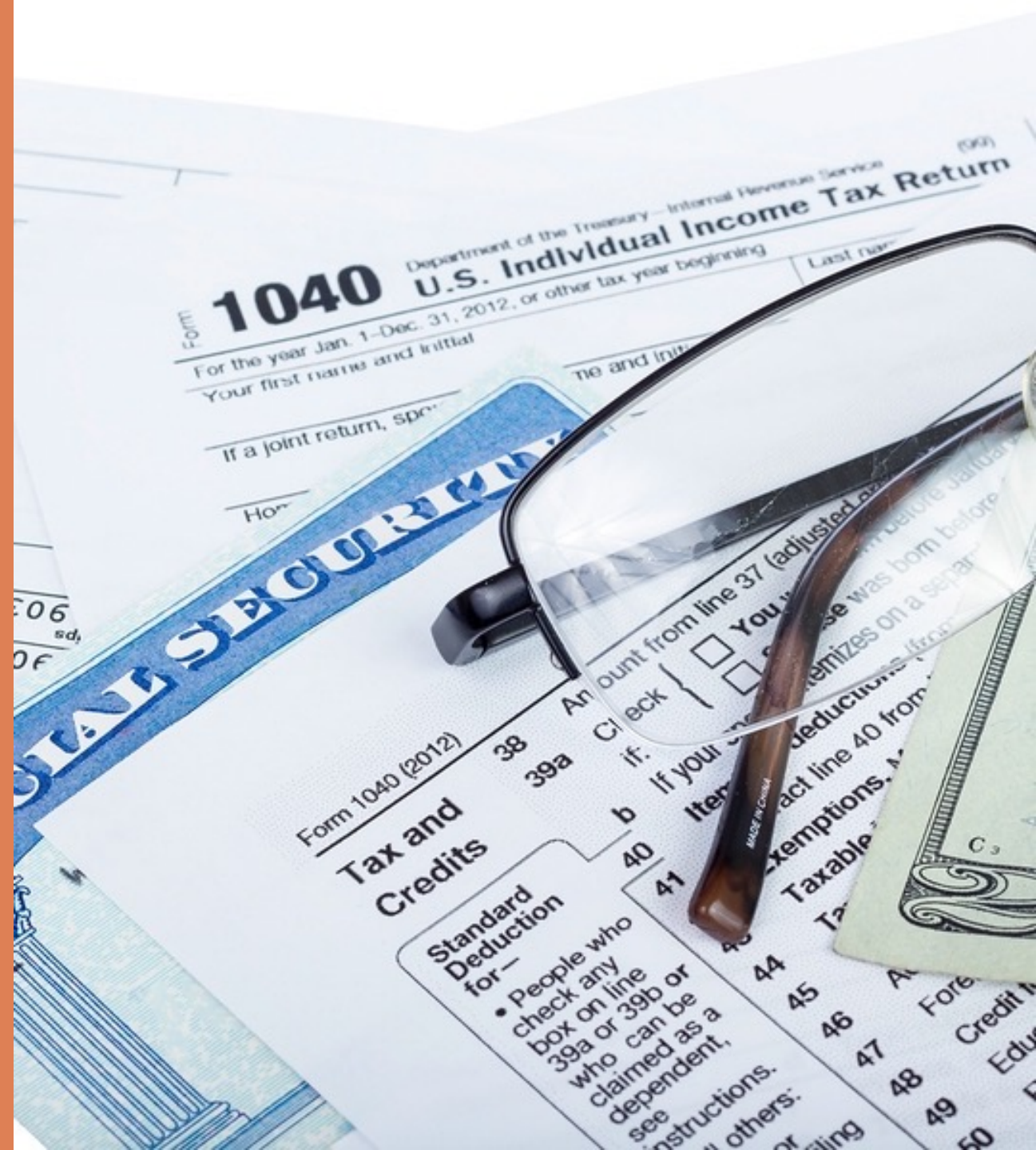
# Apply for Social Security at the Optimal Time

