

UNDERSTANDING YOUR

Social Security Strategy



For Jane Doe

Important Notes

This report of your Social Security benefits is based on the information you provided. Its purpose is to help you frame your thoughts and become better informed before filing. It shows strategies and age combinations that you might not have considered. This report is not intended to provide an exact analysis, but it will help you determine the filing method and age you want to start your benefits. This report reflects the provisions and restrictions included in the Bipartisan Budget Act of 2015.

This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

A portion of your Social Security benefits may be taxable. Since other sources of retirement income can affect taxation of your benefits, proper income tax planning can only be done as part of a comprehensive retirement income plan. The actual income taxation of Social Security benefits will depend on the facts and circumstances at the time the benefits are received. Any illustration of the potential income taxation of Social Security benefits is an estimate.

If you have questions not covered in this report, your Social Security Administration office and its website (www.ssa.gov) are excellent sources of additional information.

IMPORTANT: The projections or other information generated in this report regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

This tool and support materials are designed to provide general information on the subjects covered. It is not intended to provide specific legal or tax advice. You should discuss all strategies with your legal, tax, and financial advisors.

Planning for Social Security Retirement Benefits

For some people, choosing the right time to file for Social Security retirement benefits appears to be straightforward. Some choose to take benefits at age 62, as soon as they become available. Some choose to take benefits at the same time they stop working. While others delay claiming benefits just to get a higher benefit payment. Unfortunately, it might not be that simple. Indeed, for many, the decision is more complicated.

Most people should ask, and get answers to, the following questions:

- At what age should I file for benefits?
- When does it make sense to claim a spousal benefit?
- How do I know which of the filing strategies might be right for me?
- If I live a long life, how does that affect my decision?

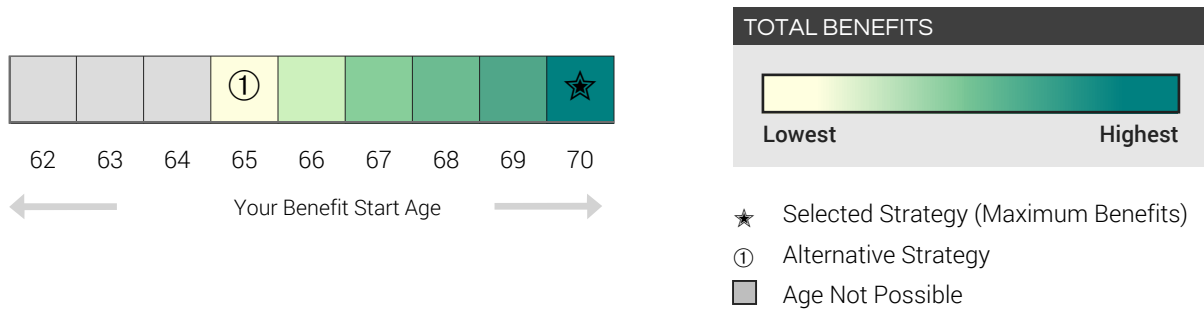
Clearly there can be a lot involved.

This report illustrates one or more Social Security retirement income planning strategies (start ages and filing method) that may help you reach your retirement income goals. Your Social Security benefits are shown before taxes in future dollars, assuming annual cost of living adjustments from today. The report is based on the information you provided below.

	JANE	EX-SPOUSE
Date of Birth	2/2/1955	10/11/1956
Full Retirement Age (FRA)	66 and 2 months	66 and 4 months
Monthly benefit at FRA ¹	\$2,958	\$2,200
If benefits start at 66	FRA	
Non-covered monthly pension	\$1,200	
Monthly benefit adjusted for non-covered pension	\$2,958	
Assume live to	89	
Rate of return for cumulative value of benefits		0%
Social Security cost of living adjustment		2.5%
Effective income tax rate		25%
Modified Adjusted Gross Income		\$0

¹ This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

Social Security Strategy



What Does This Mean?

The above grid shows possible start ages for filing for Social Security benefits. Totals are calculated for each start age. The star represents the age with the highest overall total.

The strategy selected and emphasized in this report starts benefits for you at age 70 (the start age that will provide maximum benefits over your projected lifetime). The difference shown below is how much less benefit would be received if an alternative start age is selected.

