SOCIAL SECURITY

Social Security may be an integral part of your overall financial plan. You can choose to claim benefits early, at your 'full retirement age' (FRA) or wait until after your normal retirement age. The best choice for you depends on your specific financial situation and your goals for retirement. It is important to consult with a professional and consider all of your options before selecting a specific strategy.

If you were born in	Your full retirement age is
1950 - 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

CLAIMING EARLY BENEFITS

If you choose to claim Social Security before your normal retirement age, your benefit is reduced by five-ninths of 1% for each month before that age, up to 36 months. If you claim more than 36 months before your normal retirement age, the benefit is further reduced by five-twelfths of 1% per month.

- Example — If your normal retirement age is 66 and you take benefits at age 62, there are 48 months of reduced benefits. The reduction for the first 36 months is five-ninths of 36%, or 20%. The reduction for the remaining 12 months is five-twelfths of 12%, or 5%. The total benefit reduction would be 25%.
- Spousal benefits are also reduced if taken prior to full retirement age. The reduction formula is slightly more aggressive, with the maximum reduction reaching 35%. Keep in mind that spousal benefits are not reduced if the primary worker chooses to file early.

DELAYING BENEFITS

If you choose to delay claiming benefits beyond normal retirement age you will receive a credit of 8% per year up until the age of 70.

- Example — Assume you were born in 1944. Your normal retirement age is 66, but you start taking benefits at age 68. By waiting the extra two years, you get a credit of 8% per year, which means your check is 16% higher than the amount you would have received at age 66. This also increases the survivor benefit your spouse is entitled to if you die first.

Spousal benefits do not receive delayed retirement credits. Therefore, there is no advantage to filing for spousal benefits beyond your full retirement age, unless you are forced to wait until the primary worker has filed.

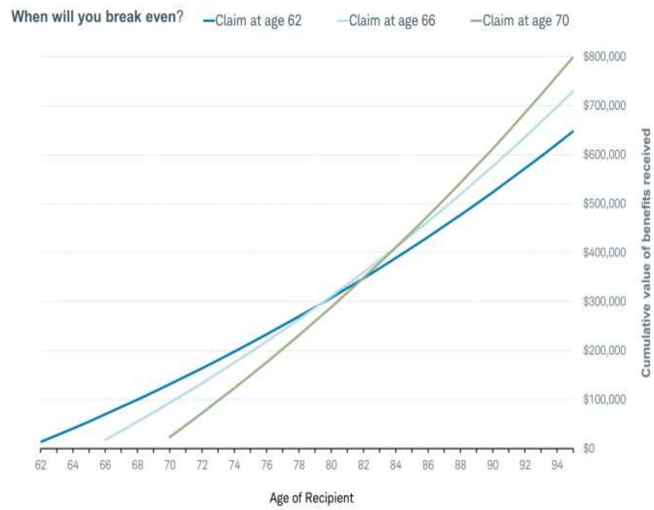
FACTORS TO CONSIDER

Cash Flow. If you are contemplating early retirement and have sufficient resources, you can be flexible about when you take Social Security benefits. However, if receiving Social Security is critical to achieving your cash flow needs, you may need to claim early benefits, even though your monthly payment is permanently reduced.

Roth IRA Conversions. A Roth IRA conversion allows you to convert Traditional IRA assets into Roth IRA assets. The optimal time to complete a Roth conversion is often after you retire but before your Social Security benefits and required minimum distributions (RMDs) begin because you may be in a lower tax bracket that you won't remain in for the rest of your retirement. Therefore, if you are considering a Roth IRA conversion, you may wish to consider delaying your Social Security benefits in order to help minimize the tax consequences.

Your Spouse. Do not forget to take your spouse's age and health into account as you consider when to begin receiving Social Security, particularly if you are the higher-earning spouse. The survivor benefit for your spouse cannot be larger than your benefit. If you are the higher-earning spouse and you take benefits early, your spouse's survivor benefit is limited to that reduced benefit.

Your Life Expectancy. The break-even age between taking benefits at 62 vs. full retirement is 77-78. The break-even age between taking benefits at full retirement age vs. delaying until age 70 is 82-83. Living beyond the break-even points results in the collection of a greater amount of benefits during your lifetime. However, if you're in poor health or have reason to believe you won't live beyond the break-even ages, taking early benefits would be advantageous.



Source: Based on data from Charles Schwab, shown in today's dollars, using SSA's Quick Calculator for someone born May 1, 1954 with earned income equal to or greater than the maximum Social Security wage base. A 2% annual cost of living adjustment is included.

