

UNDERSTANDING YOUR
Social Security Strategy



For Sally and Sam Albright

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Important Notes

This report of your Social Security benefits is based on the information you provided. Its purpose is to help you frame your thoughts and become better informed before filing. It shows strategies and age combinations that you might not have considered. This report is not intended to provide an exact analysis, but it will help you determine the filing method and age you want to start your benefits.

This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

A portion of your Social Security benefits may be taxable. Since other sources of retirement income can affect taxation of your benefits, proper income tax planning can only be done as part of a comprehensive retirement income plan. The actual income taxation of Social Security benefits will depend on the facts and circumstances at the time the benefits are received. Any illustration of the potential income taxation of Social Security benefits is an estimate.

If you have questions not covered in this report, your Social Security Administration office and its website (www.ssa.gov) are excellent sources of additional information.

IMPORTANT: The projections or other information generated in this report regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

This tool and support materials are designed to provide general information on the subjects covered. It is not intended to provide specific legal or tax advice. You should discuss all strategies with your legal, tax, and financial advisors.

Planning for Social Security Retirement Benefits

For some people, choosing the right time to file for Social Security retirement benefits appears to be straightforward. Some choose to take benefits at age 62, as soon as it becomes available. Some choose to take benefits at the same time they stop working. While others delay claiming benefits just to get a higher benefit payment. Unfortunately, it might not be that simple. Indeed, for many, the decision is more complicated.

Most people should ask, and get answers to, the following questions:

- At what age should I file for benefits?
- At what age should my spouse file for benefits?
- When does it make sense to claim a spousal benefit?
- How do I make sure my spouse gets the largest survivor benefit?
- How do we know which of the common filing methods might be right for us?
- If one of us lives a long life, how does that affect our decision?

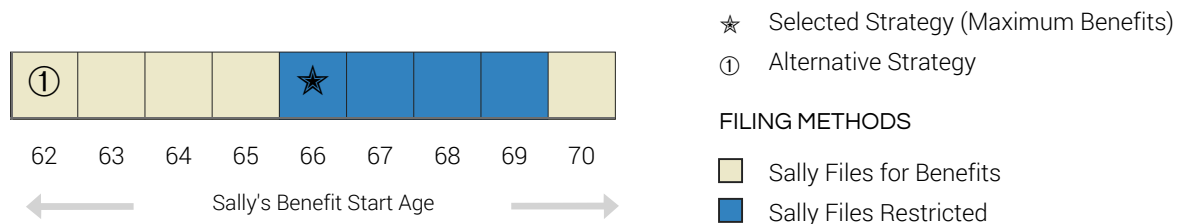
Clearly there can be a lot involved.

This report illustrates one or more Social Security retirement income planning strategies (start ages and filing method) that may help you reach your retirement income goals. Your Social Security benefits are shown before taxes in future dollars, assuming annual cost of living adjustments from today. The report is based on the information you provided below.

	SALLY	SAM
Date of Birth	1/14/1955	1/3/1950
Full Retirement Age (FRA)	66 and 2 months	66
Current monthly benefit		\$1,875
Age started benefits		62
Monthly benefit at FRA ¹	\$1,130	\$2,500
Assume live to	87	84
Rate of return for cumulative value of benefits		0%
Social Security cost of living adjustment		2.5%
Effective income tax rate		25%
Modified Adjusted Gross Income		\$0

¹ This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

Social Security Strategy



What Does This Mean?

The above grid shows possible start ages for filing for Social Security benefits. Totals are calculated for each start age. The star represents the age with the highest overall total.

The strategy selected and emphasized in this report starts benefits for Sally at age 66 (the start age that will provide maximum benefits over your projected lifetime). The difference shown below is how much less benefit would be received if an alternative start age is selected.