## Consider:

- ▶ Your income needs, both now and in the future
- ▶ Your life expectancy
- ▶ Your spouse's life expectancy



# Taxation of benefits





# Keep Working: Understand The Annual Earnings Test

**If you apply for Social Security before full retirement age and you work:**

- ▶ \$1 in benefits will be withheld for every \$2 you earn over \$22,320 in 2024
  - ▶ Benefit will be adjusted at full retirement age
- 
- ▶ Don't let annual earnings test discourage you from working
  - ▶ To avoid the earnings test, wait until full retirement age or later to apply for benefits

# Taxation of Benefits

Filing status	Provisional income*	Amount of SS subject to tax
Married filing jointly	Under \$32,000 \$32,000–\$44,000 Over \$44,000	0 Up to 50% Up to 85%
Single, head of household, qualifying widow(er), married filing separately & living apart from spouse	Under \$25,000 \$25,000–\$34,000 Over \$34,000	0 Up to 50% Up to 85%
Married filing separately and living with spouse	Over 0	85%

\*Provisional income = AGI + one-half of SS benefit + tax-exempt interest

# Ways to Minimize Taxes on Social Security Benefits

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- ▶ Reduce other income with tax-advantaged investments (but not municipal bonds!)
- ▶ Anticipate IRA RMDs, which may put you in a higher tax bracket; consider drawing down IRAs before 73
- ▶ Convert traditional IRA to Roth
- ▶ Delay Social Security: reduces number of years benefits are subject to tax
- ▶ Reduce expenses: pay down debt, adopt simpler lifestyle
- ▶ Continue to manage taxes throughout retirement

# Medicare May Shrink Your Check

If you are receiving Social Security and are 65 or older and enrolled in Medicare, your Part B premiums will be deducted from your check.

- ▶ In 2024, Part B premium = \$174.70

**Assume a \$2,600 PIA, FRA = 67**

- If claimed at 62, benefit = 70% = \$1,820. Part B = 9%
- If claimed at 67, benefit = 100% = \$2,600. Part B = 6%
- If claimed at 70, benefit = 124% = \$3,224. Part B = 5%

\* High income households may have additional charges deducted

# When to Apply for Social Security:

## Key Points to Remember

- ▶ If you apply early, your benefit starts lower and stays lower for life.
- ▶ COLAs magnify the impact of early or delayed claiming. The longer you live, the more beneficial it is to delay benefits.
- ▶ Your benefit may be taxed and reduced to cover your Medicare premiums.
- ▶ Don't let the earnings test discourage you from working.
- ▶ Delaying benefits may give surviving spouse more income.

“I’m not going to  
live long, so why  
shouldn’t I just  
claim my benefit  
while I can?”



### INSIGHT #3:

**For couples, you should always maximize the higher earner's benefit to protect the surviving spouse.**



# Spousal Benefits



**Spousal benefit =  $1/2$  the primary worker's PIA**  
if started at full retirement age

## **Example:**

- John's PIA is \$2,000
- Jane's PIA is \$800
- If Jane applies at FRA, her benefit will be \$1,000 (50% of John's PIA)

# Rules for Spousal Benefits

- ▶ Primary worker must have filed for benefits
- ▶ Spouse must be at least 62 for reduced benefit or FRA for full benefit
- ▶ No delayed credits on spousal benefits after FRA



# Coordinate Spousal Benefits



# Maximization Strategy



- ▶ Where lower-earning spouse's PIA is more than 50% of higher-earning spouse's PIA
  - Both spouses delay to age 70
- ▶ Maximizes lifetime benefits over average or long-life expectancies

