

STRATEGIC PLANNING FOR SOCIAL SECURITY BENEFITS

A brief history of Social Security

Social Security was created in 1935 and originally designed only to protect retired workers from poverty. Today, Social Security also includes benefits for disabled individuals and surviving spouses. Currently, 70 million people receive some form of benefit from Social Security.

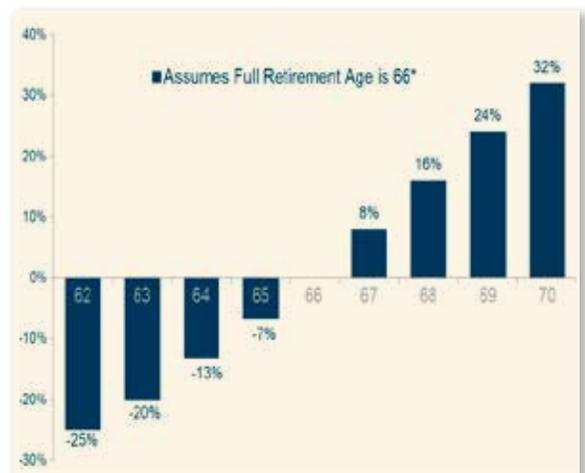
Your decision is a personal one

Would it be better for you to start getting benefits earlier with a smaller monthly amount or defer benefits for a larger monthly payment down the road? The answer is personal and depends on many factors, such as your current cash needs, health, marital status, dependents, assets, and family longevity. Also, consider if you plan to work in retirement, if you have other sources of retirement income, and your future financial needs and obligations.

Your monthly retirement benefit will be higher if you delay starting it

Your full retirement age varies based on the year you were born. You can find your full retirement age at ssa.gov/planners/retire/retirechart.html. The actual amount you receive each month depends on when you start receiving benefits. You can start your retirement benefit at any point from age 62 up until age 70, and your benefit will be higher the longer you delay starting it. This adjustment is usually permanent: it sets the base for the benefits you'll get for the rest of your life. You will receive annual cost-of-living adjustments and, depending on your work history, may receive higher benefits if you continue to work.

The following chart illustrates how your monthly benefit increases or decreases depending on whether you start receiving benefits before or after full retirement age. If you were born in 1954, your full retirement age is 66. If you start getting benefits at age 62, your monthly benefit will be reduced by 25%. This decrease is usually permanent.



Your payment would be about **\$1,188 a month** at full retirement age

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Your Social Security Statement

Your Social Security Statement shows how much you have paid in Social Security and Medicare taxes. It explains about how much you would get in Social Security benefits when you reach full retirement age. If you become disabled and unable to work, you may be eligible for disability benefits. In addition, if the family members who depend on you outlive you, they may be eligible for survivor benefits.

Take a look at your earnings. Your earnings determine how much you get in benefits. If you find an error, please let us know right away.

Social Security benefits are not intended to be your only income source when you retire. On average, Social Security will replace about 40 percent of your annual pre-retirement earnings. You will need other savings, investments, pensions, or retirement accounts to live comfortably. Use this Statement as a tool for planning your financial future.

To see your Statement online anytime, create a **my Social Security** account at myaccount.socialsecurity.gov.

Social Security Administration

To view your Social Security Statement online anytime create a **my Social Security** account today!

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For representational purposes only

If you choose to delay benefits until age 70, you would increase your monthly benefit by 32%. This increase is the result of delayed retirement credits you earn for your decision to postpone receiving benefits past your full retirement age. Here are some additional strategies to consider:

- Spousal Claiming Strategies & “Restricted Applications”
- Divorced or Widowed Claiming Strategies
- Dependent Benefits

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Retirement may be longer than you think

When thinking about retirement, be sure to plan for the long term. Many of us will live much longer than the “average” retiree, and most women live longer than men. About one out of every three 65-year-olds today will live until at least age 90, and one out of seven will live until at least age 95. Social Security benefits, which will last as long as you live, provide valuable protection against outliving savings and other sources of retirement income. Again, you’ll want to choose a retirement age based on your circumstances and overall retirement plan so you’ll have enough Social Security income to complement your other sources of retirement income.

Married couples have two lives to plan for

Your spouse may be eligible for a benefit based on your work record, and it’s important to consider Social Security protection for widowed spouses. Married couples at age 65 today typically have at least a 50-50 chance that one member of the couple will live beyond age 90. If you are the higher earner, and you delay starting your retirement benefit, it will result in higher monthly benefits for the rest of your life and higher survivor protection for your spouse, if you die first.

When you are receiving retirement benefits, your children can also be eligible for a benefit on your work record if they’re under age 18 (or between age 18 and 19 and a full-time student in grade 12 or below), or if they have a disability that began before age 22.

You can keep working

When you reach your full retirement age, you can work and earn as much as you want and still get your full Social Security benefit payment. If you’re younger than full retirement age and if your earnings exceed certain dollar amounts, some of your benefit payments during the year will be withheld.

This doesn’t mean you must try to limit your earnings. If some of your benefits are reduced because you continue to work, Social Security will pay you a higher monthly benefit when you reach your full retirement age. Earning more than the exempt amount won’t, on average, decrease the total value of your lifetime benefits. When you reach full retirement age, Social Security will recalculate your benefit to give you credit for months you didn’t get a benefit because of your earnings. You can find more information about working after retirement ssa.gov/planners/retire/whileworking.html.

Don’t forget Medicare

If you plan to delay receiving benefits because you’re working, you’ll still need to sign up for Medicare three months before reaching age 65. If you don’t enroll in Medicare medical insurance or prescription drug coverage when you’re first eligible, it can be delayed, and you may have to pay a late enrollment penalty for as long as you have coverage.

Planning for Social Security

Planning for when to claim Social Security benefits needs to be coordinated with your overall retirement plan. When to claim benefits should include considerations such as marital status, dependents, assets for retirement, other sources of income, longevity and your personal situation. Younger individuals may want to plan for reduced or no Social Security benefits based on the estimated depletion of the Social Security trust fund around 2035 in the most recent Social Security Trustees Report. The rules and options available for when and how to claim Social Security can be very complicated. Feel free to reach out to us with questions at spcfinancial.com or 301-770-6800.



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