SELECTED START AGE	CUMULATIVE VALUE ¹
★ Start at 66	\$1,213,991

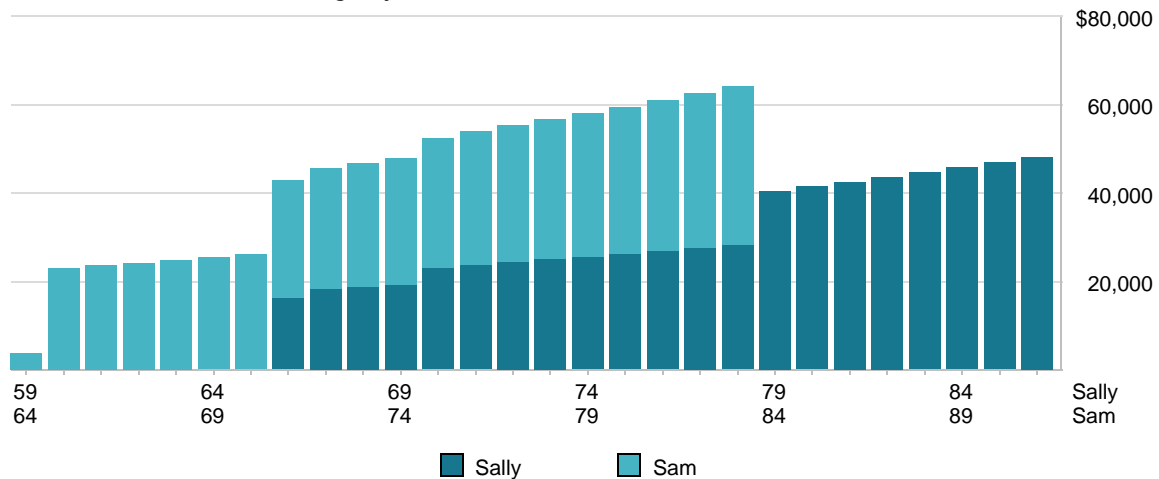
ALTERNATIVE START AGE	CUMULATIVE VALUE ¹	DIFFERENCE FROM SELECTED
① Start at 62	\$1,158,074	\$55,917 less

¹ Cumulative value calculated through 2041.

★ Selected Strategy (Maximum Benefits)

	SALLY	SAM	CUMULATIVE VALUE OF BENEFITS
Current Age	59	64	<h2>\$1,213,991</h2> <p>Sally Files Restricted Application</p>
Monthly benefit at FRA ¹	\$1,130	\$2,500	
Assume live to	87	84	
Start benefits at age	66	62	

ANNUAL BENEFITS BY YEAR
Assumes 2.5% Cost of Living Adjustments



DATE	AGE	CHANGE FOR	NEW MONTHLY BENEFITS			REASON
			SALLY	SAM	TOTAL	
Feb 2021	66	Sally	\$1,486	\$2,229	\$3,715	Start spousal benefits only
Feb 2025	70	Sally	\$1,937	\$2,460	\$4,397	Start with delayed credits
Jan 2034	79	Sally	\$3,380	\$0	\$3,380	Survivor benefits start