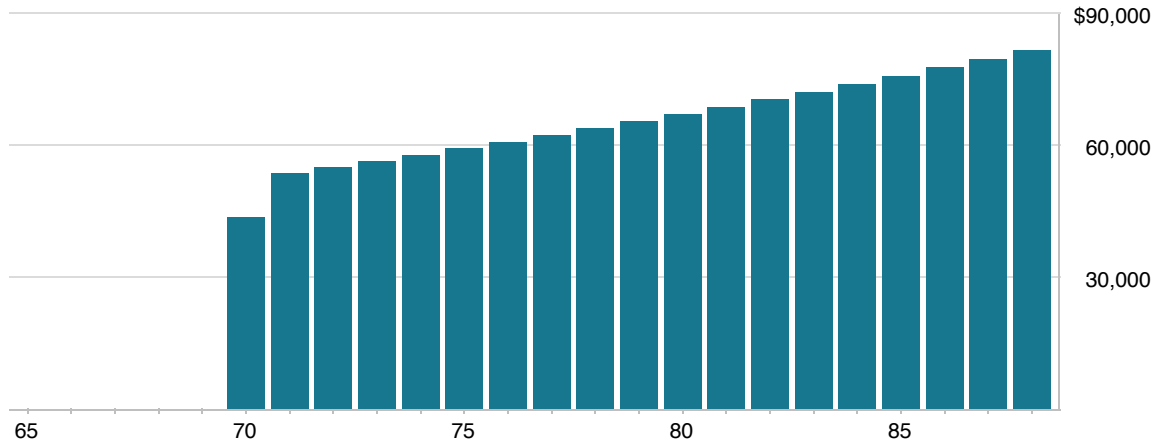
SELECTED START AGE	CUMULATIVE VALUE ¹	
★ Start at 70	\$1,247,870	
ALTERNATIVE START AGE	CUMULATIVE VALUE ¹	DIFFERENCE FROM SELECTED
① Start at 65	\$1,050,780	\$197,090 less

¹ Cumulative value calculated through 2043.

★ Selected Strategy (Maximum Benefits)

	JANE	EX-SPOUSE	CUMULATIVE VALUE OF BENEFITS
Current Age (at year end)	65		<h2>\$1,247,870</h2> <p>File for Benefits</p>
Monthly benefit at FRA ¹	\$2,958	\$2,200	
Assume live to	89		
Start benefits at age	70		

ANNUAL BENEFITS BY YEAR
Assumes 2.5% Cost of Living Adjustments



DATE	AGE ²	NEW MONTHLY BENEFITS	REASON
Mar 2025	70	\$4,373	Start own retirement benefits

¹ This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

² Age at end of year illustrated.

Annual Social Security Benefits

Assumes 2.5% Cost of Living Adjustment

Year	Age ¹	Retirement	Spousal	Annual Total	Cumulative
2020	65	0	0	0	0
2021	66	0	0	0	0
2022	67	0	0	0	0
2023	68	0	0	0	0
2024	69	0	0	0	0
2025	70	43,730	0	43,730	43,730
2026	71	53,784	0	53,784	97,514
2027	72	55,140	0	55,140	152,654
2028	73	56,508	0	56,508	209,162
2029	74	57,924	0	57,924	267,086
2030	75	59,376	0	59,376	326,462
2031	76	60,864	0	60,864	387,326
2032	77	62,376	0	62,376	449,702
2033	78	63,936	0	63,936	513,638
2034	79	65,532	0	65,532	579,170
2035	80	67,176	0	67,176	646,346
2036	81	68,856	0	68,856	715,202
2037	82	70,572	0	70,572	785,774
2038	83	72,336	0	72,336	858,110
2039	84	74,148	0	74,148	932,258
2040	85	76,008	0	76,008	1,008,266
2041	86	77,904	0	77,904	1,086,170
2042	87	79,848	0	79,848	1,166,018
2043	88	81,852	0	81,852	1,247,870

¹ Age at end of year illustrated.

Hypothetical Income Taxation

This illustration of the potential income taxation of Social Security benefits is an estimate. Social Security benefits are only one source of retirement income. Since other sources of retirement income can affect taxation of these benefits, proper income tax planning can only be done as part of a comprehensive retirement income plan. The actual income taxation of Social Security benefits will depend on the facts and circumstances at the time the benefits are received. Up to 85% of your Social Security benefits may be taxed.¹

Be sure to consider your retirement plan distributions. All distributions from IRAs and employer plans will be included in MAGI. Roth IRA distributions will not be included.

