

Social Security

“Keys” to Maximizing Your Million Dollar Benefit

By James P. Ruth



The key that unlocks the door to maximizing SS benefits is in **your** pocket. You have to do the homework yourself or with the help of a financial advisor. Most financial advisors are equipped to help you determine the best option for your situation. They often have sophisticated software that can take your whole financial life into consideration, including your personal goals and objectives.

Personal Bias: I'm a retired Certified Financial Planner (CFP). I believe a good financial advisor is not an expense to your pocketbook but rather a profit enhancer for your personal long-term retirement plan.

Your Million Dollar Asset

The chart below is designed to show that SS is indeed a Million Dollar retirement asset. It illustrates a married couple receiving various levels of combined monthly SS benefits without a COLA (monthly income X 12 months X years in retirement). All couples inside the **bold** line border have over one million dollars of benefits. However, if you factor COLAs into the calculations, based on the average over the last 15 years (about 2%), it boosts all the numbers indicated in yellow to over \$1,000,000.

Married Couple: Combined SS Income	15 Year Retirement	20 Year Retirement	25 Year Retirement	30 Year Retirement
\$3,000 Monthly \$36,000 Annually	\$540,000 (\$729,000*)	\$720,000	\$900,000	\$1,080,000
\$3,500 Monthly \$42,000 Annually	\$630,000 (\$850,500*)	\$840,000	\$1,050,000	\$1,260,000
\$4,000 Monthly \$48,000 Annually	\$720,000 (\$972,000*)	\$960,000	\$1,200,000	\$1,440,000
\$4,500 Monthly \$54,000 Annually	\$810,000	\$1,080,000	\$1,350,000	\$1,620,000
\$5,000 Monthly \$60,000 Annually	\$900,000	\$1,200,000	\$1,500,000	\$1,800,000

* Total increased benefits with a 2% COLA.

Optimization Strategies

Listed below are several SS optimization strategies for married couples and singles. These are the trigger ages to receive the largest total benefit from SS based on certain assumptions which may or may not play out. The most important assumption is this: How long will you live, or if married, how long will you and your spouse live? Various mortality assumptions have been made for *Short*, *Normal* and *Long* life expectancies in the charts as noted.

The sources of information in the charts below are from reports produced by Social Security Choices and Blackrock as noted. They are just two of many software providers who produce reasonably priced or free reports for consumers. I receive no direct or indirect compensation from either.

Married Couples – Male/Female

(Source: Social Security Choices.com)

Current Ages illustrating Future Age 66 (FRA) Monthly Income	Normal Life Expectancy Optimization with Trigger Ages & Income	Long Life Expectancy Optimization with Trigger Ages & Income	One Normal & One Long Optimization with Trigger Ages & Income
60 M - \$2,500 55 F - \$1,500	70 - \$3,266 62 - \$1,050	70 - \$3,266 66 - \$1,400	70 - \$3,266 62 - \$1,050
60 M - \$2,500 60 F - \$1,500	68 - \$2,866 65 - \$1,383	70 - \$3,266 69 - \$1,839	70 - \$3,266 65 - \$1,383
Life Expectancy Assumptions: <u>Normal</u> = Ages 82 M & 86 F; <u>Long</u> = Ages 88 M & 92 F; <u>One Normal/One Long</u> = Ages 82 M & 92 F			

Married Couples – Same Sex

(Source: Blackrock.com)

Current Ages illustrating Future Age 66 (FRA) Monthly Income	Normal Life Expectancy Optimization with Trigger Ages & Income	Long Life Expectancy Optimization with Trigger Ages & Income	One Normal & One Long Optimization with Trigger Ages & Income
60 M or F \$2,500 55 M or F \$1,500	Considering the average of all three life expectancy scenarios indicated above, the optimum strategy is as follows: <u>Lower Earner:</u> Starts at age 66 <u>Higher Earner:</u> Starts at age 70		
60 M or F \$2,500 60 M or F \$1,500	Considering the average of all three life expectancy scenarios indicated above, the optimum strategy is as follows: <u>Lower Earner:</u> Starts at age 70 <u>Higher Earner:</u> Starts at age 70		
Life Expectancy Assumptions: <u>Normal</u> = Age 82; <u>Long</u> = Age 88; <u>One Normal/One Long</u> = Ages 82 & 88			