¹ This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

Annual Social Security Benefits

Assumes 2.5% Cost of Living Adjustment

Year	SALLY				SAM			TOTAL	
	Age	Retirement	Spousal	Survivor	Age	Retirement	Spousal	Annual Total	Cumulative
2014	59	0	0	0	64	3,750	0	3,750	3,750
2015	60	0	0	0	65	23,064	0	23,064	26,814
2016	61	0	0	0	66	23,640	0	23,640	50,454
2017	62	0	0	0	67	24,228	0	24,228	74,682
2018	63	0	0	0	68	24,840	0	24,840	99,522
2019	64	0	0	0	69	25,452	0	25,452	124,974
2020	65	0	0	0	70	26,088	0	26,088	151,062
2021	66	0	16,346	0	71	26,748	0	43,094	194,156
2022	67	0	18,276	0	72	27,420	0	45,696	239,852
2023	68	0	18,732	0	73	28,104	0	46,836	286,688
2024	69	0	19,200	0	74	28,800	0	48,000	334,688
2025	70	22,947	0	0	75	29,520	0	52,467	387,155
2026	71	23,832	0	0	76	30,264	0	54,096	441,251
2027	72	24,420	0	0	77	31,020	0	55,440	496,691
2028	73	25,032	0	0	78	31,788	0	56,820	553,511
2029	74	25,668	0	0	79	32,592	0	58,260	611,771
2030	75	26,304	0	0	80	33,396	0	59,700	671,471
2031	76	26,964	0	0	81	34,236	0	61,200	732,671
2032	77	27,636	0	0	82	35,088	0	62,724	795,395
2033	78	28,332	0	0	83	35,964	0	64,296	859,691
2034	79	29,040	0	11,520				40,560	900,251
2035	80	29,760	0	11,808				41,568	941,819
2036	81	30,504	0	12,108				42,612	984,431
2037	82	31,272	0	12,408				43,680	1,028,111
2038	83	32,040	0	12,720				44,760	1,072,871
2039	84	32,856	0	13,032				45,888	1,118,759
2040	85	33,672	0	13,356				47,028	1,165,787
2041	86	34,512	0	13,692				48,204	1,213,991

Action Plan

For Sally starting benefits at age 66 and Sam starting benefits at age 62

✓	WHEN	WHO	ACTION	NOTES
<input type="checkbox"/>	December 2020	Sally	File a restricted application for spousal benefits. Sam must be receiving benefits to enable Sally to apply for spousal benefits.	Apply 3 months prior to starting spousal benefits. Sally must be at least full retirement age. Sally's benefit will receive delayed retirement credits to age 70.
<input type="checkbox"/>	October 2024	Sally	At age 70, start Social Security benefit payments with delayed retirement credits.	Apply 3 months prior to birthday. Application may be made any time during this month. No additional delayed retirement credits after age 70.
<input type="checkbox"/>	At death of a spouse		When a spouse dies, the other spouse should file for Social Security survivors' benefits.	Social Security provides a one-time payment of \$255, plus monthly survivors' benefits.

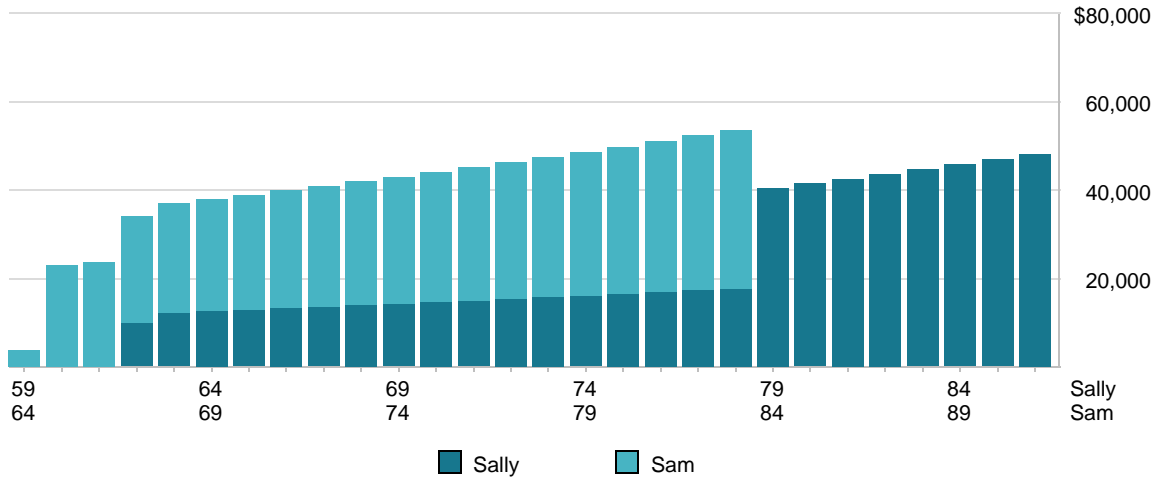
This schedule was prepared on October 8, 2014.

