Social Security Planning in 2015 & Beyond:

Perspectives of Future Beneficiaries and Financial Planners

Collaborative Research by AARP
and the Financial Planning Association® (FPA®)

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About AARP

AARP is a nonprofit, nonpartisan organization, with a membership of nearly 38 million, that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse. We advocate for individuals in the marketplace by selecting products and services of high quality and value to carry the AARP name as well as help our members obtain discounts on a wide range of products, travel, and services. A trusted source for lifestyle tips, news and educational information, AARP produces AARP The Magazine, the world's largest circulation magazine; AARP Bulletin; www.aarp.org; AARP TV & Radio; AARP Books; and AARP en Español, a Spanish-language website addressing the interests and needs of Hispanics. AARP does not endorse candidates for public office or make contributions to political campaigns or candidates. The AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. AARP has staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Learn more at www.aarp.org.

About the Financial Planning Association® (FPA®)

Since 2000, FPA has been the principal professional organization for CERTIFIED FINANCIAL PLANNER™ (CFP®) professionals, educators, financial services professionals and students who seek advancement in a growing, dynamic profession. More than 24,000 FPA members adhere to the highest standards of professional competence, ethical conduct and clear, complete disclosure to those they serve. Through a collaborative effort to provide members with One Connection™ to tools and resources for professional education, business success, advocacy and community, FPA has become an indispensable force in the advancement of today's CFP® professional. Learn more about FPA at OneFPA.org and follow on Twitter at twitter.com/fpassociation.

EXECUTIVE SUMMARY

Since enacted in 1935, Social Security's contribution to the retirement security of older Americans is well-documented. The overwhelming majority of Americans ages 65+ receive Social Security benefits and this income keeps approximately one-third out of poverty.

The Financial Planning Association® (FPA®), together with AARP, sought to explore how the experiences and knowledge of future Social Security beneficiaries compare with the experiences and recommendations of professional financial planners related to Social Security's role in retirement income. Overall, this study surveyed 1,279 CFP® professionals[1] and 1,215 future Social Security beneficiaries ages 45-64[2]. Key findings include:

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[1] The Certified Financial Planner™ (CFP®) survey was sent out to all members of FPA who are CFP® professionals, who have agreed to receive emails related to research, and whose client base includes those ages 45-64. This survey was conducted online in June and July of 2015. Financial planners were instructed to answer questions as they relate to their pre-retiree/retiree clients only.

[2] Future Social Security beneficiaries were between ages 45-64, not yet collecting either retirement or disability Social Security benefits, and expected to be able to collect Social Security retirement benefits off of their own work history by age 62. This survey was conducted online in June and July of 2015.

Consumers

- Approximately half of consumers ages 45-64 expect that Social Security will be a major source of their household retirement income, 39 percent of whom expect it to make up 50 percent or more of their retirement income.
- Nearly one-half (47%) say they are very or somewhat knowledgeable about how their benefits will be determined and just over six in 10 know that age 62 is the earliest age that they can claim benefits.
- A large majority of future beneficiaries (88%) know that waiting from age 62 until their full retirement age would increase their benefit amount, yet only one-third know that claiming at age 70 will result in their maximum benefit amount.
- Just over one-quarter (27%) of the entire sample of future beneficiaries knows that, when benefits are withheld due to work income prior to full retirement age, they will get the benefits back over time (in this example, $40,000 per year was used).
- Half of respondents who have ever been married know they can receive Social Security benefits based on their living spouse's work history. Well over nine in 10 know they can receive such benefits after the death of their spouse. They are less certain how the age that both the deceased spouse and the age that the surviving spouse claim(ed) these benefits matters.

- Approximately one-quarter of ever-married respondents know that a divorcee can collect Social Security benefits based on the ex-spouse's work history if they were married at least 10 years. An additional third (34%) believe they can collect if married five or fewer years and 31 percent believe they could never collect benefits from an ex-spouse's work record.
- The two most common sources of information related to Social Security retirement benefits are friends and family (46%) and the Social Security Administration (45%). Less commonly used sources include newspaper articles (33%), financial magazines or books (22%), financial shows on television (17%), AARP (16%), a professional financial adviser (16%), and/or a current or former employer (16%).

CFP® Professionals

- Nearly all CFP® professionals address Social Security with their clients as part of retirement planning (96%), with nearly as many (91%) saying it is very important to help clients plan for Social Security in their retirement planning.
- Just over four in 10 CFP® professionals estimate that Social Security will be a major source of retirement income. When further queried, 94 percent say that most of their clients will rely on Social Security benefits for 50 percent or less of their retirement income.
- CFP® professionals consider a myriad of factors when determining the recommended approach for their clients. The following factors greatly influence their recommendations: other sources of

retirement income (84%), health status (76%), life expectancy (76%), marital status (67%), employment status (66%), and career average earnings (53%).

- Approximately three-quarters of CFP® professionals meet with their clients at least twice per year, with 36 percent of those meeting at least quarterly.
- CFP® professionals keep their knowledge up-to-date most often by attending professional conferences (81%), contacting the Social Security Administration (78%), virtual learning (58%), and through media coverage (50%).
- Nearly half (46%) recommend that their clients review their estimated Social Security retirement benefits at least once per year and nearly an equal amount (45%) say they should review every couple of years.

Comparing Consumers and CFP® Professionals[3]

- CFP® professionals expect that Social Security will be a lower percentage of retirement income for their clients than consumers estimate, reflecting the data showing that those who used a professional financial adviser are more affluent than those who had not.
- Consumers think they are more knowledgeable about how their Social Security benefits are determined than CFP® professionals believe their clients are; 9 percent of consumers say they are very knowledgeable compared to the 1 percent of CFP® professionals who believe their clients are very knowledgeable.
- CFP® professionals are twice as likely to say they are very confident that the Social Security system will provide their clients with benefits at least equal in value to those received by today's retirees (14% versus 7% of consumers).

[3] The consumer sample consisted of both those who had used the services of a professional financial adviser (16% of the sample) and those who had not. Therefore, no assumptions can be made between how the recommendations of CFP® professionals directly impact the knowledge and actions of the consumers surveyed.

- CFP® professionals were far more likely to correctly identify 10-20 years as the length of time the trust fund would remain solvent (50% vs 27% for consumers), whereas consumers thought it would be exhausted earlier.
- Nearly three in 10 (28%) CFP® professionals recommend to clients that they wait to claim benefits until age 70 but only 13 percent of consumers plan to wait that long.
- More than 90 percent of CFP® professionals recommend that clients check their estimated Social Security benefits at least once every couple years, yet only 64 percent of consumers have done so in the past 2 years.