# Hybrid Strategy

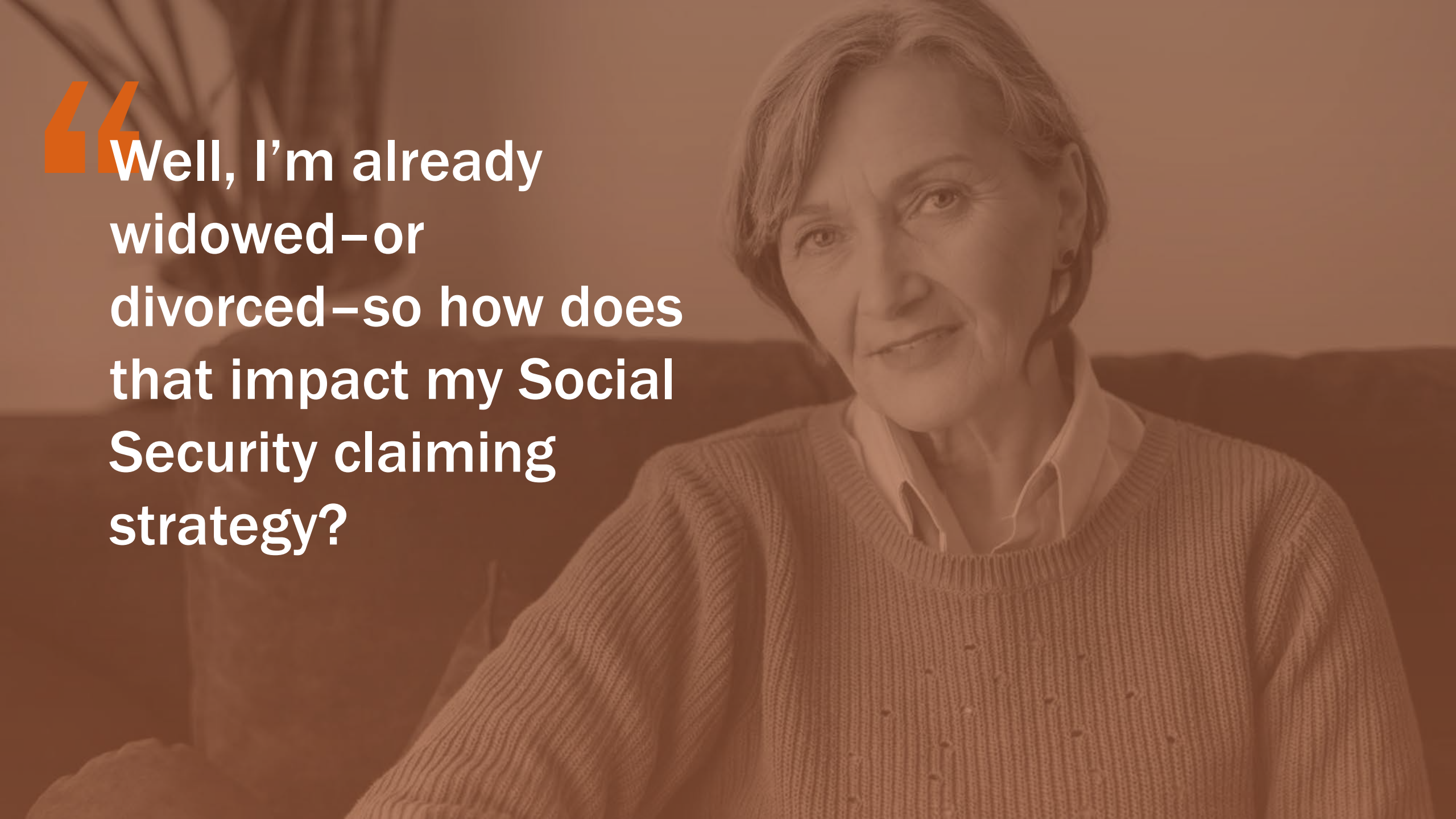


- ▶ Where lower-earning spouse's PIA is less than 50% of higher-earning spouse's PIA
  - Lower-earning spouse claims early
  - Higher-earning spouse claims at 70
- ▶ Generates income sooner while maximizing higher-earning spouse's benefit over both lifetimes



## Get a Custom Maximization Analysis

[illegible]



“Well, I’m already  
widowed—or  
divorced—so how does  
that impact my Social  
Security claiming  
strategy?”