All items should be reviewed regularly and adjusted for any changes in Social Security rules, tax laws, or major life events of either Sally or Sam. A review with your financial advisors annually is recommended.

① Alternative Strategy

	SALLY	SAM	CUMULATIVE VALUE OF BENEFITS	
Current Age	59	64	<h2 style="margin: 0;">\$1,158,074</h2> <p style="margin: 0;">Sally Files for Benefits</p>	
Monthly benefit at FRA ¹	\$1,130	\$2,500		
Assume live to	87	84		
Start benefits at age	62	62		

ANNUAL BENEFITS BY YEAR
Assumes 2.5% Cost of Living Adjustments



DATE	AGE	CHANGE FOR	NEW MONTHLY BENEFITS			REASON
			SALLY	SAM	TOTAL	
Mar 2017	62	Sally	\$998	\$2,019	\$3,017	Start own retirement benefits
Jan 2034	79	Sally	\$3,380	\$0	\$3,380	Survivor benefits start

¹ This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

Annual Social Security Benefits

Assumes 2.5% Cost of Living Adjustment

Year	SALLY				SAM			TOTAL	
	Age	Retirement	Spousal	Survivor	Age	Retirement	Spousal	Annual Total	Cumulative
2014	59	0	0	0	64	3,750	0	3,750	3,750
2015	60	0	0	0	65	23,064	0	23,064	26,814
2016	61	0	0	0	66	23,640	0	23,640	50,454
2017	62	9,080	900	0	67	24,228	0	34,208	84,662
2018	63	11,160	1,104	0	68	24,840	0	37,104	121,766
2019	64	11,448	1,128	0	69	25,452	0	38,028	159,794
2020	65	11,724	1,164	0	70	26,088	0	38,976	198,770
2021	66	12,024	1,188	0	71	26,748	0	39,960	238,730
2022	67	12,324	1,224	0	72	27,420	0	40,968	279,698
2023	68	12,636	1,248	0	73	28,104	0	41,988	321,686
2024	69	12,948	1,284	0	74	28,800	0	43,032	364,718
2025	70	13,272	1,320	0	75	29,520	0	44,100	408,818
2026	71	13,596	1,344	0	76	30,264	0	45,216	454,034
2027	72	13,944	1,380	0	77	31,020	0	46,344	500,378
2028	73	14,292	1,416	0	78	31,788	0	47,496	547,874
2029	74	14,652	1,452	0	79	32,592	0	48,696	596,570
2030	75	15,012	1,488	0	80	33,396	0	49,896	646,466
2031	76	15,384	1,524	0	81	34,236	0	51,144	697,610
2032	77	15,768	1,560	0	82	35,088	0	52,428	750,038
2033	78	16,164	1,596	0	83	35,964	0	53,736	803,774
2034	79	16,572	0	23,988				40,560	844,334
2035	80	16,980	0	24,588				41,568	885,902
2036	81	17,412	0	25,200				42,612	928,514
2037	82	17,856	0	25,824				43,680	972,194
2038	83	18,288	0	26,472				44,760	1,016,954
2039	84	18,756	0	27,132				45,888	1,062,842
2040	85	19,212	0	27,816				47,028	1,109,870
2041	86	19,692	0	28,512				48,204	1,158,074

Definitions and Additional Information

Full retirement age

Full retirement age (FRA) is the age at which a person may first become entitled to full or unreduced retirement benefits. If your birthday is on January 1, the previous year's FRA will determine your full retirement age.

YEAR OF BIRTH	FULL RETIREMENT AGE
1943 through 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Reductions for retirement before full retirement age

You may start Social Security retirement benefits as early as age 62; however, each month prior to FRA will result in a reduction in your benefits. This reduction ranges from 25% for those with a FRA of 66 to 30% for FRA of 67. The formula is 5/9 of 1% per month up to 36 months, plus 5/12 of 1% per month exceeding 36.

