WHAT YOU NEED TO KNOW ABOUT SOCIAL SECURITY AND RETIREMENT… IN 15 MINUTES

After looking at scenario's and forecasts with investors nearing retirement we have come to realize that Social Security does not make sense. And by that we mean it has been created and recreated many times over by handfuls of politicians… not by handfuls of professional actuaries. There is not a one size fits all formula for choosing social security, so we have put together some helpful information. This is not a substitute for detailed custom retirement advice, merely an overview of what to be thinking about when choosing when to take social security. This guide is the starting point to getting the most from your social security benefits.

We are not going to focus on the viability of the SSA in this report. We all know there are questions about whether or not it will stand the test of time. The government is printing money to boost the economy and issuing IOU's to the SSA, but it isn't going to be as bad as some think. According to the SSA Trustee Report (source: link) everything looks good until the year 2087. Now that we covered that, let's look at some unique Social Security filling strategies to maximizing lifetime benefits on social security.

In this 15 minute guide we are going to go over ways to maximize social security benefits, uncover the "weird tricks" being touted widely throughout media and advertising, explain spousal and survivor benefits, and answer some question about the best age and strategy for taking social security at the right time.

In the first strategy, I wanted to go over a filling strategy that is often referred to as a secret or weird trick in the Social Security system. **Spousal benefits** can be a great way to maximizing social security payments, but there is no weird trick. Many people do not know they can claim spousal benefits and share in their spouses earnings records. The rules are a

bit complicated, but here is the gist of it. To qualify, both spouses have to be over 62 and one has to have reached Full Retirement Age (FRA see chart at end of article). If an older spouse makes more money and has a higher Primary Insurance amount, the younger spouse can file for a spousal benefit and receive up to half of the older spouses Primary Insurance Amount (PIA). The "trick" is that the older spouse can file for retirement benefits at FRA then immediately suspend the benefits. The younger spouse files for a spousal benefit while both would continue to earn delayed credits until age 70. In this case, both spousal benefits will continue delaying credits and be maxed out because neither of them are technically collecting and taking the early payout.

With the spousal benefit a spouse can get up to half of the higher earners PIA if both people are full retirement age. If one spouse is 66 and the other spouse is 62 then the reduction would be 25% less and this declines the close one is to FRA. So lets say that Spouse A has a monthly benefit of 2,000 at age 66. After filing and suspending Spouse B could get $1,000/mo if he/she were 66, but if Spouse B was only 62, he/she would get $750/month.

The sweet spot for this strategy is when the lower earning spouse is close in age (within 3 years) and the couple has income other than Social Security to rely on until age 70.

We have noticed that a lot of our clients continue working beyond age 65 for reasons like insurance benefits, needing to save more, or they just like working. This strategy can work for such couples who don't need all of the income right away.

Work More Now

The SS benefit is calculated by taking the average 35 highest years of earning over one's lifetime. Years with zero income or lower income can really hurt ones record. That is why it is important to verify each year for accuracy and weigh out the benefits of working a few extra years to compensate for the lower earning years. Working longer offers a chance to

save more in IRA's, 401k's, and other retirement vehicles. On the other hand, in a high stress work environment, this would likely be the last thing one would want to do. This is a big choice and depends largely on the attitude towards one's workplace.

Survivor benefits.

If an individual has worked more than ten years, then he or she may pass on the benefit to widows, divorced widows, dependent parents and dependent children. If a widow or widower remarried before reaching 60 they would not qualify for a survivor benefit.

The survivor benefit can be taken as early as age 60. There are a couple of things the SSA will look at to determine this benefit. First they will look at whether the deceased spouse started taking benefits. Secondly, they will look at whether or not if the deceased spouse was receiving more than 82.5% of the PIA (primary insurance amount), and lastly the age of the survivor.

For example, let's say a surviving spouse is 64 and their deceased spouse was collecting a benefit of $1850/mo. before FRA. The PIA was $2000 and since 82.5% percent of that is less than $1850/mo. the survivor would have gotten $1850 at age 66. Since the survivor is 64, they will apply the reduction formula, which at 64 is a 9.5% decrease on the PIA which totals $1810. Now they will look to see which is lower and in this case he or she would receive $1810/mo. since it is lower than $1850.

