

RETIREMENT INSTITUTE

Social Security

Social Security – The choice of a lifetime

Understanding when and how to file for Social Security benefits

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Today's presentation

1. Will Social Security be there for me?
2. How much can I expect to receive?
3. When should I apply for Social Security?
4. How can I maximize my benefits?
5. Will Social Security be enough to live on in retirement?

Understanding the Value of Social Security



Social Security offers income you can't outlive

If your monthly benefit is \$2,000 today and you live:

10 more years	you'll receive a total of	\$276,032	in lifetime benefits
20 more years		\$602,780	
30 more years		\$1,001,096	

Assumes 2% annual cost-of-living adjustments

Social Security offers annual inflation adjustments

If your monthly benefit is \$2,000 today and annual cost-of-living adjustments are 2%:

In 10 years	Your monthly benefit will be	\$2,438
In 20 years		\$2,972
In 30 years		\$3,623

Assumes 2% annual cost-of-living adjustments

Will Social Security be there for you?

Full benefits payable to at least **2034**¹

With no legislative changes, Social Security would pay **83% of benefits** afterward¹

Benefits reduced to 73% in **2098**¹

1: Source: 2024 OASDI Trustees Report

Restoring solvency to the system...

Reform proposals being studied

- **Increase maximum earnings subject to Social Security tax**
(currently \$176,100 in 2025)
- **Raise the normal retirement age**
(currently 66 for individuals born between 1943 and 1954;
67 for those born in 1960 or later)
- **Lower benefits for future retirees**
(escalate benefits based on increases in consumer prices rather than wages)
- **Reduce cost-of-living adjustments (COLAs) for all retirees**

Full Retirement Age (FRA)



Eligible for 100% of benefits

Birth year	FRA
1943 – 1954	66
1955	66 + 2 mos.
1956	66 + 4 mos.
1957	66 + 6 mos.
1958	66 + 8 mos.
1959	66 + 10 mos.
1960 – later	67

The bottom line for baby boomers

Your benefits are not likely to be affected by
Social Security reform



How Social Security benefits are calculated

- At age 62, each year's earnings are tallied up and indexed for inflation
- Highest 35 years of earnings are averaged (AIME)
- AIME is divided by three "bend points" to determine your primary insurance amount (PIA). This is the amount you'll receive at full retirement age.
- Benefit is increased each year by cost-of-living adjustments (COLAs)

Example of benefit formula

- Baby Boomer born in 1963 - turns 62 in 2025
- Maximum Social Security earnings every year
- AIME = \$13,689
- PIA formula:
 - $\$1,226 \times .90 = \$1,103.40$
 - $\$6,165 \times .32 = \$1,972.80$ ($\$7,391 - \$1,226 = \$6,165$)
 - $\$6,298 \times .15 = \underline{\$977.70}$ ($\$13,689 - \$7,391 = \$6,298$)
 - Total = $\$3,849.18$

PIA = \$4,020.90

Amount worker will receive at full retirement age

What if You Apply for Early Benefits?

You will receive a percentage of your PIA

Apply at age	If FRA = 66	If FRA = 67
62	75.0%	70%
63	80.0%	75%
64	86.7%	80%
65	93.3%	86.7%
66	100%	93.3%
67		100%

What if You Apply After FRA?

You will earn 8% annual delayed credits

Apply at age	Benefit will be a % of PIA if FRA = 66	Benefit will be a % of PIA if FRA = 67
66	100%	93.3%
67	108%	100%
68	116%	108%
69	124%	116%
70	132%	124%

How to estimate your Social Security benefits

Obtain your annual Social Security statement at:

www.socialsecurity.gov/mystatement

OR

Use the Retirement Estimator at:

www.socialsecurity.gov/myaccount

OR

Use one of the calculators on the SSA website:

www.ssa.gov/planners/benefitcalculators.htm

Spousal filing rules



Example

- John's PIA \$2,000
- Jane's PIA \$800
- If Jane applies at FRA, her benefit will be \$1,000 (50% of John's PIA)

Spousal benefit = $\frac{1}{2}$ the primary worker's PIA if started at full retirement age

Spousal filing rules



Eligibility

- Eligible at 62
- Married for at least one year
- One spouse must file for the other to claim benefits