Delayed retirement credits for retirement after full retirement age

If you choose to delay starting benefits, you will receive an increase in your benefit amount of 8% per year up to age 70. After age 70 there are no further credits for delaying benefits. The credit is 2/3 of 1% for each month beyond FRA.

Monthly benefit at full retirement age

You can find your monthly benefit at full retirement age on your annual Social Security statement or from the on-line statement. The amount used in this report is the monthly value in today's dollars. This report automatically applies cost of living adjustments for you. This monthly benefit amount is also known as Primary Insurance Amount or PIA.

Spousal and family benefits

If you are receiving Social Security retirement benefits, your spouse and children may also qualify to receive benefits on your record. Your spouse or child may receive a monthly payment of up to one-half of your full retirement benefit amount, subject to a family maximum of approximately 150-180% of your full retirement payment. These payments will not reduce your retirement benefit. If there is more than one beneficiary, the payments are prorated among your family members eligible for benefits.

Survivor benefits

Social Security provides survivor benefits for your family. If you die and your children are under 18, they are eligible for survivor benefits. In addition, your spouse qualifies for survivor benefits if age 60 or greater or caring for your children under age 16. Your spouse's survivor benefits when not caring for children under 16 will be reduced if benefits start prior to full retirement age.

Family benefits

This report does not consider survivor or retirement payments available for children, which may increase the total benefits your family may receive.

Disability benefits

This report does not consider disability payments that you or your family may be eligible to receive.

Pensions based on earnings not covered by Social Security

If you receive a pension for work not covered by Social Security, your monthly retirement or survivors' benefit may be reduced.

Government Pension Offset (GPO)

This provision affects only individuals who have earned a pension from work not covered by Social Security. Two-thirds of the monthly non-covered pension amount may reduce any spousal benefits you are otherwise entitled. GPO does not reduce any benefits based on your work record covered by Social Security.

Windfall Elimination Provision (WEP)

Your Social Security benefits may be reduced if you are entitled to a monthly pension from work not covered by Social Security and also qualify for Social Security retirement benefits. The years and earnings covered by Social Security determine the reduction, if any.

Each year worked up to starting retirement may affect benefits. The Social Security Administration does not include this reduction on your annual statement. It is calculated when you file for benefits. For 2014, this reduction is limited to the lesser of \$408 or one-half of your non-covered monthly pension.

Marital status

Married: Currently married under federal definition of marriage. Applicable spousal benefits and survivor benefits have been included.

Widowed: Currently not married under federal definition of marriage. Survivor benefits have been considered throughout the tool.

Divorced: If you were married for at least 10 years before divorce. You may receive spousal benefits based on an ex-spouse's benefit. It does not have to be the most recent ex-spouse, but your marriage must have lasted ten years. Claiming this benefit will in no way affect your ex-spouse's benefits.

Single: Currently not married under federal definition of marriage (or were married for less than 10 years before divorce). Benefits will only consider your earning record.

File for benefits

You file for all eligible benefits. Prior to full retirement age, deemed filing applies. This means if you claim a benefit before FRA you must file for all benefits to which you may be eligible, including your own retirement benefit as well as a spousal benefit if one exists. Benefits will be reduced for each month prior to FRA. If FRA or later, you may file for your own benefits or any spousal benefits you may be eligible to receive.

File and suspend

Once you have reached FRA, you file your application for benefits and immediately suspend payments until a later date. This allows you to delay benefits up to age 70 to earn delayed retirement credits to increase monthly payments. In addition, this allows your spouse to collect spousal benefits.

File a restricted application

Once you have reached FRA, you file a restricted application for survivor or spousal benefits. This allows you to begin spousal or survivor benefits while earning delayed retirement credits. You apply for your own benefits at a later date and receive increased monthly payments.