## INSIGHT #4:

**If you're widowed or divorced, you may be eligible for survivor benefits, divorced-spouse survivor benefits, or divorced-spouse benefits that can increase your monthly check.**

# Survivor Benefits: 2 Key Factors

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1

**Survivor benefit will depend on**

- ▶ **The age at which the deceased spouse originally claimed his benefit (the “original benefit”)**
  - If deceased claimed before FRA, survivor benefit will be limited to the higher of the deceased spouse’s benefit or 82.5% of his PIA
  - If deceased claimed after FRA, the survivor benefit will include delayed credits

# Survivor Benefits: 2 Key Factors

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2

Survivor benefit will depend on

- ▶ The age at which the widow claims the survivor benefit (the “actual benefit”)
  - If survivor claims before FRA, the survivor benefit will be a fraction of the original benefit (e.g., 71.5% of PIA if claimed at 60)
  - If survivor claims at FRA or later, the survivor benefit will equal 100% of the original benefit

# Survivor Benefits

**If spouse dies while both are receiving benefits, widow(er) may switch to the higher benefit**

## **Example:**

- Joe and Julie are married. Both are over full retirement age.
- Joe's benefit is \$2,800, Julie's benefit is \$1,500.
- Joe dies.
- Julie notifies Social Security and her \$1,500 benefit is replaced by a \$2,800 survivor benefit.



# Survivor Benefits



## Example of delayed claiming:

- Joe and Julie are married.
- Joe's PIA is \$2,800.
- Joe delays claiming to age 70; his benefit is 124% of \$2,800, or \$3,472.
- Joe dies.
- Julie's survivor benefit will be \$3,472, not \$2,800.

*Note: If Julie claims her survivor benefit before her FRA she'll get less.*

# Rules for Survivor Benefits



- ▶ Couple must have been married at least 9 months at date of death (except in case of accident).
- ▶ Survivor must be at least 60 for reduced benefit (50 if disabled), or FRA for full benefit.
- ▶ Survivor benefit not available if widow(er) remarries before age 60 (or 50 for disabled survivor), unless that marriage ends.
- ▶ Divorced-spouse survivor benefit available if the marriage lasted at least 10 years.



# Divorced- Spouse Benefits



**Same as spousal benefits if:**

- ▶ Marriage lasted 10 years or more
- ▶ Person receiving divorced-spouse benefit is currently unmarried
- ▶ The ex-spouse is at least age 62
- ▶ If divorce was more than two years ago ex-spouse does not need to have filed for benefits

# Rules for Divorced- Spouse Benefits

- ▶ More than one ex-spouse can receive benefits on the same worker's record
- ▶ Benefits paid to one ex-spouse do not affect those paid to the worker, the current spouse, or other ex-spouses
- ▶ Divorced-spouse benefits stop upon remarriage of spouse collecting benefits (not upon remarriage of primary worker spouse)

A woman with dark hair is sitting on a light-colored sofa, resting her chin on her hand and looking off to the side with a thoughtful expression. The entire image is covered with a semi-transparent orange filter. In the background, a bookshelf filled with books is visible on the left, and a lamp is on the right.

“

Gee, this really is  
more complicated  
than I realized.



# Brain Teaser

In life, would you rather:

1

Be early or  
delayed?

2

Pay a penalty or  
get a bonus?

**PROBLEM**  
*(review)*

People are hurting their retirements  
by making terrible, costly decisions  
about Social Security.

