SOCIAL SECURITY SOLUTIONS
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You Can Still Get More for Your Clients

Social Security is still complicated, and clients are still expecting expert advice from you. Are you prepared?

Since the Balanced Budget Act of 2015 ushered in changes to Social Security rules, you may have heard the changes should make Social Security planning simpler. It's actually quite the opposite. While the changes have removed the ability to use the popular "file and suspend" claiming strategy, the complexity of Social Security claiming hasn't lessened at all. In fact, for at least the coming years, it will be even more complicated to recommend an optimal strategy to your clients.

These "new" rules for Social Security are actually just recycled from pre-2000, before the Senior Citizens' Right to Work Act of 2000. That legislation created the possibilities to both file and suspend and file a restricted application. For most Americans, this meant the opportunity to collect additional benefits.

Though these new rules have quashed file and suspend in the way that we've come to use it, there remain as many as 10,000 distinct claiming strategies! This makes recommending an optimal strategy complicated and requires careful analysis and comparison. Your clients still expect you to provide expert advice on their claiming options and they'll want to view and discuss the tradeoffs of various claiming strategies.

So what's changed with the new rules?

1. We've already discussed the end of file and suspend. Keep in mind that "voluntary suspension" did not end, and there remain creative ways clients can use this strate-gy to increase benefits.
2. The option to file a restricted application is being phased out. It didn't end abruptly. That means that for the next eight years, you'll have some clients who can still use the option of restricting benefits as part of an optimal strategy.
3. Life expectancy has become a driving factor in choosing an optimal strategy. Overall, the new rules shift the breakeven age for couples into the future compared to the old rules,

which means being able to illustrate the tradeoffs between strategies based on mortality will be critical.

In this document, we'll use case studies to illustrate the now emphasized importance of life expectancy in the claiming decision. Additionally, we'll discuss the other looming complexities of Social Security and crafting optimal strategies.

HOW LIFE EXPECTANCY MATTERS

Let's look at a case study about the importance of life expectancy in planning for Social Security benefits.

Ben and Kathy are both aged 61. Ben is planning to stop working at his full retirement age of 66. Kathy has not worked

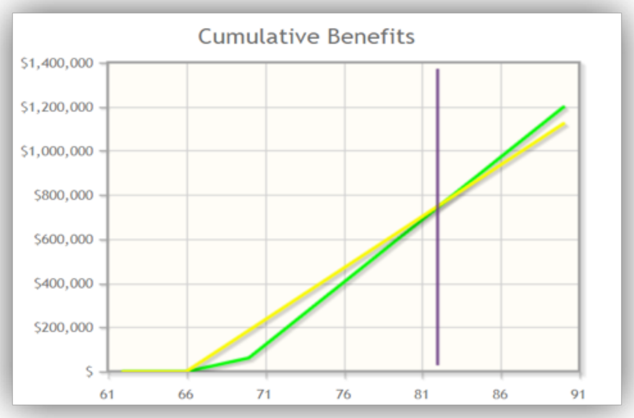

Figure 1 - Ben & Kathy

outside the home enough years to qualify for Social Security benefits on her own record. They are trying to decide whether to begin benefits at 66 or to withdraw from savings to live while postponing Social Security until each is age 70.

If Ben and Kathy had been born a few years earlier and were able to take advantage of the old rules for claiming benefits, the breakeven age for starting benefits at either 66 or 70 was 82 years, 11 months, as shown in Figure 1. Be-cause Ben and Kathy both come from long-lived families and believe they could live to age 90, a breakeven of just under 83 years seemed fine to them.

However, the new rules change the situation

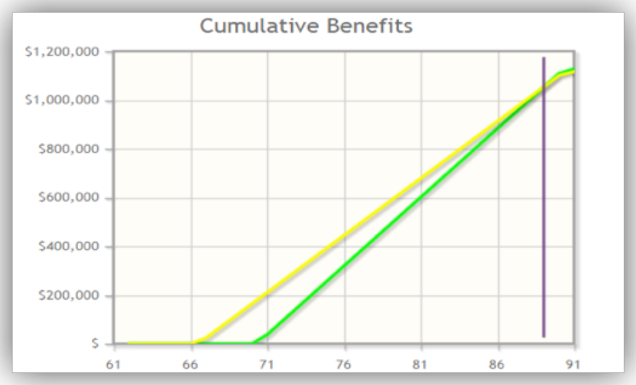

Figure 2- Ben & Kathy

for Ben and Kathy. Figure 2 shows that their new optimal strate-gy has a breakeven age of 89 years, 7 months – much later than 82 years, 11 months! Because the total cumulative difference between the two strategies – beginning benefits at age 66 or at 70 – is only about $12,000, Ben and Kathy may decide that it's not worth waiting until age 70 for benefits.