Options to change your selection

Within 12 months of starting benefits if you change your mind, you may withdraw your claim and reapply. If approved, you must repay all benefits paid. This is only allowed once.

If you are already receiving benefits, you may suspend current or future payments up to age 70. The suspended payments will automatically resume at age 70, unless you request them sooner.

Precaution if benefits are suspended

If you are enrolled in Medicare Part B, premiums cannot be deducted from suspended payments. You will need to pay them directly or have them automatically paid by your bank.

Cost of living adjustment

Historically prices have risen over time. Social Security Administration reviews the cost of living each year and adjusts benefits accordingly. The 30-year average annual adjustment is 2.5%.

Social Security Administration determines if a cost of living adjustment is made, and if so, how much. Typically, benefits have increased by 2.5% to 3.0% in the past. Using 0% will show basic benefits without any adjustments for inflation. More information can be found at www.socialsecurity.gov/cola.

What if you work during retirement?

You may work while receiving Social Security benefits and working may mean higher future benefits. However, while working your benefits may be reduced until you reach full retirement age. After full retirement age, the Social Security Administration will recalculate your benefits considering months when benefits were reduced or withheld due to excess earnings. Any year when earnings are higher than a prior year in your earnings record, the higher year will be used to recalculate your PIA and your payment amount.

The excess earnings limit in 2014 is \$15,480. A formula determines the amount benefits will be reduced based on your age. If you are under full retirement age for the entire year, benefits will be reduced \$1 for every \$2 earned above the limit. In the year you attain full retirement age, the deduction will be \$1 for every \$3 over \$41,400 (2014). Starting with the month you reach full retirement age, there is no longer a reduction in benefits or a limit to the amount you may earn.

If Social Security Administration is notified in advance of your anticipated monthly earnings, they will adjust your payments accordingly. If Social Security Administration learns of the excess earnings later, they withhold all future payments until excess benefits are recovered.

Modified adjusted gross income

Modified adjusted gross income (MAGI) is generally defined as all of your taxable income, plus certain net foreign income, minus allowed deductions. MAGI may include income such as taxable pensions, wages, interest, dividends, and other taxable income plus tax-exempt interest income (such as interest on municipal bonds) and any exclusion from income, such as interest from US savings bonds. See Internal Revenue Code 86b(2) or Internal Revenue Service Publication 915 for more information.

Be sure to consider your retirement plan distributions. All distributions from IRAs and employer plans will be included in MAGI. Roth IRA distributions will not be included.

Effective tax rate

The effective income tax rate is the average rate at which income is taxed. It takes into account the deductions and credits used to compute income taxes. It is total income taxes divided by total income, and is less than the "tax bracket" or marginal rate.

How are Social Security benefits taxed?

About one out of three people who get Social Security have to pay income taxes on their benefits¹. Combined income is the sum of your modified adjusted gross income plus nontaxable interest plus half of your Social Security benefits.

- If you are married and file a joint return, up to 50% of your benefits may be taxable if you and your spouse have a combined income that is between \$32,000 and \$44,000. If your combined income is more than \$44,000, up to 85% of your Social Security benefits is subject to income tax.
- If you are married and file a separate return, you will most likely pay taxes on your benefits.
- If you are single and your combined income is between \$25,000 and \$34,000, you may have to pay taxes on up to 50% of your Social Security benefits. If your combined income is more than \$34,000, up to 85% of your Social Security benefits is subject to income tax.
- No more than 85% of your total benefits is taxable

¹ ssa.gov Retirement Benefits booklet April 2013

For more information

Your Social Security Administration office is an excellent source for questions about your benefits. The website (www.ssa.gov) is extremely helpful. This report should help you frame your thoughts before filing. It shows strategies that you may not have considered. It eliminates guessing or rules-of-thumb by calculating almost all possible combinations and illustrating the largest benefit.

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