Overall the results of these two surveys show that Social Security knowledge is lacking for Americans ages 45-64 in ways that could severely impact benefits and retirement decisions. Retirement planning and the gathering of information related to Social Security benefits, whether done on one's own or with the help of a professional, is an important step in planning for one's financial future. CFP® professionals may be a useful resource in the retirement planning process in light of their education and training. While utilizing the services of a CFP® professional can help a future retiree to bridge the knowledge gap that exists, it is certainly not the only way to learn about Social Security policies. Many well-respected entities, including the Social Security Administration and AARP, offer a wide range of resources to help current and future Social Security beneficiaries. Widespread education for all beneficiaries can help Americans make the best decisions and lead to more secure finances in retirement.

INTRODUCTION

Having recently celebrated its 80th birthday, Social Security still enjoys widespread support from Americans. A recent AARP survey shows that Americans ages 18+ view it as one of the most important government programs. This is true even among younger segments of Americans and those who feel they will not rely heavily on Social Security benefits during their retirement years. Further, the majority believe that the United States government made a commitment and older Americans should receive the benefits that they paid into the program. Social Security benefits are seen as helping older Americans to remain independent as they age. Even if Americans don't believe they will need it when they retire, they want to know it is there in case they do[4].

Since enacted in 1935, Social Security's contribution to the financial security of older Americans is unparalleled. Now, 80 years later, 88 percent of Americans ages 65+ receive Social Security retirement benefits[5] and these benefits keep 33 percent of Americans ages 65+ out of poverty[6]. Yet the program has numerous rules, policies, and intricacies that may not be well understood and that could ultimately have real dollars and cents impacts on beneficiaries.

[4] Williams, Alicia. "Social Security 80th Anniversary Survey Report: Public Opinion Trends" AARP: Washington, DC. August 2015 Available: www.aarp.org/ss80

[5] Social Security Administration. "Fact Sheet on the Old-Age, Survivors, and Disability Insurance Program" April 16, 2015.

[6] Shelton, Alison. "Social Security: Who's Counting on It?" AARP Public Policy Institute: Washington, DC. Fact Sheet 331. August 2015.

The Financial Planning Association (FPA®), together with AARP, sought to explore how the experiences and knowledge of future Social Security beneficiaries compare with the experiences and recommendations of professional financial planners related to Social Security's role in retirement income. FPA is a membership organization of over 24,000 financial professionals across the country, with more than 17,000 CERTIFIED FINANCIAL PLANNER™ (CFP®) professional members. CFP® professionals have extensive training and experience requirements, as well as strict ethical standards that they must uphold. AARP is a non-profit organization serving the interests of Americans ages 50+ and includes a membership 37 million strong.

Overall, this study surveyed 1,279 CFP® professionals[7] and 1,215 future Social Security beneficiaries ages 45-64[8]. How do the opinions, knowledge, and intentions of these two groups compare and contrast? Do future beneficiaries have enough knowledge about how their benefits are calculated to make the best decisions for themselves and their families? What do CFP® professionals consider when making recommendations?

[7] The CERTIFIED FINANCIAL PLANNER™ (CFP®) survey was sent out to all members of FPA who are CFP® professionals, who have agreed to receive emails related to research, and whose client base includes those ages 45-64. The term 'financial planner' is used interchangeably in this report to refer to CFP® professionals. Financial planners were instructed to answer questions as they relate to their pre-retiree/retiree clients only.

[8] Future Social Security beneficiaries were between ages 45-64, not yet collecting either retirement or disability Social Security benefits, and expected to be able to collect Social Security retirement benefits off of their own work history by age 62.

CONSUMERS[9] AND SOCIAL SECURITY KNOWLEDGE

Future Social Security beneficiaries expect to rely on Social Security income for a substantial share of their retirement income. However, the survey finds that future beneficiaries do not fully understand the impact of their claiming decisions. This shows a knowledge gap that may undermine their retirement expectations. When describing how knowledgeable they believe they are about how their benefits will be determined, nearly half (47%) say they are very or somewhat knowledgeable. In fact, general knowledge questions show that they are objectively somewhat knowledgeable about basic issues like earliest age they can claim Social Security benefits and ability to claim widow benefits. However, the survey finds they are less knowledgeable about the intricacies of how and the degree to which some of the Social Security claiming rules affect benefit dollar amounts—how much money are they losing out on OR will they find themselves with a shortfall when their benefits are not as high as they expected?

Social Security's role in overall retirement income

Approximately half of consumers ages 45-64 expect that Social Security will be a major source of their household retirement income, 39 percent of whom expect it to make up 50 percent or more of their retirement income. That is somewhat lower than the reality of what we see for current beneficiaries, 48 percent of whom rely on Social Security for 50 percent or more of their family income, including 23 percent who rely on it for over 90 percent of their retirement income[10]. In fact, subsequent questions show that consumers may not be able to determine the degree of their reliance on Social Security benefits or may be making estimations based on misperceptions related to claiming policies.

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[9] For this study, "consumers" and "future beneficiaries" are used interchangeably to refer to the respondents in the survey of adults ages 45-64 who are expected to be eligible for Social Security benefits.

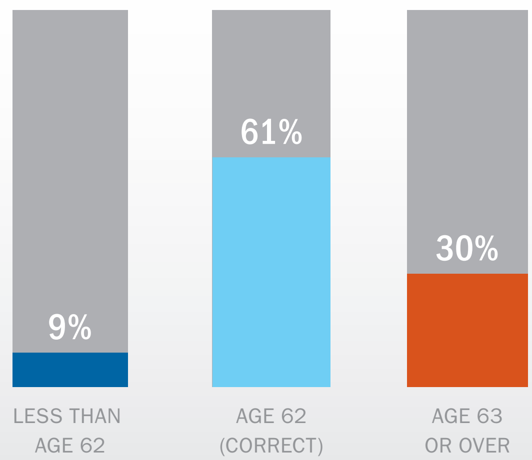
[10] Shelton, Alison. "Social Security: Who's Counting on It?" Fact Sheet. AARP Public Policy Institute: Washington, DC. August 2015.

Claiming age

Just over six in 10 respondents know that age 62 is the earliest age that they can claim Social Security retirement benefits. Almost two in 10, however, believe they cannot collect before age 65 and another nine percent believe they can claim prior to age 62. [See chart 1]

CHART 1

KNOWLEDGE OF EARLIEST AGE THAT ONE CAN BEGIN COLLECTING SOCIAL SECURITY RETIREMENT BENEFITS



Q: *To your knowledge, what is the earliest age at which people can start collecting Social Security retirement benefits?*
Base: n=1,215

A large majority of future beneficiaries (88%) know that waiting from age 62 until their full retirement age (either age 66 or 67 for respondents in this survey, depending on their year of birth) would increase their benefit amount. Unfortunately, only five percent know the degree to which those benefits would increase by waiting those additional years – 25-30 percent depending on their birth year. Even when looking more liberally at those respondents whose estimates were within five percentage points (+/-) from the correct answer, still only 15 percent are correct[11]. Sixteen percent would overestimate and 67 percent would underestimate the impact of waiting by more than five percentage points. [See chart 2]

CHART 2

KNOWLEDGE OF PERCENT INCREASE IN
BENEFITS BY WAITING FROM 62 UNTIL FRA

Q: *Assume that your monthly Social Security retirement benefit would be $1,000 if you start collecting Social Security at age 62. By how much do you think your monthly benefit would increase if you waited until age [FRA] to start collecting Social Security benefits?*

Base: Respondents who knew benefit would be higher, n=1,054

Still fewer future beneficiaries – only 57 percent- know that even waiting past one's full retirement age can result in further increases in benefits – leaving 42 percent who believe benefits will stay the same or be reduced after age 66 or 67. In fact, only one-third know that waiting until age 70 will maximize their benefits and 15 percent believe they need to wait to claim until after age 70 to receive their highest possible monthly benefit. This misinformation can put beneficiaries at risk of losing out on monthly benefits if they wait to claim until after age 70 or of receiving a smaller benefit than they had estimated.

