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Making the Most of Social Security
Retirement Income-Enhancing Strategies

PREVIEW



Contents

Introduction

Income That Will Last a Lifetime	3
History Behind America’s Retirement Safety Net	3

Making the Most of Social Security

Who Is Eligible for Social Security Benefits?	4
Your Social Security Statement	4
Understanding COLAs	5
When Can You Claim Social Security Retirement Benefits?	5
How Does Filing Early or Later Affect the Monthly Benefit?	6
How Claiming Age Affects Monthly and Annual Benefits	7
How Claiming Age Affects Lifetime Benefits	7
Spousal Benefit	8
The Impact of Divorce	8
“Restricted Application” for Spousal Benefit	9
Survivor Benefit	9
Maximizing Lifetime and Survivor Benefits	10

Additional Filing Strategies

How to Receive Retroactive Benefits	11
“Do Over” or “Reset” Strategy	11
“Start, Stop, Restart” Strategy	12

Factors That Could Affect Benefits

Taxability of Benefits	13
Retirement Earnings Test	14
Windfall Elimination Provision	14
Government Pension Offset	15
Medicare Premiums	15
Could Tax-Free Income from a Roth IRA Help Avoid Taxes?	16
The Decisions You Make Could Affect Your Retirement Lifestyle	17

Figuring Out Your Net Cash Flow

Figuring Out Your Net Worth

What to Bring

back cover

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Income That Will Last a Lifetime

One of the greatest concerns of retirees and near-retirees is the fear of outliving their assets. Although traditional pensions once provided a steady income for many retirees, the number of companies offering such plans has declined dramatically.

Social Security offers benefits similar to a pension, plus a lot more. Not only does it provide a guaranteed income stream, but it also offers longevity protection, spousal protection, and even some inflation protection. Yet the ultimate value of Social Security benefits is often overlooked.

For example, did you know that if you delay claiming benefits past full retirement age, you could increase your payments by as much as 8 percent a year? It would be difficult to find a risk-free investment that currently offers that kind of payout.

Whether you're single, married, divorced, or widowed, there are strategies that might increase the monthly and lifetime benefits you receive from Social Security. It is important to understand the claiming options that may be available to you — and to avoid costly mistakes that could reduce the Social Security income that you, and possibly your spouse, receive.

Financial Challenges

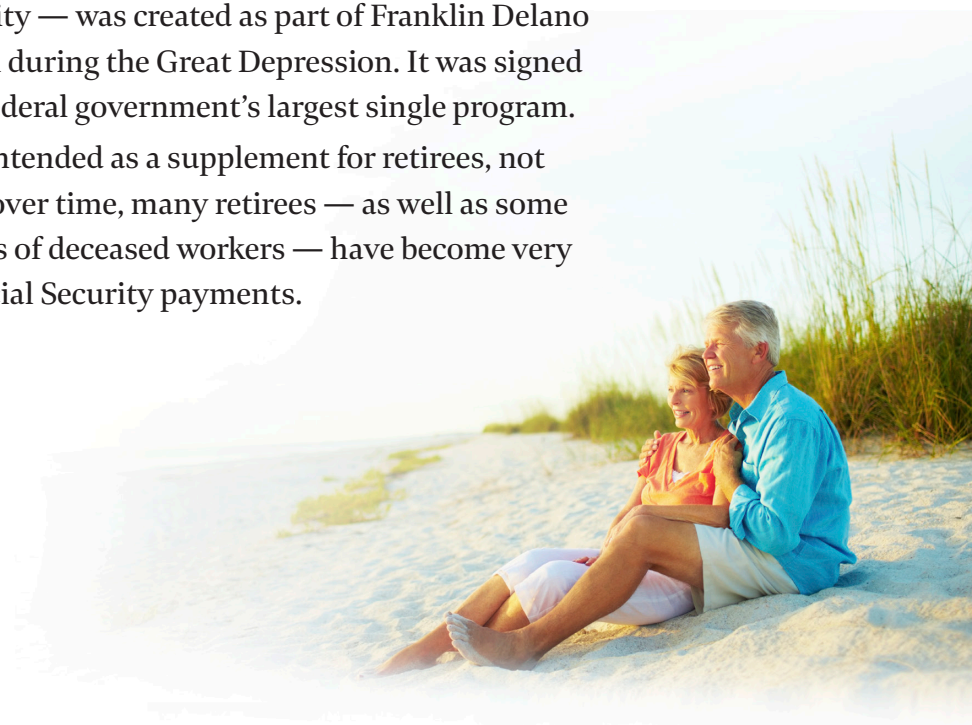
Only 28% of workers are very confident that they will have enough money to live comfortably in retirement.

Source:
2022 Retirement Confidence Survey,
Employee Benefit Research Institute

History Behind America's Retirement Safety Net

The Old-Age, Survivors, and Disability Insurance (OASDI) program — the official name of Social Security — was created as part of Franklin Delano Roosevelt's New Deal legislation during the Great Depression. It was signed into law in 1935 and is now the federal government's largest single program.

Social Security benefits were intended as a supplement for retirees, not as a sole means of support. But over time, many retirees — as well as some disabled individuals and families of deceased workers — have become very dependent on their monthly Social Security payments.



Making the Most of Social Security

Who Is Eligible for Social Security Retirement Benefits?

Workers who have accumulated a minimum of 40 work credits, which is 40 fiscal quarters or about 10 years of work, are entitled to receive Social Security retirement benefits.

The benefit you receive is based on an average of the highest 35 years of earnings in which you paid Social Security payroll taxes. If you worked fewer years, worked part-time, or had long periods in which you were unemployed, the years in which you had low or zero earnings will be averaged into the calculation and could affect your benefits.