Benefits

- Up to 50% of spouse's PIA
- No "Delayed Credits" on spousal benefits after FRA

For divorced spouses



Eligibility

- Marriage lasted 10 years or more
- Person receiving divorced-spouse benefit is currently unmarried
- Ex-spouse is at least 62



Benefits

- Spousal and survivor benefits
- No impact on ex-spouse's benefit
- More than one ex can claim on the same workers record

For surviving spouses



Example

- John and Jane are married
- John's monthly benefit is \$1,200. Jane's monthly benefit is \$2,000.
- Jane dies
- John notifies Social Security and his \$1,200 benefit is replaced by Jane's \$2,000 survivor benefit

When one spouse dies, the surviving spouse receives the greater of the two benefits

For surviving spouses



Eligibility

- Married for at least 9 months
- Benefits can be taken as early as age 60
- Survivor benefit not available if widow(er) remarries before age 60



Benefits

- Spouse's PIA including delayed retirement credits earned
- Survivor benefits can be received independent of individual benefits

When should I apply for benefits?



Factors to consider when deciding when to apply

- Health status
- Life expectancy
- Need for income
- Whether or not you plan to work
- Survivor needs

Medicare will shrink your check

If you are receiving Social Security and are 65 or older and enrolled in Medicare, your Part B premiums will be deducted from your check.

- In 2025, Part B premium = \$185.00/month**

Assume a \$2,600 PIA, FRA = 67

- If claimed at 62, benefit = 70% = \$1,820. Part B = 9%
- If claimed at 67, benefit = 100% = \$2,600. Part B = 6%
- If claimed at 70, benefit = 124% = \$3,224. Part B = 5%

** High Income Households May Have Additional Charges Deducted

Full Part B Coverage			
Beneficiaries who file individual tax returns with modified adjusted gross income:	Beneficiaries who file joint tax returns with modified adjusted gross income:	Income-Related Monthly Adjustment Amount	Total Monthly Premium Amount
Less than or equal to \$106,000	Less than or equal to \$212,000	\$0.00	\$185.00
Greater than \$106,000 and less than or equal to \$133,000	Greater than \$212,000 and less than or equal to \$266,000	74.00	259.00
Greater than \$133,000 and less than or equal to \$167,000	Greater than \$266,000 and less than or equal to \$334,000	185.00	370.00
Greater than \$167,000 and less than or equal to \$200,000	Greater than \$334,000 and less than or equal to \$400,000	295.90	480.90
Greater than \$200,000 and less than \$500,000	Greater than \$400,000 and less than \$750,000	406.90	591.90
Greater than or equal to \$500,000	Greater than or equal to \$750,000	443.90	628.90

Why delay benefits?

Bigger checks to start

Age at which benefits are claimed	% of PIA if FRA = 67	Benefit without COLAs	Benefit with COLAs
62	70	\$2,100	\$2,100
63	75	2,250	2,295
64	80	2,400	2,497
65	86.7	2,600	2,759
66	93.3	2,800	3,031
67	100	3,000	3,312
68	108	3,240	3,649
69	116	3,480	3,997
70	124	3,720	4,359

Assumes PIA = \$3,000 and 2.0% annual COLAs

Why delay benefits?

More income later on

Benefit at age	If claim at 62	If claim at 70
70	\$2,460	\$4,359
75	2,717	4,812
80	2,999	5,313
85	3,311	5,866
90	3,656	6,477
95	4,037	7,151
100	4,457	7,895

Assumes FRA = 67, PIA = \$3,000 and 2.0% annual COLAs

When to apply for Social Security

Key points to remember

- If you apply early, your benefit starts lower and stays lower for life.
- COLAs magnify the impact of early or delayed claiming. The longer you live, the more beneficial it is to delay benefits.
- Decision impacts survivor benefits as well: delaying benefits may give surviving spouse more income.

How can I maximize my benefits?