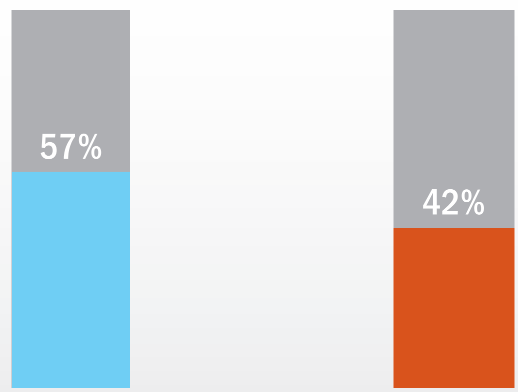
[11]Correct answers for the range were (a) 20-30 percent increase for those with a full retirement age of 66; or (b) 25-35 percent increase for those with a full retirement age of 67.

The earnings test

Future beneficiaries are aware that work earnings can reduce benefits claimed prior to full retirement age (84% know that benefits would be affected and 76% of those know it would be by way of a reduction[12]). However, 42 percent of those know that they will get those benefits back over time; they are not permanently lost. [See chart 3] This totals just over one-quarter (27%) of the entire sample of future beneficiaries who know that earnings can reduce benefits but they will get them back. Many of them might ultimately continue to work longer if they knew they would not be permanently penalized for exceeding the earnings thresholds (for 2015 this amount is $15,720).

CHART 3

UNDERSTANDING THE NATURE OF REDUCTION IN CURRENT
SOCIAL SECURITY BENEFITS DUE TO SALARY FROM WORK



YOU WILL NEVER GET BACK THE BENEFITS THAT WERE WITHHELD

AFTER YOU REACH A CERTAIN AGE, YOU WILL GRADUALLY GET BACK THE BENFITS THAT WERE WITHHELD

Q: *Which of the following best describes your understanding of the reduction in your current monthly Social Security retirement benefit due to your salary from work?*

Base: Respondents who know work earnings can reduce benefit amount before full retirement age, n=786

[12] This example used annual earnings of $40,000.

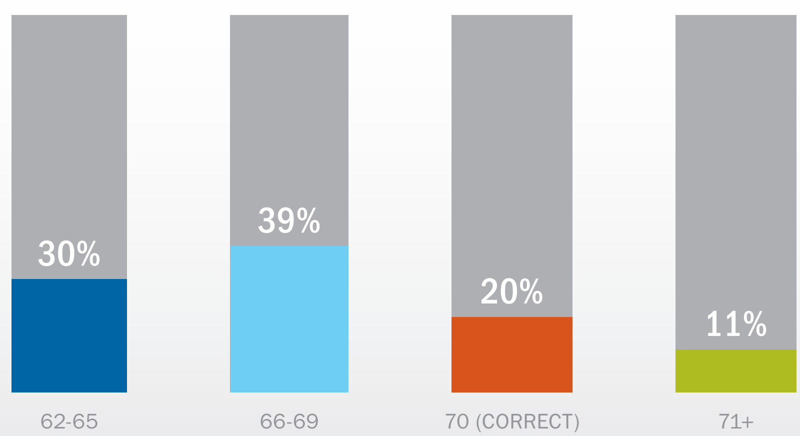
Living spouse & widow/widower benefits

Just half of respondents who have ever been married[13] know that they could receive Social Security benefits based on their spouse's work history, even when the spouse is still alive. Knowledge skyrockets when asked about survivor benefits. The overwhelming majority of respondents know that a surviving spouse can collect widow benefits after their spouse dies, both if the surviving spouse has never worked (97%) or if the surviving spouse has sufficient work history to collect based on their own record (93%).

Even among ever-married respondents who know that they can receive widow benefits, 20 percent do not know that the age that the deceased spouse starts collecting their benefits will affect the amount of widow benefits. Further, of those who know that widow benefits exist, only 20 percent correctly identify 70 as the age at which a spouse must claim benefits in order to maximize benefits for his widow. [See chart 4] Additionally, just over one-half of those who know about widow benefits know that the age that the surviving spouse claims their widow benefit also matters; only seven percent correctly identify the age (equivalent to full retirement age) at which a widow will maximize benefits, though 40 percent select at or within one year of the correct age.

CHART 4

EARLIEST AGE AT WHICH SPOUSE SHOULD CLAIM SOCIAL SECURITY BENEFITS TO MAXIMIZE WIDOW BENEFIT



***Q:** What is the earliest age at which Tom should start collecting his Social Security retirement benefits if he wants Mary to receive the highest possible monthly widow benefit in case he dies before her?*

Base: Believes widow can receive partner's benefits after death when both were working, n=947

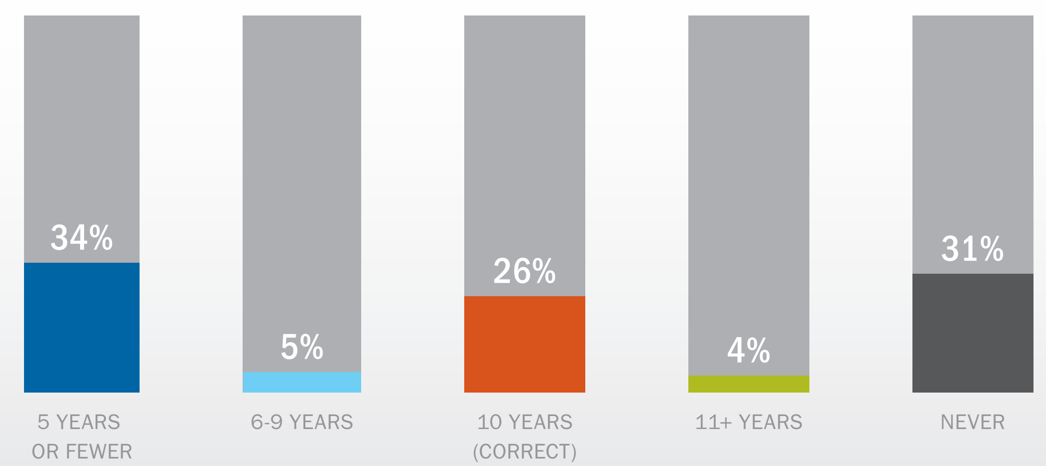
[13] This includes currently married, divorced, widowed, and separated. This does not include those who were never married or those who are living with a partner. Base for all questions related to ever-married, including spousal, widow/survivor, and ex-spouse benefits, is n=1023.