Assumes an effective income tax rate of 25%.

Hypothetical Income Taxes by Modified Adjusted Gross Income (MAGI)

YEAR	ANNUAL BENEFITS	MAGI \$0		MAGI \$25,000		MAGI \$50,000	
		INCOME TAX ON BENEFITS	AFTER-TAX BENEFITS	INCOME TAX ON BENEFITS	AFTER-TAX BENEFITS	INCOME TAX ON BENEFITS	AFTER-TAX BENEFITS
2025	\$43,730	\$0	\$43,730	\$3,859	\$39,871	\$9,171	\$34,559
2030	\$59,376	\$586	\$58,790	\$5,521	\$53,855	\$10,834	\$48,542
2035	\$67,176	\$1,074	\$66,102	\$6,350	\$60,826	\$11,662	\$55,514
2040	\$76,008	\$1,976	\$74,032	\$7,288	\$68,720	\$12,601	\$63,407
2043	\$81,852	\$2,597	\$79,255	\$7,909	\$73,943	\$13,222	\$68,630

¹ ssa.gov Retirement Benefits booklet January 2019. This percentage can be changed by Congress.

Action Plan

For Jane starting benefits at age 70.

✓	WHEN	ACTION	NOTES
<input type="checkbox"/>	November 2024	File for benefits.	Apply 3 months prior to birthday. Application may be made any time during this month.

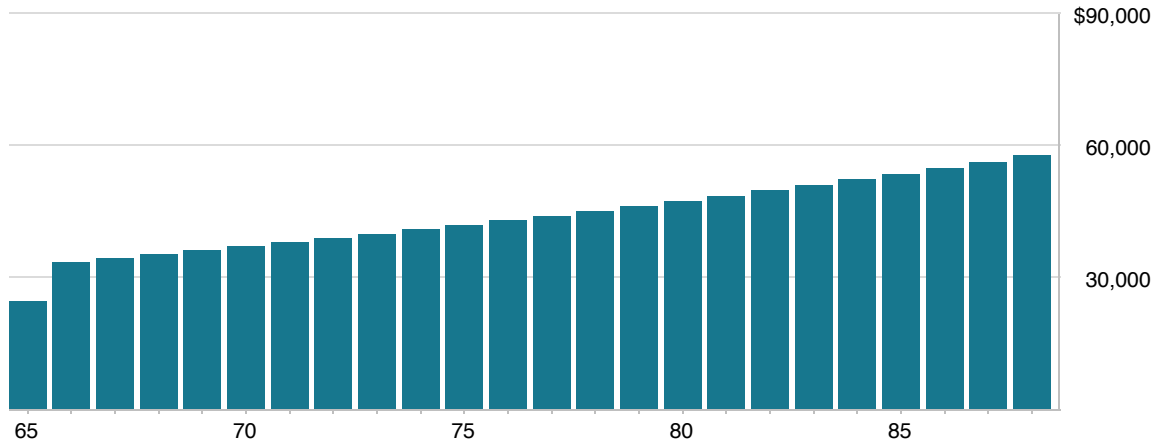
This schedule was prepared on March 11, 2020.

All items should be reviewed regularly and adjusted for any changes in Social Security rules, tax laws, or major life events.

① Alternative Strategy

	JANE	EX-SPOUSE	CUMULATIVE VALUE OF BENEFITS
Current Age (at year end)	65		<h2>\$1,050,780</h2> <p>File for Benefits</p>
Monthly benefit at FRA ¹	\$2,958	\$2,200	
Assume live to	89		
Start benefits at age	65		

ANNUAL BENEFITS BY YEAR
Assumes 2.5% Cost of Living Adjustments



DATE	AGE ²	NEW MONTHLY BENEFITS	REASON
Apr 2020	65	\$2,728	Start own retirement benefits

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² Age at end of year illustrated.