## KEY INSIGHTS

1

**Social Security offers inflation-protected income you can't outlive, including benefits for survivors**

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2

**Your monthly benefit will be reduced if you claim "early"**

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3

**Couples should always maximize the higher earner's benefit for the surviving spouse**

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4

**If you're widowed or divorced, you may be eligible for benefits that can increase your check**



## SOLUTION

**Everyone needs a personalized Social Security claiming analysis to understand how and when to apply and how their monthly benefit will fit into their overall retirement income plan.**

# Consider Social Security In the Context Of:

- ▶ Pensions
- ▶ IRAs and 401(k)s
- ▶ Required minimum distributions at age 73
- ▶ Investment portfolio
- ▶ Work



# What Social Security Personnel Can and Can't Do

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## They CAN

- ▶ Estimate individual benefits
- ▶ Tell you the amount you are entitled to now

## They CAN'T

- ▶ Project future benefits through scenario planning
- ▶ Help with innovative strategies designed to maximize benefits

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# You Have Questions.

We can help.

- ▶ When should I apply for Social Security?
- ▶ What if I want to keep working?
- ▶ What if I've already applied?
- ▶ How much will my benefit be?
- ▶ How can I coordinate spousal benefits?
- ▶ What's the best long-term strategy for my situation?
- ▶ What do I do next?

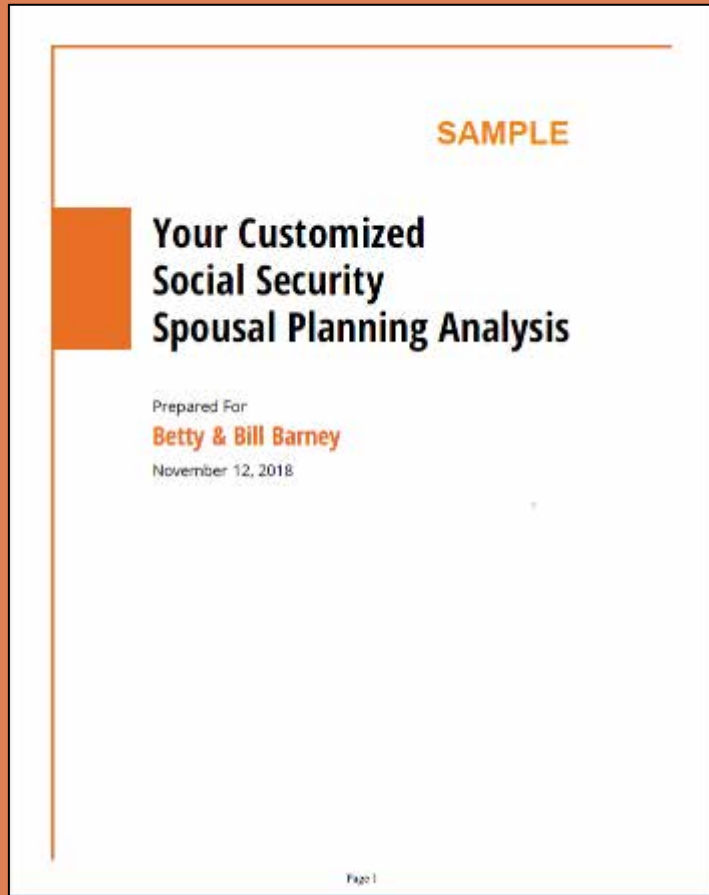
A close-up photograph of a person's hands, wearing a light-colored blazer, gently cupping a small pink piggy bank. The piggy bank has a simple smiley face drawn on its front. The background is softly blurred, showing more of the person's clothing. The overall tone is warm and protective.

# Social Security Is Too Important for Guesswork.

Let us help you protect your nest egg and maximize your income in retirement.



# Request a Social Security Analysis Meeting



- ✓ Complimentary 1-hour service
- ✓ Review scenarios for claiming strategies
- ✓ Complete evaluation and meeting request form now



# Questions?



SAVVY SOCIAL SECURITY PLANNING

Connect with us for more  
information:  
[lighthousewealthpartners.com](https://lighthousewealthpartners.com)

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