Benefits for divorced individuals

Benefits for divorced Americans are available to unmarried ex-spouses if the couple was married for 10 or more years. Thirty-four percent of ever-married respondents believed that a divorcee could collect off of the ex-spouse's work record if they were married five years or less, 26 percent correctly identified 10 years as the minimum duration, and 31 percent believe they could never collect Social Security benefits based on the ex-spouse's work record, regardless of number of years married. [See chart 5] This could lead to an ex-spouse foregoing a higher benefit (or any benefit at all, if they have not worked for pay for 10+ years to qualify on their own) due to lack of knowledge.

CHART 5

NUMBER OF YEARS CONSUMERS BELIEVE A COUPLE MUST BE MARRIED TO COLLECT SOCIAL SECURITY BENEFITS ON THE EX-SPOUSE'S WORK RECORD



Q: *Assume that Susan and Rich divorce after five years of marriage. If Susan is unmarried at the time she becomes eligible for Social Security, would she be eligible to file for Social Security spousal benefits on Rich's work record? In order for Susan to be eligible to file for Social Security spousal benefits on Rich's work record, what is the minimum number of years that she would have had to have been married to Rich?*

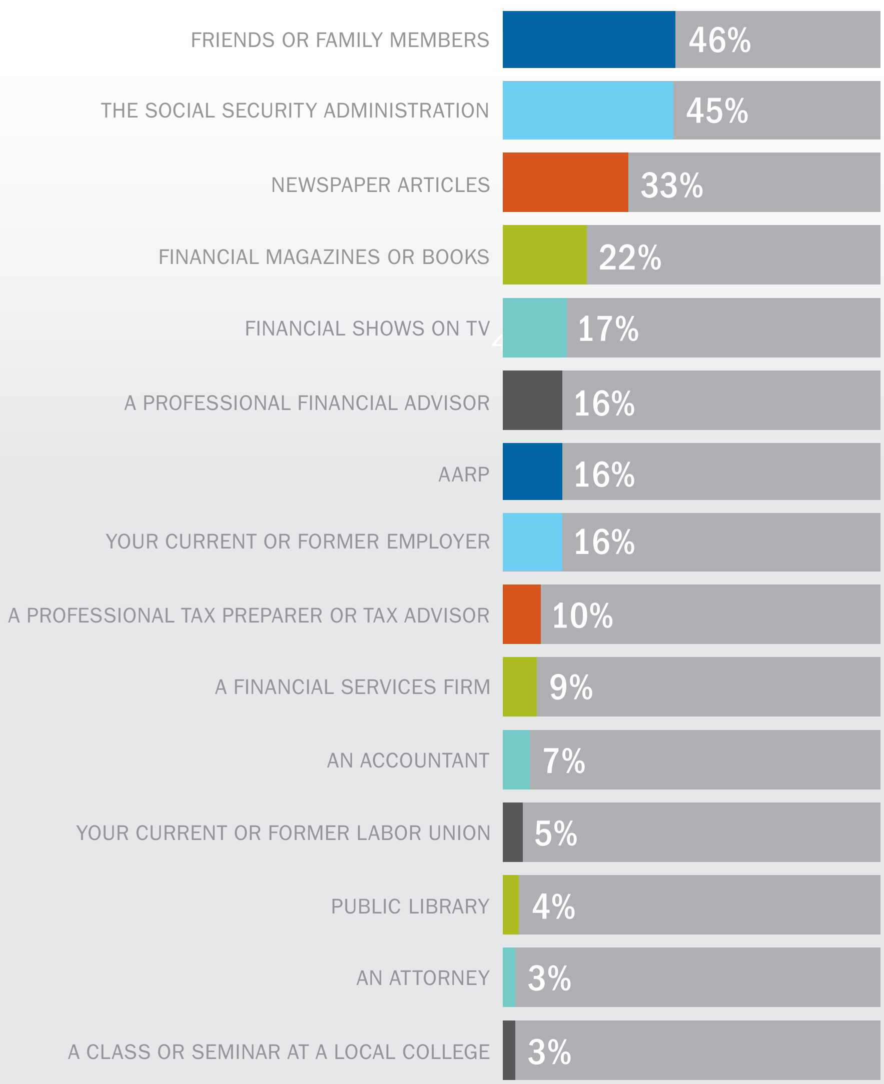
Base: Ever-married, n=1,023

Information sources used

Nearly half (46%) of future beneficiaries consult family or friends to learn about Social Security retirement benefits, just slightly higher than the number who use the Social Security Administration (45%). These are distantly followed by newspaper articles (33%), financial magazines or books (22%), and financial shows on television (17%). [See chart 6] While the use of the Social Security Administration is encouraging, the similar percentage for friends and family means that potential misconceptions or bad information can be passed along as fact.

CHART 6

INFORMATION SOURCES USED BY CONSUMERS TO LEARN ABOUT SOCIAL SECURITY RETIREMENT BENEFITS



Q: *Have you used any of the following information sources to learn about Social Security retirement benefits or when to start collecting your benefits?*

Base: Believes widow can receive partner's benefits after death when both were working, n=947

CFP® PROFESSIONALS: SOCIAL SECURITY'S ROLE IN RETIREMENT PLANNING

Overall results show that CFP® professionals – financial planners[14] - are sensitive to the various forces at play that impact retirement planning and when to claim Social Security benefits. These include consideration of a spouse, work in retirement, client's health status, and other sources of retirement income, among others. Financial planners do not take a one-size fits all approach and appear to focus on maximizing benefits.

The role of Social Security in retirement planning

Over nine in 10 (91%) financial planners indicate that it is very important that they help clients plan for Social Security in retirement planning. Nearly all respondents report addressing Social Security with their clients as part of their retirement planning (96% says always or almost always). This includes claiming strategies (96%) and income projections (97%). Although 87 percent of financial planners say most or all of their clients have an IRA and 79 percent say most or all of their clients have other personal savings/investments or money in an employer-sponsored retirement plan (i.e. 401(k), 403(b)), financial planners report that they are deliberate in including Social Security benefits in the conversation -- and in the financial equation.