Whether You're Still Working. If you claim Social Security before your normal retirement age, earning a wage (including self-employment income) reduces your benefit, if you earn more than the annual limit ($19,560 in 2022). Starting in the month in which you reach your normal retirement age, benefits are no longer reduced regardless of your earnings. In addition, benefits lost to the earnings limit are not lost forever. At full retirement age, the Social Security Administration will recalculate your benefits and the amount of forfeited benefits can be recaptured.

TAXATION OF BENEFITS

Your Social Security benefits may be taxable at the federal level, depending on your Provisional Income (1/2 of Social Security benefits plus all other income sources including tax-exempt interest). If you have income in addition to your Social Security benefits (wages, interest, dividends etc.) there is a good chance that a portion of your benefit will be taxed as income. If your Provisional Income is below the base, your benefit is not taxable. If your Provisional Income is between the base and additional amount, 50% of your benefit is taxable. If your Provisional Income is above the additional amount, 85% of your benefit is taxable. If the only income you receive is Social Security, your benefit will not be taxed regardless of the amount.

	Base	Additional
Single & Head of Household	$25,000	$34,000
Married Filing Joint	$32,000	$44,000

Most states exempt Social Security from state taxes. Currently there are only 13 states that impose taxes on Social Security benefits. The 13 states include: Colorado, Connecticut, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Rhode Island, Utah, Vermont and West Virginia.

RESTRICTED APPLICATION

In 2015, Social Security rules were signed into law which changed the right to file a Restricted Application for those born on or after January 2, 1954. For couples between the ages of 62 and 66 that were born prior to January 2, 1954, the Restricted Application strategy may be beneficial. Under this strategy, one spouse would claim his/her own retirement benefit at full retirement age. The second spouse, upon reaching full retirement age, could then file an application for spousal benefits only. Spousal benefits are equal to ½ of the claiming spouse's full retirement benefit. The second spouse's own retirement benefit will continue to grow and when that spouse reaches age 70, he/she has the opportunity to switch to his/her own retirement benefit (if it is larger than the spousal benefit they are receiving).

CHANGING YOUR MIND

Nearly half of all Americans begin taking Social Security benefits at age 62. Later, they often regret this decision and wish they had implemented a different strategy. If you file for Social Security benefits and change your mind, you may be able to withdraw your claim if you are within 12 months of when your benefits started and reapply at a later date. However, you would need to repay all of the benefits you received so far. If you are beyond this point, consider the following strategies:

- Voluntarily suspend. Once you reach full retirement age (FRA), you can voluntarily suspend the receipt of benefits, receive a credit for delaying benefits beyond FRA and then reapply at a later time.
- Maximize benefits for your spouse. If your spouse has not started taking benefits, consider delaying his or her benefit until age 70 to maximize the combined household benefit.
- Invest your monthly benefit. If you aren't able to use one of these strategies to increase your benefit, consider investing your Social Security income in an attempt to increase your future income.

DIVORCED-SPOUSE BENEFITS

If you were married for at least 10 years and are not currently re-married, you may be able to collect benefits based on your ex-spouse's working history (even if your ex-spouse has not started collecting benefits). You must also have been divorced for at least two years. Your ex-spouse can be remarried; this will not impact your ability to claim spousal benefits.

Divorced spouse benefits can be claimed once both parties are at least age 62 but claiming prior to your own full retirement age will result in a reduced benefit. If you are eligible for benefits based on your own work and divorced spouse's record, you will receive the largest benefit for which you are entitled. If your own benefit is larger than the spousal benefit, you cannot claim the spousal benefit. However, if you were born prior to January 2, 1954 you can choose to receive only spousal benefits. Your own retirement benefit would continue to grow and could be claimed at a later date.

People who have been married and divorced multiple times can use the earnings record of any former spouse as long as that marriage lasted at least 10 years and you are currently unmarried. You can choose to claim on whichever former spouse would result in the highest benefit for you.

SURVIVOR BENEFITS

A surviving spouse is entitled to collect survivor benefits if the deceased spouse's benefit was greater than the surviving spouse's benefit. This can be an important element in your financial plan. If the higher earning spouse maximizes his/her benefit by delaying until age 70, the maximized benefit can continue for the life of the surviving spouse as well.

A surviving divorced spouse is also entitled to collect survivor benefits if the ex-spouse dies. The ex-spouse can collect this even if the deceased worker remarried and has a surviving spouse who is claiming benefits.