It becomes clear that for many clients the breakeven age between strategies will shift to a later age. Life expectancy, as demonstrated for Ben and Kathy in Figure 3, will become a critical factor in the decision about when to begin benefits. The consequence is that the ways we've thought about the "best" claiming strategy in recent years are no longer applicable in many cases. The "best" strategy is not immediately clear.

Figure 3- Ben & Kathy

THE SOCIAL SECURITY ZONE™

Let's look at another couple with a very different scenario.

Greg and Kim are getting ready to retire. They want to maximize their Social Security cumulative lifetime benefits. They believe that they will live into their mid- to late-80s: Greg until 85 and Kathy until 88.

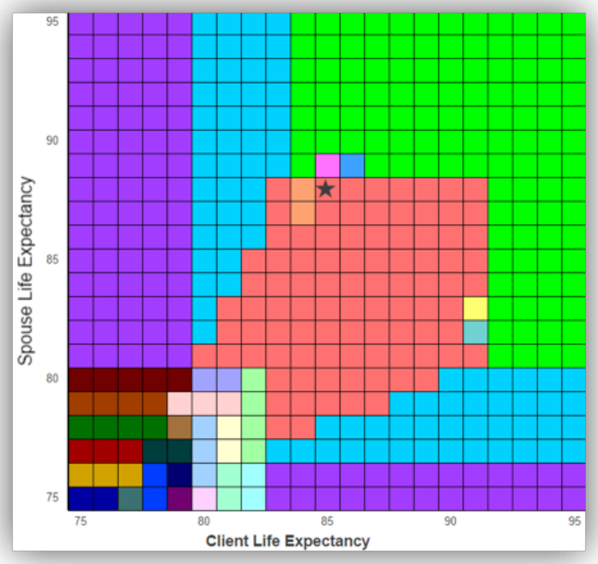

Figure 4- Greg & Kim

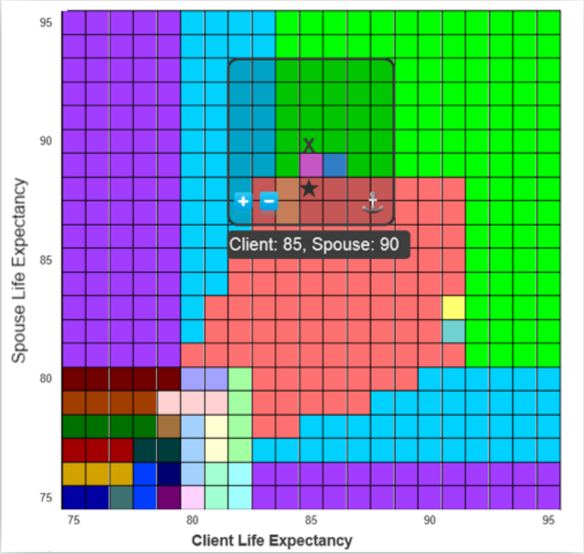

Figure 5- Greg & Kim

In order to maximize their payout, Greg will wait to file for his benefits until he is aged 68 and 6 months – when Kim reaches her full retirement age. Greg's birthdate did not qualify him to use the old file and suspend strategy at his full retirement age. However, Kim is able to use the "restricted application" option since it is being phased out over time. So at her full retirement age, Kim will claim only spousal benefits and switch to her own benefit at age 70.

In Figure 4 below, our patented Social Security Zone™ illustrates the claiming strategy that provides maximum cumulative lifetime benefits for every potential strategy. Said another way, each color, or "zone," in the chart represents a distinct claiming strategy. The star represents the projected life expectancy of 85 for Greg and 88 for Kim.

Greg and Kim's maximizing strategy detailed above is represented by the large pink or salmon area. As long as Greg and Kim pass away at a life expectancy combination represented by a pink square, that strategy will provide the most in cumulative lifetime benefits.

But what if Greg dies one year earlier? Of if Kim lives one year more? As you can see in Figure 4, the color of the square would change – meaning another strategy would be optimal.

Take a look at Figure 5. To illustrate the concept, we've placed a shaded area over the graph. There is now an "X" in a green box demonstrating the change in strategy should Kim live two years longer. It's im-portant for Greg and Kim to consider the strategy represented in green because it becomes optimal should either of them live longer – in Kim's case, only a couple of years longer.

THE COMPLEXITY OF HOUSEHOLD FACTORS

Retiring with Minor Children

While most of your clients envision approaching retirement like Ben and Kathy or Greg and Kim, the reality is that many will have additional household factors that complicate the Social Security claiming decision.