Singles

(Source: Social Security Choices.com)

Current Ages illustrating Future Age 66 (FRA) Monthly Income	Short Life Expectancy Optimization with Trigger Ages & Income	Normal Life Expectancy Optimization with Trigger Ages & Income	Long Life Expectancy Optimization with Trigger Ages & Income
55 F - \$2,500	62 - \$1,750	69 - \$2,900	70 - \$3,100
55 M - \$2,500	62 - \$1,750	66 - \$2,333	69 - \$2,900
Life Expectancy Assumptions: <u>Short</u> = Ages 75 M, 78 F; <u>Normal</u> = Ages 82 M, 86 F; <u>Long</u> = Ages 88 M, 92 F			

Government Pension Offset (GPO)

GPO adjusts SS **spousal or widow(er) benefits** for people who receive “non-covered pensions.” A non-covered pension is one that is paid by an employer that does not withhold SS taxes from your salary – usually state and local governments or non-U.S. employers. Just click on the hyperlink below for a great **one pager** explanation.
<https://www.ssa.gov/retirementpolicy/program/government-pension-offset.html>

Windfall Elimination Provision (WEP)

WEP is a formula used to **adjust SS worker benefits** for people who receive “non-covered pensions” **and** qualify for SS benefits based on other SS-covered earnings. A non-covered pension is a pension paid by an employer that does not withhold SS taxes from your salary – usually state and local governments or non-U.S. employers. Just click on the hyperlink below for a great **one pager** explanation.
<https://www.ssa.gov/retirementpolicy/program/windfall-elimination-provision.html>

Taxation of Social Security Benefits

The taxation of SS benefits is pretty straight forward. Based on your income tax filing status (form 1040), SS income is either tax free, 50% taxable or 85% taxable as indicated in the chart below.

Filing Status (Form 1040)	Tax Free	50% Taxable	85% Taxable
	Taxable Income		
Single	Less than \$25,000	\$25,000 to \$34,000	\$34,000 +
Married Filing Jointly	Less than \$32,000	\$32,000 to \$44,000	\$44,000 +

Sources of Social Security Information

Source	Description	Contact Information
Social Security Administration	THE Authority on SS. Not as user friendly as they think it is or as it should be, BUT if you're willing to dig, it's all there.	ssa.gov/planners/calculators/
Center for Retirement Research at Boston College	Great site dedicated to research and information on retirement policy issues. They have an excellent <i>Social Security Claiming Guide</i> and many other features.	crr.bc.edu
Social Security Optimization Software & Reports	Blackrock: Excellent optimization report w/o charge through your financial advisor or online if you own one of their mutual funds. Social Security Choices: Excellent comprehensive optimization report for \$39.99.	Blackrock.com socialsecuritychoices.com

<i>Congressional Budget Office</i>	Projects Social Security's finances and analyzes various solvency projections.	cbo.gov/topics/Social-Security
<i>AARPs Public Policy Institute</i>	A great source of retirement and other public policy information including Social Security.	aarp.org/ppi
<i>SS Trustees Annual Report</i>	This is the Annual Report of the Board of Trustees of SS. It has an excellent <i>Conclusion</i> (Summary page) that cuts to the chase as to long term funding and benefit payment sustainability.	ssa.gov/oact/tr/2019

Stop! Before You Flip the SS Switch



There are numerous factors to consider before actually triggering SS benefits. Each one could tilt you in a different direction. Here are some questions to ponder before you flip the switch to turn on your guaranteed, cost-of-living-adjusted, lifetime monthly income:

- When will you need the money (now or later)?
- What's your marital status?
- Is there a significant age difference between you and your spouse?
- Will you work during retirement?
- Are you or have you been divorced?
- Is there a significant earnings difference between you and your spouse?
- What's the health status of you and your spouse?
- What's your family longevity history?
- How large is your retirement nest egg?

All information in this report is believed to be accurate and up-to-date. However, it was produced for discussion purposes only for consultation with your financial advisor, the Social Security Administration or other professionals familiar with your individual circumstances.

Published in the **Saltwater Geezer's Baby Boomer Guide to Retirement**. Just click on: www.GuideToRetirementInLSD.com for ideas and strategies to supercharge your retirement income to the max and follow your dreams.