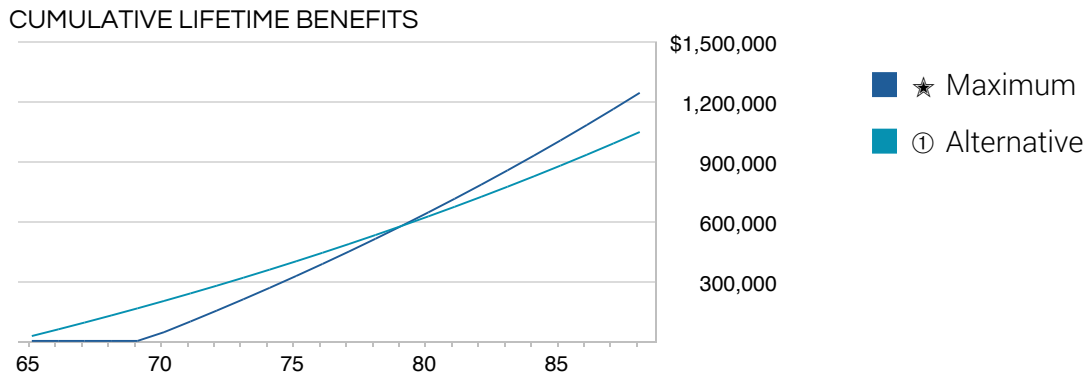
Annual Social Security Benefits

Assumes 2.5% Cost of Living Adjustment

Year	Age ¹	Retirement	Spousal	Annual Total	Cumulative
2020	65	24,552	0	24,552	24,552
2021	66	33,552	0	33,552	58,104
2022	67	34,392	0	34,392	92,496
2023	68	35,256	0	35,256	127,752
2024	69	36,132	0	36,132	163,884
2025	70	37,032	0	37,032	200,916
2026	71	37,968	0	37,968	238,884
2027	72	38,916	0	38,916	277,800
2028	73	39,888	0	39,888	317,688
2029	74	40,884	0	40,884	358,572
2030	75	41,904	0	41,904	400,476
2031	76	42,948	0	42,948	443,424
2032	77	44,028	0	44,028	487,452
2033	78	45,120	0	45,120	532,572
2034	79	46,248	0	46,248	578,820
2035	80	47,412	0	47,412	626,232
2036	81	48,600	0	48,600	674,832
2037	82	49,812	0	49,812	724,644
2038	83	51,060	0	51,060	775,704
2039	84	52,332	0	52,332	828,036
2040	85	53,640	0	53,640	881,676
2041	86	54,984	0	54,984	936,660
2042	87	56,352	0	56,352	993,012
2043	88	57,768	0	57,768	1,050,780

¹ Age at end of year illustrated.

Comparison of Strategies



Year	Age	ANNUAL BENEFIT		CUMULATIVE VALUE ¹	
		★ Maximum	① Alternative	★ Maximum	① Alternative
2020	65	0	24,552	0	24,552
2021	66	0	33,552	0	58,104
2022	67	0	34,392	0	92,496
2023	68	0	35,256	0	127,752
2024	69	0	36,132	0	163,884
2025	70	43,730	37,032	43,730	200,916
2026	71	53,784	37,968	97,514	238,884
2027	72	55,140	38,916	152,654	277,800
2028	73	56,508	39,888	209,162	317,688
2029	74	57,924	40,884	267,086	358,572
2030	75	59,376	41,904	326,462	400,476
2031	76	60,864	42,948	387,326	443,424
2032	77	62,376	44,028	449,702	487,452
2033	78	63,936	45,120	513,638	532,572
2034	79	65,532	46,248	579,170	578,820
2035	80	67,176	47,412	646,346	626,232
2036	81	68,856	48,600	715,202	674,832
2037	82	70,572	49,812	785,774	724,644
2038	83	72,336	51,060	858,110	775,704
2039	84	74,148	52,332	932,258	828,036
2040	85	76,008	53,640	1,008,266	881,676
2041	86	77,904	54,984	1,086,170	936,660
2042	87	79,848	56,352	1,166,018	993,012
2043	88	81,852	57,768	1,247,870	1,050,780

¹ Cumulative value calculated through 2043.

Summary

SELECTED START AGE	CUMULATIVE VALUE ¹	
★ Start at 70	\$1,247,870	
ALTERNATIVE START AGE	CUMULATIVE VALUE ¹	DIFFERENCE FROM SELECTED
① Start at 65	\$1,050,780	\$197,090 less

¹ Cumulative value calculated through 2043.

Definitions and Additional Information

Full retirement age

Full retirement age (FRA) is the age at which a person may first become entitled to full or unreduced Social Security benefits. If your birthday is on January 1, the previous year's FRA will determine your full retirement age.