For example, let's look at Richard and Barb who recently adopted their niece. Richard and Barb are approaching retirement and want to know how their benefits will be impacted with a minor child.

Richard and Barb know that their daughter is eligible to collect child's benefits as long as she is in high school, and Barb can collect a child-in-care benefit until the child is 16. Their thinking is to go ahead and begin benefits as soon as possible in order to collect the child's and child-in-care benefits for as long as possible. That makes sense, right?

But when Richard and Barb actually run their numbers, they see a very different picture. Figure 6 clearly shows that waiting until later to begin benefits increases their cumulative lifetime benefits by over $104,000! While it seems counterintuitive, it's true that they are far better off to wait to claim benefits.

Client with a Non-Covered Pension

About 2 percent of consumers have worked in jobs where their employers paid into a pension fund and did not contribute to Social Security. These pensions are known as "non-covered" because they aren't covered by Social Security. The result is a reduced Social Security benefit, and the claiming strategies for those with non-covered pensions are fraught with rules to follow.

Tom will receive a non-covered pension as a result of his employment with the fire department. Tom has a few years of work in jobs where Social Security taxes were paid on his behalf

Strategies: Primary | Early | Manage Strategies | Print Strategy Comparison Table

Year	Client Age (at end of year)	Spouse Age (at end of year)	Primary		Early		Difference
			Client	Spouse	Client	Spouse	
2016	65 yrs and 8 mnths	57 yrs and 8 mnths			2,437	979	-39,560
2017	66 yrs and 8 mnths	58 yrs and 8 mnths			2,437	979	-92,306
2018	67 yrs and 8 mnths	59 yrs and 8 mnths			2,437	979	-145,052
2019	68 yrs and 8 mnths	60 yrs and 8 mnths			2,437	979	-197,798
2020	69 yrs and 8 mnths	61 yrs and 8 mnths			2,437	979	-250,544
2021	70 yrs and 8 mnths	62 yrs and 8 mnths	3,447	979	2,437	910	-256,697
2022	71 yrs and 8 mnths	63 yrs and 8 mnths	3,447	979	2,437	910	-247,662
2023	72 yrs and 8 mnths	64 yrs and 8 mnths	3,447	979	2,437	910	-238,628
2035	84 yrs and 8 mnths	76 yrs and 8 mnths	3,447	1,220	2,437	910	-56,578
2036	85 yrs and 8 mnths	77 yrs and 8 mnths	3,447	3,447	2,437	2,437	-43,533
2037	86 yrs and 8 mnths	78 yrs and 8 mnths		3,447		2,437	-31,418
2038	87 yrs and 8 mnths	79 yrs and 8 mnths		3,447		2,437	-19,303
2039	88 yrs and 8 mnths	80 yrs and 8 mnths		3,447		2,437	-7,188
2047	96 yrs and 8 mnths	88 yrs and 8 mnths		3,447		2,437	89,734
2048	97 yrs and 8 mnths	89 yrs and 8 mnths		3,447		2,437	101,850
2049	98 yrs and 1 mnths	90 yrs and 1 mnths		3,447		2,437	104,879

Figure 6- Richard & Barb   *Note: The "Difference" column includes the child's and child-in-care benefits that are not shown in the table for spacing reasons.*

by his employer, but he knows a rule called the Windfall Elimination Provision will reduce his Social Security benefits – but not until he actually begins to receive the pension.

Tom's wife Diane does not have a non-covered pension. Tom and Diane believe their best strategy is for both of them to begin his benefits right away in order to collect as much as possible before Tom starts his pension at age 70. But look at Figure 7.

While each of them beginning benefits now does provide substantial income until Tom's pension begins, doing so results in almost $175,000 less in cumulative lifetime benefits than the optimal strategy. Further, the survivor benefit for Diane is $1,318 more every month for the remainder of Diane's life with the recommended strategy!