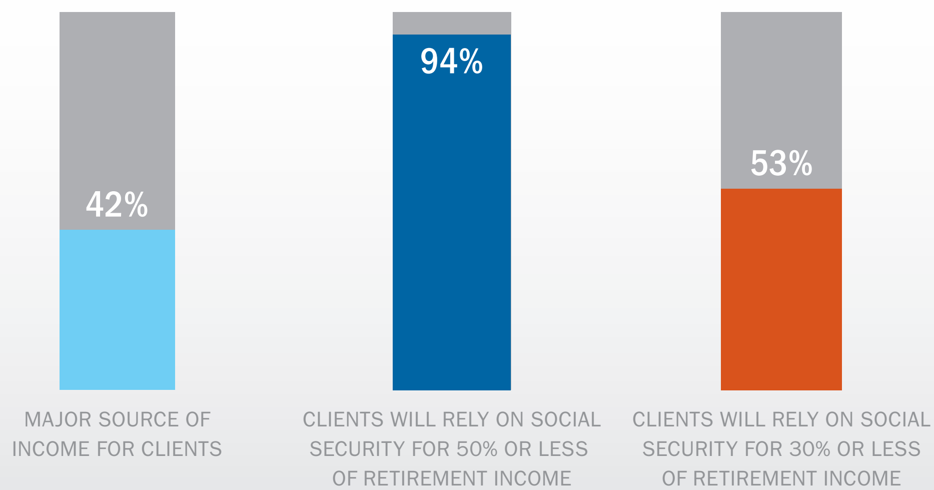
[14]As previously noted, the term 'financial planners' is used interchangeably in this report with CFP® professionals to discuss the results of the survey.

Client reliance on Social Security for retirement income

Just over four in 10 financial planners estimate that Social Security will be a major source of retirement income for their clients. However, 94 percent say that most of their clients will rely on Social Security benefits for 50 percent or less of their retirement income. This includes 53 percent who say it will contribute 30 percent or less. [See chart 7] These findings may make sense in light of the sizeable numbers of financial planner clients who have varied sources of retirement income (including defined benefit and defined contribution plans and savings/investments, as noted above).

CHART 7

EXPECTED CLIENT RELIANCE ON SOCIAL SECURITY



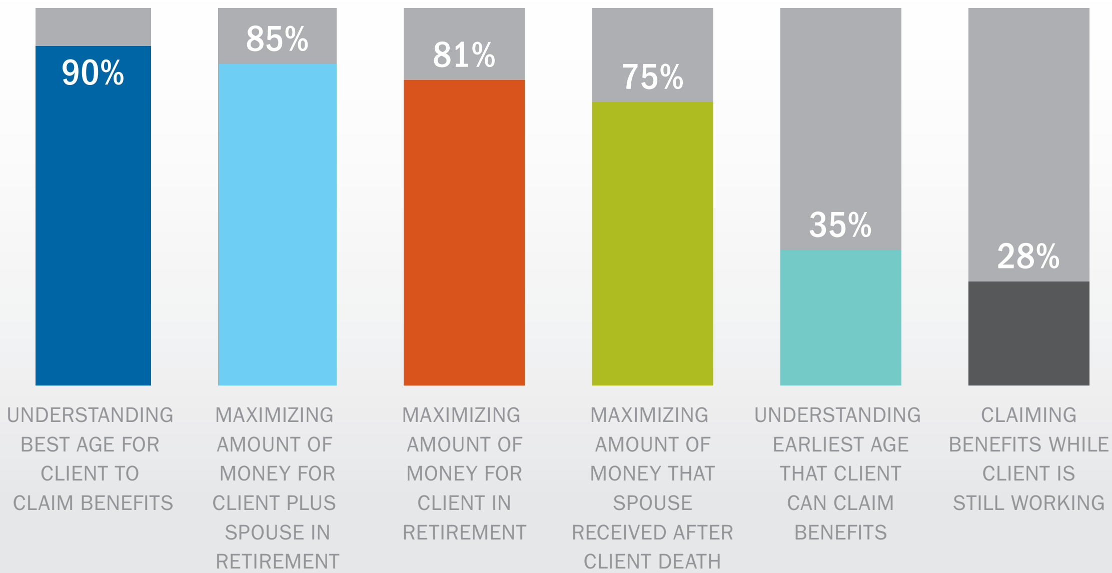
Q: *Do you expect Social Security retirement benefits to be a major source of income, a minor source of income, or not a source of income in retirement for your pre-retiree/retiree clients? What percent of your typical pre-retiree/retiree client's household income in retirement do you expect will come from Social Security retirement benefits?*

Base: n=1,279

Still, financial planners recognize the importance of maximizing benefits for their clients, including spouses. In fact, overwhelming majorities say that understanding the best age for their client to claim benefits (90%), maximizing the amount of money their client (81%) or client and spouse receive in retirement (85%), and maximizing the amount of money the client's spouse receives after the client's death (75%) are very important (See chart 8).

CHART 8

PERCENT OF FINANCIAL PLANNERS WHO FIND VARIOUS CLAIMING INFORMATION AND APPROACHES TO BE *VERY IMPORTANT*



Q: *In your opinion as a financial planner, how important is it that your pre-retiree/retiree clients consider each of the following items as they think about Social Security retirement benefits?*