YEAR OF BIRTH	FULL RETIREMENT AGE
1943 through 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 and later	67

Reductions for retirement before full retirement age

You may start Social Security retirement benefits as early as age 62; however, each month prior to FRA will result in a reduction in your benefits. This reduction ranges from 25% for those with a FRA of 66 to 30% for FRA of 67. The formula is 5/9 of 1% per month up to 36 months, plus 5/12 of 1% per month exceeding 36.

Delayed retirement credits for retirement after full retirement age

If you choose to delay starting Social Security benefits, you will receive an increase in your benefit amount of 8% per year up to age 70. After age 70 there are no further credits for delaying benefits. The credit is 2/3 of 1% for each month beyond FRA.

Monthly benefit at full retirement age

You can find your monthly benefit at full retirement age on your annual Social Security statement or from the on-line statement. The amount used in this report is the monthly value in today's dollars. This report automatically applies cost of living adjustments for you. This monthly benefit amount is also known as Primary Insurance Amount or PIA.

Spousal and family benefits

If you are receiving Social Security retirement benefits, your spouse and children may also qualify to receive benefits on your record. Your spouse or child may receive a monthly payment of up to one-half of your full retirement benefit amount, subject to a family maximum of approximately 150-180% of your full retirement payment. These payments will not reduce your retirement benefit. If there is more than one beneficiary, the payments are prorated among your family members eligible for benefits. However, if you suspend your benefits, all benefits based on your earnings will also be suspended. Individuals age 62 or younger in 2016 do not have this option.

Survivor benefits

Social Security provides survivor benefits for your family. If you die and your children are under 18, they are eligible for survivor benefits. In addition, your spouse qualifies for survivor benefits if age 60 or greater or caring for your children under age 16. Your spouse's survivor benefits when not caring for children under 16 will be reduced if benefits start prior to your spouse's full retirement age.

Family benefits

This report does not consider Social Security survivor or retirement payments available for children, which may increase the total benefits your family may receive.

Disability benefits

This report does not consider disability payments that you or your family may be eligible to receive.

Pensions based on earnings not covered by Social Security

If you receive a pension for work not covered by Social Security, your monthly retirement or survivors' benefit may be reduced.

Government Pension Offset (GPO)

This provision affects only individuals who have earned a pension from work not covered by Social Security. Two-thirds of the monthly non-covered pension amount may reduce any spousal benefits you are otherwise entitled. GPO does not reduce any benefits based on your work record covered by Social Security.

Windfall Elimination Provision (WEP)

Your Social Security benefits may be reduced if you are entitled to a monthly pension from work not covered by Social Security and also qualify for Social Security retirement benefits. The years and earnings covered by Social Security determine the reduction, if any.

Each year worked up to starting retirement may affect benefits. The Social Security Administration does not include this reduction on your annual statement. It is calculated when you file for benefits. For 2020, this reduction is limited to the lesser of \$480 or one-half of your non-covered monthly pension.¹

Marital status

Married: Currently married under federal definition of marriage. Applicable spousal benefits and survivor benefits have been included.

Widowed: Currently not married under federal definition of marriage. Survivor benefits have been considered throughout the tool.

Divorced: If you were married for at least 10 years before divorce. You may receive spousal benefits based on an ex-spouse's benefit. It does not have to be the most recent ex-spouse, but your marriage must have lasted ten years. Claiming this benefit will in no way affect your ex-spouses benefits. Anyone born after January 1, 1954 will be deemed to file for both their benefits and any spousal benefits at the same time and receive the higher of the two amounts. They will no longer be able to claim spousal benefits only.

Single: Currently not married under federal definition of marriage (or were married for less than 10 years before divorce). Benefits will only consider your earning record.

¹ Source: <https://www.ssa.gov/planners/retire/wep-chart.html>

File for benefits

You file for all eligible benefits. You must file for all benefits to which you may be eligible, including your own benefit as well as any spousal benefit if one exists. Benefits will be reduced for each month prior to FRA.

File and suspend

Once you have reached FRA, you file your application for benefits and immediately suspend payments until a later date. This allows you to delay benefits up to age 70 to earn delayed retirement credits to increase monthly payments. If you suspend after April 29, 2016, any benefits based on your earnings will also be suspended.

File a restricted application

For individuals born on or before January 1, 1954, once you have reached FRA, you file a restricted application for spousal benefits. This allows you to begin spousal benefits while earning delayed retirement credits. Your spouse must have filed for benefits for you to receive spousal benefits. You apply for your own benefits at a later date and receive increased monthly payments.