Other Household Factors Impacting Strategies

While we've clearly shown how having children at retirement or a non-covered pension can impact benefits, there are additional household factors that can add layers of complexity to the Social Security planning process. Such factors include:

- Widow/widower benefits
- Divorcees

Strategies: Primary | Start Before Pension | Manage Strategies | Print Strategy Comparison Table

Year	Client Age (at end of year)	Spouse Age (at end of year)	Primary		Start Before Pension		Difference
			Client	Spouse	Client	Spouse	
2016	64 yrs and 9 mnths	63 yrs and 1 mnths			1,221	1,850	-27,640
2017	65 yrs and 9 mnths	64 yrs and 1 mnths			1,221	1,850	-64,493
2018	66 yrs and 9 mnths	65 yrs and 1 mnths	1,400		1,221	1,850	-87,346
2019	67 yrs and 9 mnths	66 yrs and 1 mnths	1,400	700	1,221	1,850	-105,999
2020	68 yrs and 9 mnths	67 yrs and 1 mnths	1,000	500	872	1,850	-120,666
2021	69 yrs and 9 mnths	68 yrs and 1 mnths	1,000	500	872	1,850	-135,332
2022	70 yrs and 9 mnths	69 yrs and 1 mnths	1,000	500	872	1,850	-149,999
2023	71 yrs and 9 mnths	70 yrs and 1 mnths	1,000	3,168	872	1,850	-159,329
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2037	85 yrs and 9 mnths	84 yrs and 1 mnths	1,000	3,168	872	1,850	82,288
2038	86 yrs and 9 mnths	85 yrs and 1 mnths		3,168		1,850	98,104
2039	87 yrs and 9 mnths	86 yrs and 1 mnths		3,168		1,850	113,920
2040	88 yrs and 9 mnths	87 yrs and 1 mnths		3,168		1,850	129,736
2041	89 yrs and 9 mnths	88 yrs and 1 mnths		3,168		1,850	145,552
2042	90 yrs and 9 mnths	89 yrs and 1 mnths		3,168		1,850	161,368
2043	91 yrs and 9 mnths	90 yrs and 1 mnths		3,168		1,850	174,548

Figure 7 - Tom & Diane

- Disabled client converting to retirement benefits
- Optimizing for one spouse to start benefits when the other has already started benefits
- Future earnings
- Taxes
- Different full retirement ages for spouses
- Large age gaps between spouses

Each of these situations will be impacted by Social Security rules, making the determination of an optimal strategy difficult. Your clients are depending on Social Security as a substantial stream of income in retirement, and they're counting on you to provide quality expert advice. Do you know all of the rules that impact claiming strategies? Are you confident you aren't missing something?

THE NEED FOR SOFTWARE

Sure, a couple of claiming strategies – big ones – have been impacted by new legislation. However, we've been able to illustrate here that helping your clients craft optimal claiming strategies is still extremely complicated. Beyond just calculating the monthly payouts over time, the application of appropriate rules matters. Overlooking one small rule can cost your clients thousands of dollars and mean compliance risks.

The SSAnalzyer is the market leader for many reasons:

1. **We are backed by research.** We've spent years developing and honing our software to follow our research around the claiming strategies that are able to get more for your clients. Our firm has published more on Social Security claiming strategies than anyone else.
2. **We go beyond the basics.** With the SSAnalyzer you'll get more business-building tools than just a Social Security calculator. Our software includes options such as the Benefit Estimator, Tax Predictor, Tax Torpedo Evaluator and more.
3. **We cover more than the competition.** Our software works with more household types than any competitor. Whether it's an average couple, a disabled client moving into retirement, or a widow needing help determining when to start benefits, our software has the answers.
4. **We provide support.** Our support team is staffed with Certified Financial Planners, investment advisor representatives, former Social Security Administration staff, and other experts. There isn't a question we can't answer or a situation we can't help you with.
5. **We help you build your business.** Our advanced features include innovative tools such as our patented Social Security Zone™ and our Coordination tab to show your clients how to get more and keep more of their money with a tax-efficient spend-down strategy managed by you.

Your clients are expecting expert help from you. Uncertainty about whether savings will last coupled with confusion over the complexity of the rules means they are looking for guidance with their decision, education about the rules that apply in their situation, and confirmation that their choice is optimal for their situation.

We know you don't have time to learn all of the rules and strategies of Social Security, so let us put you in the expert seat. Our software, the SSAnalzyer, has been rated the best and easiest to use by many media and technology experts. The *Wall Street Journal* named us their top pick for Social Security claiming software, and others have heralded our simple user interface and high quality of advice.

But don't take our word for it. We offer a 10-day, no-obligation, free trial, pre-populated with a few household types so you can begin learning right away. In addition, you can enter one of your own clients to test drive the quality of advice and value we provide. Once you're ready to purchase, our software is available at multiple levels so you can select the package that best fit with your practice.

To learn more, call us at 866-762-7526, ext. 20. Or go to www.SSAnalyzer.com.

The purpose of the Social Security Analyzer software and related information is to educate and give general guidance to help craft a personalized approach to taking Social Security. This infor¬mation should not be taken as legal, financial or tax advice. Social Security Solutions, Inc. is not affiliated or endorsed by the Social Security Administration.