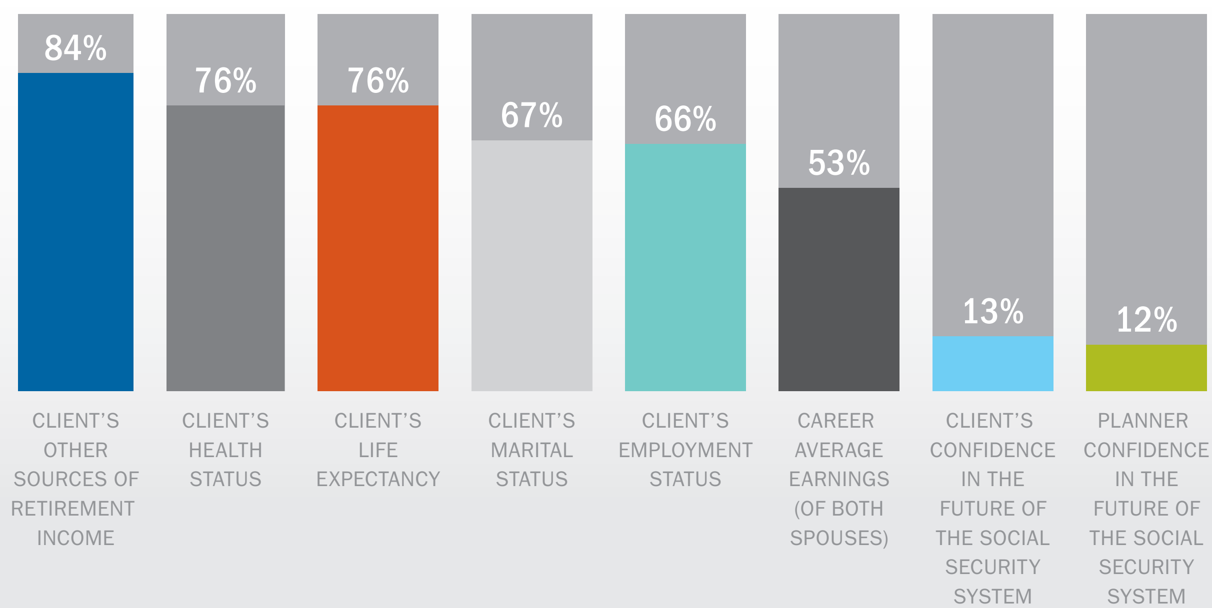
Base: n=1,279

Factors influencing recommendations

When identifying factors that most influence financial planner recommendations about when to elect benefits, it is noteworthy that financial planners focus on objective factors like other sources of retirement income[15] (84%), health status (76%), life expectancy (76%), marital status (67%), employment status (66%), and career average earnings (including spouse, where applicable: 53%). They minimize the value of subjective factors including the client's or planner's own confidence in the future of the Social Security program. [See chart 9] This may reflect a focus on developing recommendations based on factors as they now exist and not giving weight to speculative factors that are largely unknown or unknowable.

CHART 9

FACTORS THAT HAVE A LOT OF INFLUENCE OVER SOCIAL SECURITY PLANNING RECOMMENDATIONS



Q: *When making recommendations to clients about when to begin Social Security benefits, how much influence does each of the following factors have in your recommendation?*

Base: n=1,279

Level of interaction with clients and resources

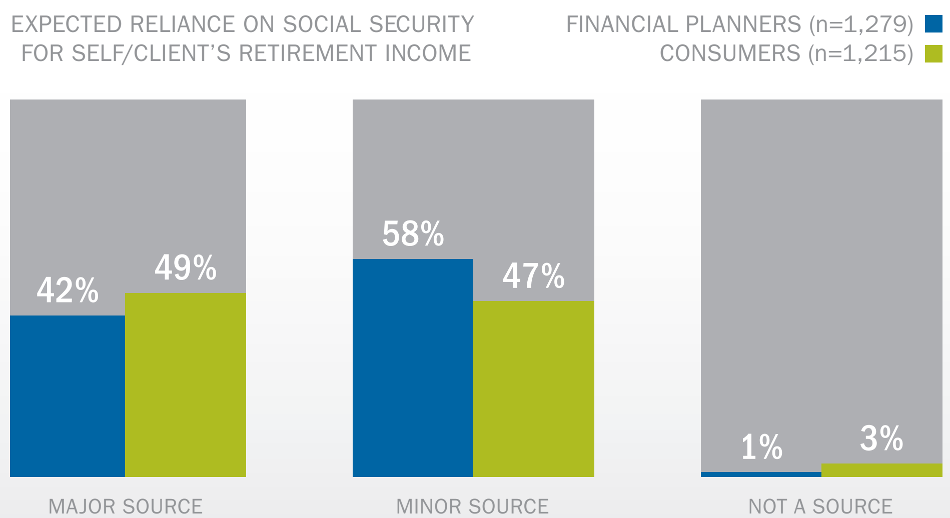
Nearly three-quarters (74%) of financial planners meet with their clients at least twice per year – of which 36 percent meet at least quarterly. Financial planners keep their knowledge up-to-date most often by attending professional conferences (81%), contacting the Social Security Administration (78%), through virtual learning (58%), and through media coverage (50%). In keeping with the goal of planning, nearly half (46%) of financial planners recommend that their pre-retiree clients review their estimated Social Security at least once per year and nearly an equal amount (45%) say they should review every couple of years.

[15] Reflects the percentages who say each factor influences their recommendations "a lot".

COMPARING CFP® PROFESSIONALS AND CONSUMER RESPONSES[16]

CFP® professionals and consumers were asked some common questions which shed light on how planners versus individuals think and plan when it comes to Social Security. Financial planners expect that Social Security will be a lower percentage of retirement income for their clients than consumers estimate[17]. [See chart 10, and chart 11, next page] Beyond that, consumers in this study may have underestimated how much of their income will come from Social Security (when compared to how much current beneficiaries rely on these benefits, potentially due in part to gaps in knowledge and lack of planning or calculating retirement income).