Options to change your selection

Within 12 months of starting benefits if you change your mind, you may withdraw your claim and reapply. If approved, you must repay all benefits paid. This is only allowed once.

If you are already receiving benefits, you may suspend current or future payments up to age 70. The suspended payments will automatically resume at age 70, unless you request them sooner.

Voluntary Reinstatement of Benefits

Due to the 2015 Budget Bill Act, retroactive (lump sum) benefits are no longer payable. Reinstating a suspended benefit will only pay an adjusted monthly benefit (including delayed retirement credits).

Precaution if benefits are suspended

If you are enrolled in Medicare Part B, premiums cannot be deducted from suspended payments. You will need to pay them directly or have them automatically paid by your bank.

Cost of living adjustment

Historically prices have risen over time. Social Security Administration reviews the cost of living each year and adjusts benefits accordingly. The 30-year average annual adjustment is 2.5%.

Social Security Administration determines if a cost of living adjustment is made, and if so, how much. Typically, benefits have increased by 2.5% to 3.0% in the past. Using 0% will show basic benefits without any adjustments for inflation. More information can be found at www.socialsecurity.gov/cola.

Break-even

Break-even is the age when total Social Security income from two different filing strategies is the same. Break-even analysis is one way to decide which of two strategies maybe be the best choice for an individual or a couple. In addition, rate of return, income tax rates and cost of living increases may affect the break-even age.

What if you work during retirement?

You may work while receiving Social Security benefits and working may mean higher future benefits. However, while working your benefits may be reduced until you reach full retirement age. After full retirement age, the Social Security Administration will recalculate your benefits considering months when benefits were reduced or withheld due to excess earnings. In any year when earnings are higher than a prior year in your earnings record, the higher year will be used to recalculate your PIA and your payment amount.

The excess earnings limit in 2020 is \$18,240. A formula determines the amount benefits will be reduced based on your age. If you are under full retirement age for the entire year, benefits will be reduced \$1 for every \$2 earned above the limit. In the year you attain full retirement age, the deduction will be \$1 for every \$3 over \$48,600 (2020). Starting with the month you reach full retirement age, there is no longer a reduction in benefits or a limit to the amount you may earn.

If Social Security Administration is notified in advance of your anticipated monthly earnings, they will adjust your payments accordingly. If Social Security Administration learns of the excess earnings later, they withhold all future payments until excess benefits are recovered.

Modified Adjusted Gross Income (MAGI)

MAGI is generally defined as all of your taxable income, plus certain net foreign income, minus allowed deductions. MAGI may include income such as taxable pensions, wages, interest, dividends, and other taxable income plus tax-exempt interest income (such as interest on municipal bonds) and any exclusion from income, such as interest from US savings bonds. See Internal Revenue Code Section 86b(2) or Internal Revenue Service Publication 915 for more information.

Be sure to consider your retirement plan distributions. Generally, all distributions from IRAs and employer plans will be included in MAGI. Roth IRA distributions will not be included.

Effective tax rate

The effective income tax rate is the average rate at which income is taxed. It takes into account the deductions and credits used to compute income taxes. It is total income taxes divided by total income, and is less than the "tax bracket" or marginal rate.

How are Social Security benefits taxed?

About one out of three people who get Social Security have to pay income taxes on their benefits. Combined income is the sum of your MAGI plus nontaxable interest plus half of your Social Security benefits.

- If you are married and file a joint return, up to 50% of your benefits may be taxable if you and your spouse have a combined income that is between \$32,000 and \$44,000. If your combined income is more than \$44,000, up to 85% of your Social Security benefits is subject to income tax.
- If you are married and file a separate return, you may pay taxes on your benefits.
- If you are single and your combined income is between \$25,000 and \$34,000, you may have to pay taxes on up to 50% of your Social Security benefits. If your combined income is more than \$34,000, up to 85% of your Social Security benefits is subject to income tax.
- No more than 85% of your total benefits is taxable.¹

For more information

Your Social Security Administration office is an excellent source for questions about your benefits. The website (www.ssa.gov) is extremely helpful. This report should help you frame your thoughts before filing. It shows strategies that you may not have considered. It helps reduce guessing or rules-of-thumb by calculating almost all possible combinations and illustrating the largest benefit.

¹ ssa.gov Retirement Benefits booklet January 2019

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