Strategy #1 for maximizing your benefits

Improve your earnings record

Examine your earnings record from your latest Social Security statement, available online at: www.socialsecurity.gov/mystatement

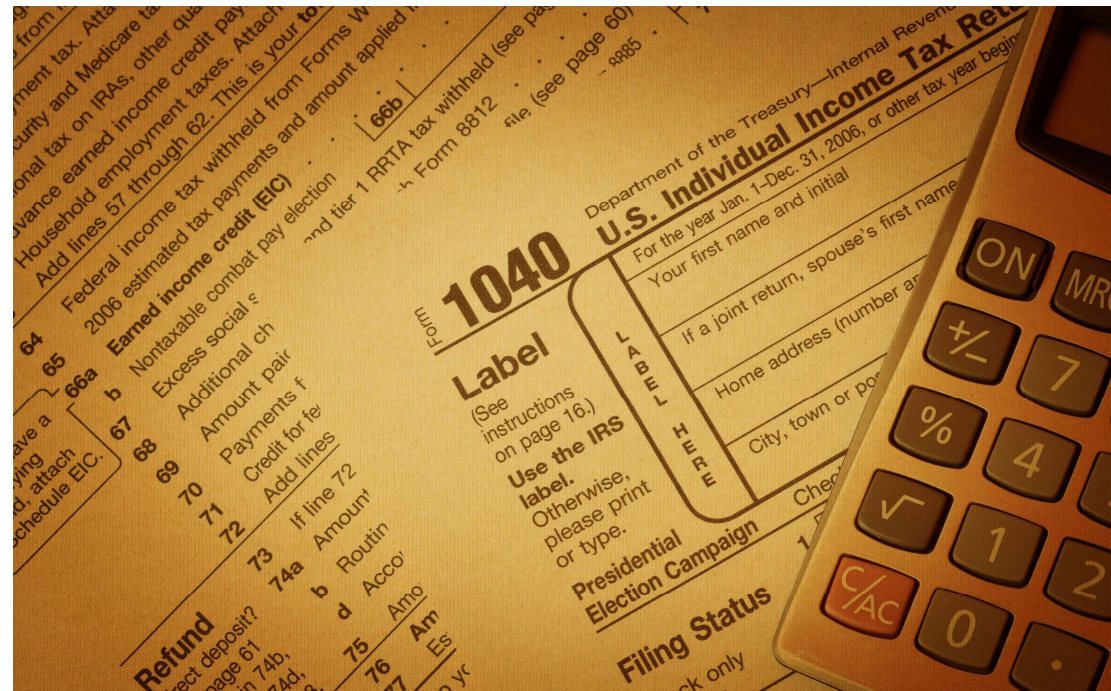
- Is it accurate?
- Any missing years?
- Can you improve it by working longer?

Strategy #2 for maximizing your benefits

Annual earnings test

- If you apply for Social Security before full retirement age and you work:
- \$1 in benefits will be withheld for every \$2 you earn over \$23,400 in 2025
- Benefit will be adjusted at full retirement age
- Don't let annual earnings test discourage you from working
- To avoid the earnings test, wait until full retirement age or later to apply for benefits

Minimize taxation of benefits



Taxation of Social Security benefits

Filing status	Provisional income*	Amount of SS subject to tax
Married filing jointly	Under \$32,000	0
	\$32,000 - \$44,000	Up to 50%
	Over \$44,000	Up to 85%
Single, head of household, qualifying widow(er), married filing separately & living apart from spouse	Under \$25,000	0
	\$25,000 - \$34,000	Up to 50%
	Over \$34,000	Up to 85%
Married filing separately and living with spouse	Over 0	85%

***Provisional income = AGI + one-half of SS benefit + tax-exempt interest**

Minimize Taxes on Social Security Benefits

- Reduce other income with tax-advantaged investments (but not municipal bonds!)
- Anticipate IRA RMDs, which may put you in a higher tax bracket; consider drawing down IRAs before age 73 (formerly age 70 ½...formerly age 72...and moving to age 75)
- Convert traditional IRA to Roth
- Delay Social Security: reduces number of years benefits are subject to tax
- Reduce expenses: pay down debt, adopt simpler lifestyle
- Continue to manage taxes throughout retirement

Consider Social Security in the context of:

- **Pensions**
- **IRAs and 401(k)s**
- **Required minimum distributions at age 73**
(Formerly age 70-1/2...formerly age 72...moving to age 75)
- **Investment portfolio**
- **Work**

Important things to keep in mind

• Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution •
Not insured by any federal government agency • May lose value

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