CHART 10

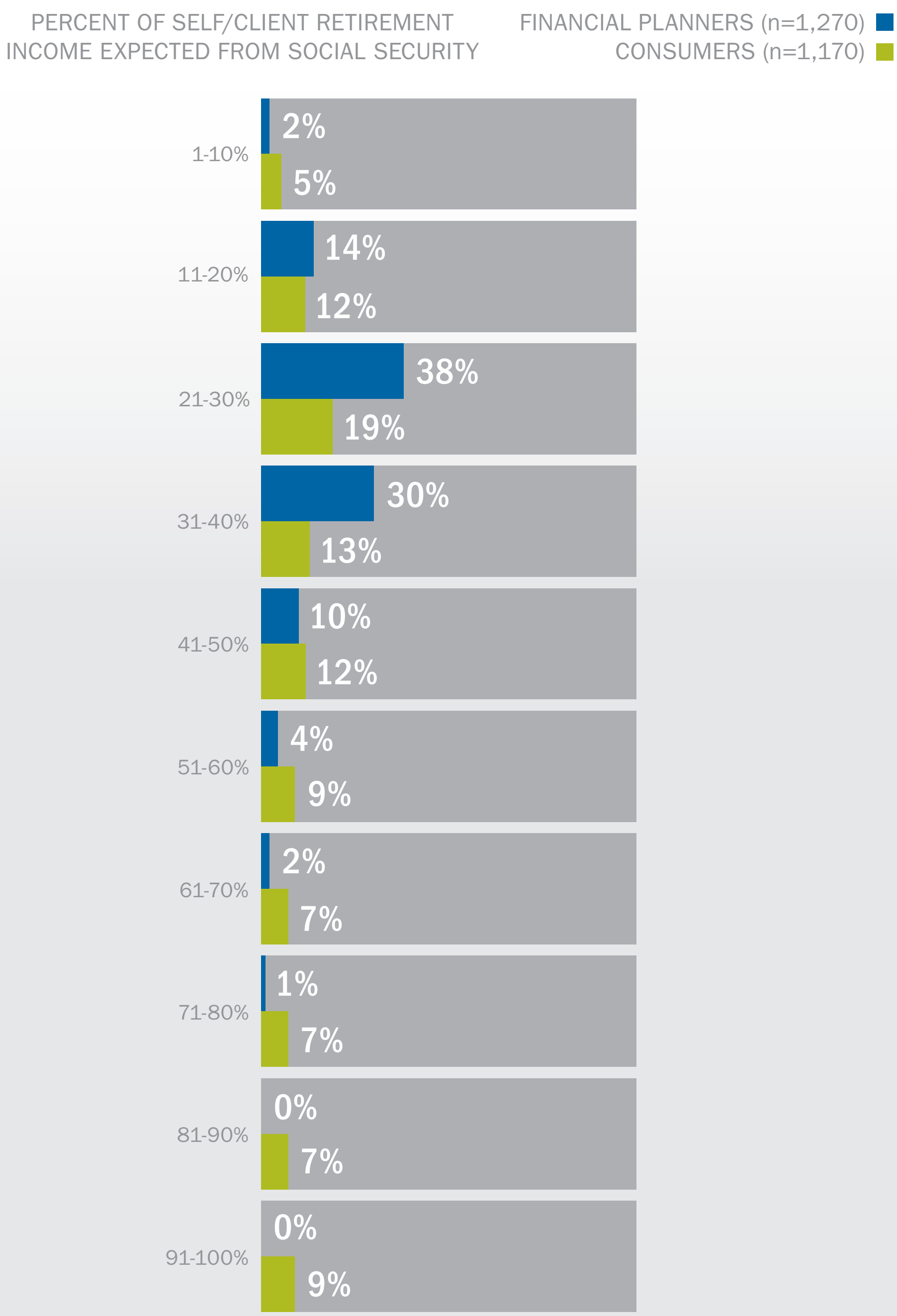


Q: Do you expect Social Security retirement benefits to be a major source of income, a minor source of income, or not a source of income in retirement for your pre-retiree/retiree clients? In thinking about possible sources of income in retirement, do you expect Social Security retirement benefits will be a major source of income, a minor source of income, or not a source of income in retirement?

[16] The consumer sample consisted of both those who had used the services of a professional financial advisor (16% of the sample) and those who had not. Therefore, no assumptions can be made between how the recommendations of CFP® professionals directly impact the knowledge and actions of the consumers surveyed.

[17] Only 16 percent of the consumer survey respondents had consulted a professional financial planner. Since data shows that those who have consulted a professional financial planner tend to be more affluent, this difference is not unexpected.

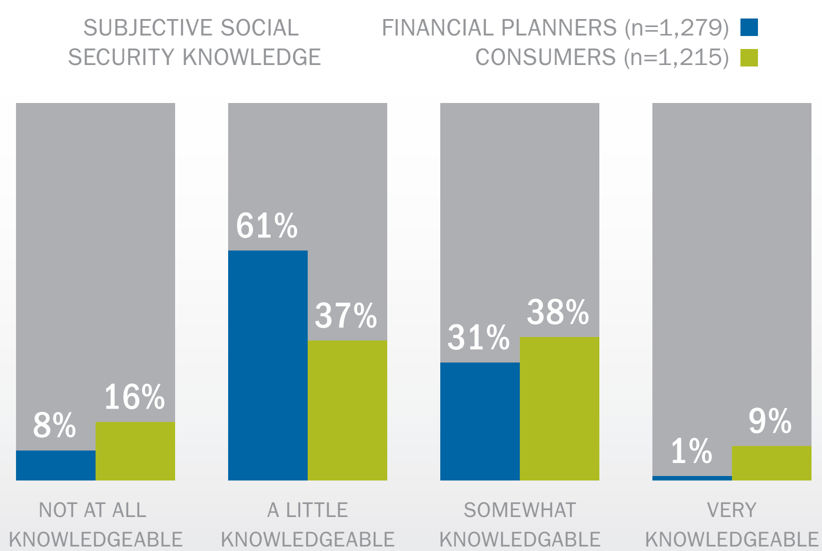
CHART 11



***Q:** What percent of [your/your typical pre-retiree/retiree client's] household income in retirement do you expect will come from Social Security benefits?*

Consumers think they are more knowledgeable about how their Social Security benefits are determined than financial planners believe their clients are. Specifically, consumers are more likely to say they are very and somewhat knowledgeable than financial planners believe clients are. In contrast, many more planners say their clients are only a little knowledgeable about Social Security benefits; 61 percent versus 37 percent of future beneficiaries. Interestingly, consumers are twice as likely to say they are not at all knowledgeable relative to financial planners. [See chart 12]

CHART 12



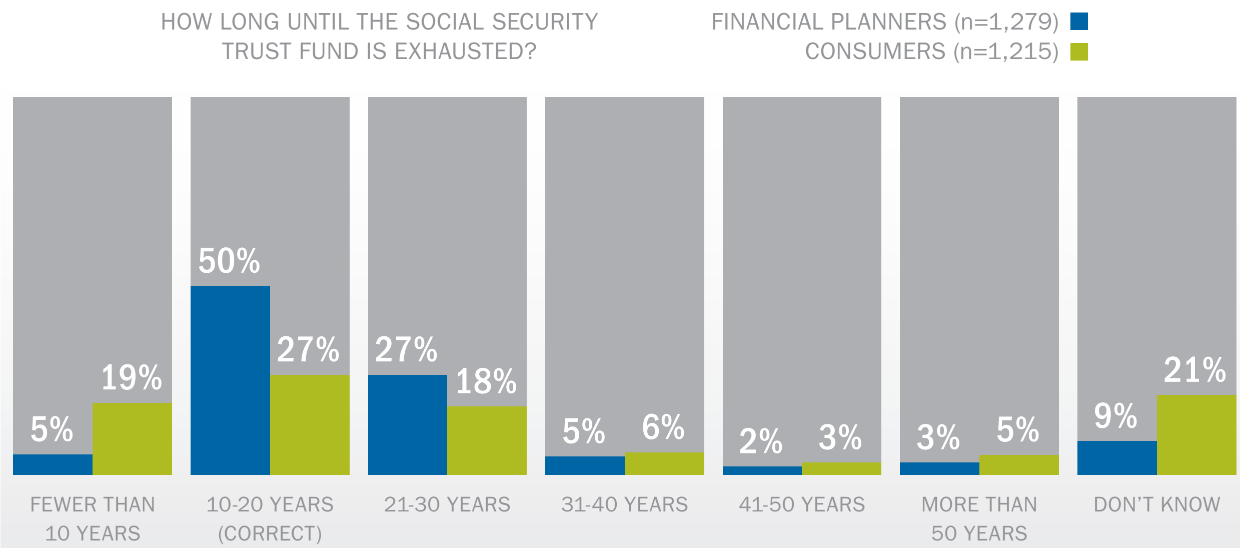
Q: *How knowledgeable [do you feel you are/is your typical pre-retiree/client] about how [your/their] Social Security retirement benefits are determined?*

Financial planners tend to be a bit more optimistic than consumers about the future of Social Security benefits[18]; they are twice as likely to say they are very confident that the Social Security system will provide their clients with benefits at least equal in value to those received by today's retirees (14% vs 7% of consumers). Conversely, consumers are much more likely to say they are not at all confident (17% vs 3% of financial planners).

[18]Only very confident and not at all confident were compared for this question. The CFP® professionals survey included a neutral option on the response scale, while the consumer survey did not. We feel that the extreme response options are comparable across the two surveys despite the difference in the scales.