Divorced-Spousal Benefits

A divorced spousal benefit is another prime example of how social security was not created by actuaries. A divorcee can receive a survivor benefit after having been married for 10 years and there is no limit on how many ex-spouses can file as long as they were married long enough.

Collecting a spousal benefit from a divorced spouse also requires that the spouse filing not be remarried and at least 62. This gives a divorced spouse the option of filing for the

higher amount between his or her own record or their ex-spouses amount. The ex-spouse doesn't need to have filed yet for the benefit and it wouldn't affect their current spouse in any way. Lastly they do not even notify the spouse that their ex is filing for divorced spousal benefits

Taking Benefits to soon

Nowadays people are living longer due to medical advancements and increased knowledge of the body. Many of our near retirement clients are worried about health concerns like cancer and Alzheimer's seemingly more than they are running out of money. One big determinant about when to file is when are you going to die? There is a constant battle in lifestyle planning as to whether you spend more and live every day like it's your last or save and forego certain material purchases and expenditures for the future. No one can know when that will happen, but your health and health concerns bear heavily on your filing strategy.

Sometime, people take social security to soon for fear of it going bankrupt or that they may not live long. If you can defer taking social security payments, you can get as much as an 8% increase each year. So if you have retirement accounts or other assets that aren't earning 8%, it could be better to tap into those accounts first while delaying taking social security.

Forecasting Retirement Income

By looking at a retirement plan/budget, it is easier to determine the best ways for coordinating benefits. Income in retirement usually comes in the form of IRA distributions, bond interest, social security and pension payments. While municipal bond interest is tax-free, it is still counted as income and can reduce social security benefits. A lot of retirees erroneously think that they will not have to pay taxes on their 401k and IRA withdrawals after 59.5, as it is easy to confuse the 10% early withdrawal penalty with income tax. The tax bracket is lower for those with under $73,800 annual income limit for couples and

$36,900 for singles. The 2013 tax code changes are a bit confusing since the income brackets don't go directly from a 25% to 15% bracket but rather a gradual decline. This means that if a couple makes $73,799 they will not bump down from a 25% to 15% tax bracket right away

We do not give tax advice, but we would be more than happy to work with a CPA of choice to go over income and tax strategies with you.

Social Security benefits are sometimes subject to tax

Social Security is taxed differently than other income sources and there are a few things to be aware of in regards to taxation. One of the important things to look at when filing is what after retirement income one expects. It may not be good to wait to file, and that is why it is important to construct a proper retirement plan for taking income and collecting social security.

To determine the taxability the IRS will look at ones total taxable income then add in half of the Social Security benefits. For every $1 that the taxable income exceeds $25,000 for single filers or $32,000 for joint filers, another $0.50 of your benefits gets added to your taxable income. Once the figure exceeds $34,000 for singles or $44,000 for joint filers, the amount added goes to $0.85 per $1.

Someone who is not full retirement age and working will have their Social Security benefits automatically reduced once they make to high of wages or salary income. The amount one can earn without reducing benefits is $15,480 as of 2014. The reduction is $1 in annual benefits for every $2 earned over the limit. As a result, many workers may find that they'd get nothing by filing early for Social Security benefits as long as they intend to keep working.

Retirement planning and coordinating ones withdrawals have a lot to do with each other. A retiree with enough money to sustain his/her lifestyle may wait to file and choose to take

IRA or 401k withdrawals now. We encourage our readers to setup a plan for retirement and go through a couple of scenarios to determine the best route to take. We have proprietary financial planning and social security planning tools and welcome inquiries for those needing help with retirement and social security planning.

If you were born in ...	Your "normal" retirement age is ...
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	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 or later	67

ProVest Wealth Advisors offer education and resources to help you understand and maximize your valuable Social Security benefits. For more information, please contact (864)582-7766. The employees at ProVest Wealth Advisors are not employed or endorsed by, or affiliated with the Social Security Administration

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To contact the Social Security Administration call 800-772-1213 or go to www.ssa.gov.

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