The spouse of an eligible worker can collect spousal benefits or survivor benefits regardless of whether he or she has worked or not.

Even the unmarried, former spouse of an eligible worker may be entitled to Social Security benefits based on the ex's work record if they were married for at least 10 years.

By the Numbers

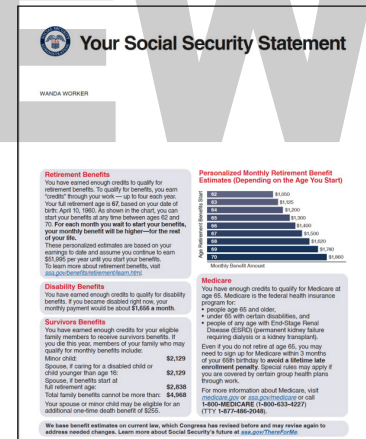
In 2021, there were 65 million Social Security beneficiaries, 77% of whom were retired workers and dependents, and 9% of whom were survivors of deceased workers.

Source: Social Security Administration, 2022 (data as of December 2021)

Your Social Security Statement

To determine the potential benefits you might receive, you should look at your Social Security Statement.

Your Statement summarizes your annual earnings that were subject to payroll taxes, shows how much you and your employer(s) paid in Social Security and Medicare taxes, and estimates your retirement benefits based on up to nine different claiming ages, including age 62, full retirement age, and age 70. It also includes some facts about the Social Security and Medicare programs and what they might mean to you.



At any age, you can view your Statement online by creating your own personal account on the Social Security website at ssa.gov/myaccount/.

Even after you start receiving benefits, an online personal account can be helpful. You can access your account to download Social Security and Medicare benefit information, update your address, and change your direct deposit data.



Making the Most of Social Security

Understanding COLAs

Because Social Security benefits are indexed for inflation, your monthly benefit could increase as the cost of living rises from year to year. This helps maintain the purchasing power of your benefits. Thanks to these cost-of-living adjustments (COLAs), some people refer to Social Security as an inflation-protected asset.

Since 1975, the annual COLA has averaged about 3.75 percent. Social Security beneficiaries have received a COLA almost every year since 1975, but there was no COLA for 2010, 2011, or 2016 because inflation was too low to trigger an increase.

After factoring in the 2023 COLA, the average monthly benefit for all retired workers is \$1,827.

Source: Social Security Administration, 2022

Year	COLA
2012	3.6%
2013	1.7%
2014	1.5%
2015	1.7%
2016	0%
2017	0.3%
2018	2.0%
2019	2.8%
2020	1.6%
2021	1.3%
2022	5.9%
2023	8.7%

What Determines the COLA?

Under the current system, the automatic COLA is equal to the percentage increase (if any) in the average Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year in which a COLA became effective to the third quarter of the current year.

When Can You Claim Social Security Retirement Benefits?

Benefits are based on how much you earned during your working career and the age when you start claiming them.

Age 62. This is the earliest age you can claim Social Security retirement benefits. (*Surviving spouses, however, can claim survivor benefits as early as age 60.*) If you claim benefits at age 62, your worker benefit will be permanently reduced by 25 to 30 percent of the full benefit amount.

Full retirement age: 66 to 67. At full retirement age (FRA), you are entitled to 100 percent of the full benefit — this is often referred to as the primary insurance amount, or PIA. For each month you wait to claim benefits after reaching full retirement age, you earn delayed retirement credits, and your benefit would increase by about 8 percent a year.

Age 70. You can receive your maximum retirement benefit by waiting until age 70 to claim benefits. At that time, your benefit would be up to 132 percent of your primary insurance amount. There is no advantage to waiting longer than age 70 to claim retirement benefits.



Making the Most of Social Security

How Does Filing Early or Later Affect the Monthly Benefit?

Many people automatically associate age 65 with retirement. But “full retirement age,” when you are entitled to receive 100 percent of your primary insurance amount, now ranges from 66 to 67 for those born after 1942.

You can see here how full retirement age is changing based on year of birth, and how claiming Social Security retirement benefits early at age 62, at full retirement age (FRA), or at age 70 would affect your monthly payouts.

Did You Know?

In 2021, only about 7% of men and 9% of women delayed claiming Social Security benefits to age 70.

Source:
Social Security
Administration, 2022

Year of birth	Full retirement age (FRA)	Age 62 benefit	FRA benefit	Age 70 benefit
1943–54	66	75.00%	100%	132.00%
1955	66 and 2 months	74.17%	100%	130.67%
1956	66 and 4 months	73.33%	100%	129.33%
1957	66 and 6 months	72.50%	100%	128.00%
1958	66 and 8 months	71.67%	100%	126.67%
1959	66 and 10 months	70.83%	100%	125.33%
1960 & later	67	70.00%	100%	124.00%

If you claim benefits at age 62, the amount you receive each month would be permanently reduced by 25 to 30 percent of the full retirement age amount, depending on the year you were born.

By electing to start retirement benefits at your full retirement age, you would be entitled to 100 percent of your primary insurance amount.

By waiting to claim past full retirement age, you earn delayed retirement credits. For each month you wait *after* reaching full retirement age, your monthly benefit would continue to increase by about 8 percent until you reach age 70, when you would be entitled to receive up to 132 percent of your primary insurance amount.

Note: If you're receiving Social Security retirement benefits, your unmarried children who are under age 18 (or up to age 19 if they are full-time students who have not graduated from high school) may be eligible to collect Social Security dependent benefits based on your earnings record.