Perhaps tied to confidence in the future of Social Security is awareness of the program's solvency. Future beneficiaries were more likely to estimate that Social Security would only be able to pay out full benefits for fewer than 10 years (19% vs 5% for financial planners). Financial planners were far more likely to correctly identify 10-20 years as the length of time the trust fund would remain solvent (50% vs 27% for consumers). [See chart 13]

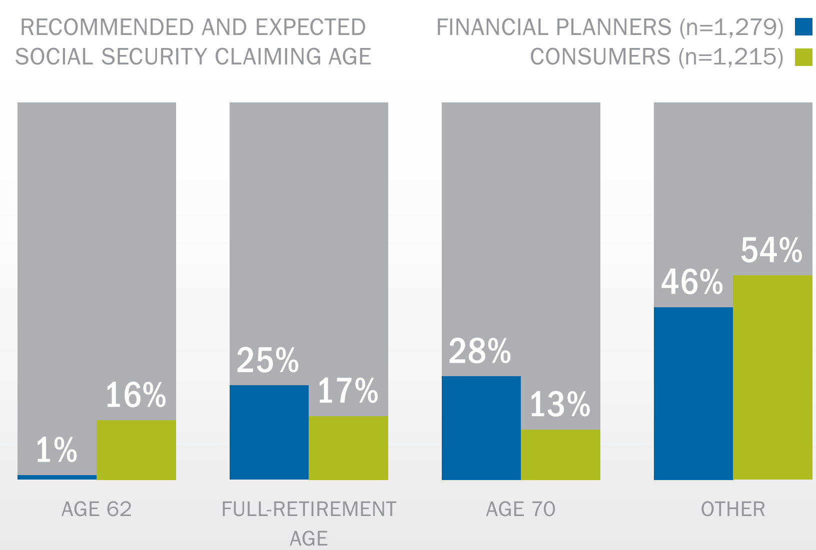
CHART 13



Q: *If no changes are made to the Social Security system, how long do you think Social Security would be able to continue paying out benefits at the current level?*

Nearly half of financial planners said they do not recommend a specific age for their clients to begin collecting their Social Security benefits (12% say they don't specify and 34% choose 'other', of which responses include that it depends on the individual). More than one-fourth (28%) of financial planners said they recommend age 70, the age where benefits reach their individual ceiling. In contrast, only 13 percent of consumers say they plan to start collecting their Social Security benefits at that age. An additional 17 percent of consumers said they would begin collecting at their full retirement age, which, as previously noted, 39 percent of consumers erroneously believe maximizes their benefit. [See chart 14]

CHART 14



Q: At what age do you typically recommend that your pre-retiree/retiree clients elect to begin Social Security Benefits? At what age do you expect to start collecting Social Security retirement benefits?

As previously noted, over nine in 10 financial planners recommend that clients check their estimated Social Security estimated benefits at least once every couple of years. However, only 64 percent of consumers say they have checked their estimated benefits within the past two years. The Social Security Administration recommends checking one's benefit statement, not only for estimated benefits, but also to be sure there are not errors that may affect benefit levels[19]. Paper copies are now only sent once every five years, however they are available online at any time. This is an important ongoing planning task.

[19] Social Security Administration. "How to Correct your Social Security Earnings Record". September, 2013. Accessed: http://www.ssa.gov/pubs/EN-05-10081.pdf

IMPACT OF SURVEY FINDINGS

This research suggests that future Social Security beneficiaries are less knowledgeable than they need to be in order to maximize their Social Security benefits. Millions of Americans are at risk of making claiming decisions that leave hundreds of dollars per month on the table and out of their pockets. Given the historical reliance on Social Security benefits for Americans ages 65+, education is critical for financial well-being in retirement. For example, only 15 percent of consumers in this study know within five percentage points how much their benefits will increase if they wait to claim Social Security benefits from the earliest possible age to age 66 or 67 (depending upon year of birth). Perhaps if they knew that waiting until their full retirement age would net them a larger increase than they thought, they would consider working longer. Furthermore, many of the decisions related to when to claim benefits would benefit from long-range planning, so education should happen across the life span and be continuous over time.

While there are many ways that future beneficiaries can become educated about Social Security, financial planners who are CFP® professionals can play a role in retirement planning They are knowledgeable about the various intricacies of the program, engage in continuing education in order to maintain their professional certification, and may be a useful source of information about the impact of various claiming strategies. Clients can rely on the planner's education and expertise to help them make the best retirement decisions, though planner recommendations should not simply take the place of learning about Social Security claiming policies in other ways. When using a financial planner clients may get educated on the policies as they interact on a regular basis with their planner. CFP® professionals remain on top of the complex rules and changes in Social Security policies and strive to help clients plan and make decisions that make sense for them. Although they may be helpful for future beneficiaries, the truth is that some consumers may not want to incur the costs associated with using a financial planner.

Financial planners are not the only way for consumers to get the information they need to make the best decisions. Organizations with the expertise and experience in the nuances of Social Security claiming decisions are sensitive to the needs of consumers seeking knowledge and education. There are various tools available at the click of the mouse – including visiting the Social Security Administration or AARP websites, using online calculator tools, webinars, and checking one's Social Security benefits statement, among others. When to claim one's Social Security benefits, together with other sources of retirement income and life circumstances, is a very personal decision. Even if the right decision for the individual is to claim benefits at the earliest possible age of 62, knowing how that will affect benefit levels is critical to retirement planning. Ultimately it is incumbent upon each beneficiary to learn about these claiming policies in order to make the best decisions for themselves.

RESOURCES

AARP maintains a series of tools and resources that can be useful for family and beneficiaries alike. These include free webinars on Social Security and retirement planning.

For answers to your questions on Social Security, go to **aarp.org/ssqa**.

For an estimate of how much you can expect to receive in Social Security retirement benefits, visit **aarp.org/socialsecuritybenefits**

To find out if your retirement plans are on track, go to **aarp.org/retirementcalculator**.

For an easy-to-use resource to navigate the world of Social Security retirement benefits, the AARP-produced Social Security For Dummies is available in your local or online bookstore.

The Financial Planning Association provides consumers various resources to learn about CFP® professionals and how to properly vet a financial planner.

To learn what a CFP® professional is:
http://www.plannersearch.org/why-cfp/pages/why-hire-a-certified-financial-planner.aspx

For a list of questions that every consumer should ask a prospective financial planner: **http://www.plannersearch.org/why-cfp/pages/why-hire-a-certified-financial-planner.aspx**

To review a series of educational articles on retirement planning authored by CFP® professionals: **http://www.plannersearch.org/life-events/life-goal/retirement**

For a free guide to understanding how financial planners can help: **http://www.plannersearch.org/consumer%20assets/fpa_financial%20planner_web_060315.pdf**

The Social Security Administration offers its own benefit calculator:
http://ssa.gov/planners/benefitcalculators.html

If you're interested in speaking with a representative of FPA or AARP about this research, please contact:

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