



Social Security Explorer

Assumptions Guide

This tool demonstrates options for receiving your Social Security benefits. The results shown are hypothetical based on the information you provided and are not a guarantee of future benefit values or investment results. Contact your financial professional or the Social Security Administration for more information.

Social Security Explorer helps you become better informed prior to filing for your Social Security retirement benefits. It is not intended to provide an exact analysis, but it will help you determine the strategy and age you want to start your benefits. You will be able to explore different starting age combinations as well as different strategies that may be available. There are over 2,000 rules that may be applied. Although you may file for your retirement benefits on-line, some strategies illustrated in this report may require you to file in person.

Social Security Explorer assumes that you stop work when you start your benefits. In some cases, your benefits will be reduced if you continue to work; however, any amounts withheld are repaid after you reach full retirement age. The cumulative benefits will be unchanged.

Your Social Security Administration office is an excellent source of any specific questions about your benefits. Their website can be extremely helpful. Social Security Explorer helps you frame your thoughts before filing. It shows strategies and age combinations that you might not have considered. It eliminates guessing or rules-of-thumb by calculating all possible combinations and illustrating the largest benefit.

Considers

Persons who have not started receiving Social Security Benefits and are less than 71 years old
Single, divorced (married 10 years or more), widowed, currently married couples (married
assumes eligible for spousal benefits under Social Security regulations)

Does not consider multiple spouses for widowed or divorced persons

Assumes persons have earned enough work credits to qualify for benefits

Assumes benefit amounts will be entered from the Social Security benefit statement provided for
the person(s) being analyzed.

The person is assumed to work until filing for benefits, but no later than full retirement age.

Windfall Elimination Provision (WEP) and Government Pension Offset (GPO):

- If the person has a pension from earnings not covered by Social Security, the amount of monthly non-covered pension and WEP adjusted Social Security benefit amounts will be provided by that person.
- Social Security Explorer offers a link to the Social Security Administration website calculator for determining WEP and estimates the minimum WEP.
- Social Security Explorer reduces spousal benefits, if any, for GPO by 2/3 of the non-covered pension.

Social Security Explorer uses the numbers you provide and makes no further calculations of such benefit amounts.

Methodology

User inputs marital status, birth year of each person and monthly Social Security payment at Full Retirement Age (FRA).

The program defaults to death(s) at age 85 and a Social Security cost-of-living adjustment of 2.5% annually, starting in the second year. The user, if desired, may alter the year of assumed death and cost-of-living increases from 0% to 8% in ½% increments.

Using the primary insurance amount and Social Security actuarial reductions or delayed credits, the tool estimates what benefits would be for that individual, based on the age at which the person files for benefits (i.e., 62–70).

For married, divorced and widowed persons, spousal and/or survivor benefits are calculated. Depending on the strategy chosen, generally the larger benefit amount will be illustrated.

Annual values are illustrated, equal to 12 times the monthly benefit amount. The only exception is for persons born in 1955-1959 where the Full Retirement Age is increasing in 2-month intervals. In this case, if benefits start at FRA, the amount will be adjusted for the months past FRA; e.g., for someone born in 1955 and starting benefits at FRA, the equivalent of 10 months benefits will be used. When appropriate, the greater of the person's own benefit or the benefit plus any spousal benefit will be used.

Strategies Considered

File and Suspend or filing **Restricted Application** strategies may be illustrated alone or in combination, depending on the calculator or strategy chosen.

File and Suspend is assumed to have occurred prior to May 2016. If **File and Suspend** is used, the person is assumed to file for benefits at full retirement age and immediately suspend payments. The person will then file for Social Security benefits to start at the indicated start age (but no later than age 70) and will receive delayed credits up to benefit start age.

If **Restricted Application** is used, the person is assumed to have been born prior to 1954 and to file an application for restricted spousal or survivor benefits at the start age indicated (but no earlier than Full Retirement Age). At age 70, the person files for benefits based on own record, with delayed credits until age 70.

If an investment rate greater than 0% is used, the future value of benefits received will reflect the “time value of money” and will be accumulated in a hypothetical account that will be compounded annually. The purpose of the investment rate is to compare the value of the Social Security income stream against some other source of retirement income for those who have other potential sources of retirement income.

If the person being analyzed will need the Social Security benefits for basic monthly expenses, a rate of 0% should be used. A 0% investment rate indicates that the Social Security benefits will typically be spent on living expenses.

Possible Combinations

There are seven basic combinations of filing strategies:

- File for benefits at age indicated (only 1 combination, and ‘deemed’ to have filed for all eligible benefits)
- One spouse files and suspends, the other spouse files for benefits (2 combinations possible and suspending must be prior to May 2016)
- One spouse files a restricted application for spousal benefits only, the other spouse files for benefits (2 combinations possible provided the one filing a restricted application was born prior to 1954)
- One spouse files and suspends (prior to May 2016), the other spouse (born prior to 1954) files a restricted application for spousal benefits only (2 combinations possible)

Since only one spouse can receive a spousal benefit, both spouses cannot file and suspend or file for restricted benefits.

Strategies to Maximize Benefits

For a given strategy above, a series of calculations are made for all start ages 62-70 for each client (potentially 81 sets of values). The cumulative value for each is compared and the age combination with the highest total is indicated on the graph with a star. Note for non-married

persons, only up to 9 sets of calculations are possible. Each cell representing an age combination is colored: the higher the relative value, the lighter the shade.

For starting ages less than Full Retirement Age, only file for benefits is available. In these cases, the strategy will be applied at Full Retirement age and the benefit stream will not start until then, however cumulative benefits will be totaled for these age combinations and will equal the same totals as the Full Retirement age combination. For example, if the strategy is “file and suspend, spouse files restricted”, at ages 62/62 no filing will occur until Full Retirement Ages and the calculations will include \$0 annual benefits for the years prior to FRA.

Best Strategy by Age

A series of calculations are made for each of the 7 strategies, using the methodology described in Strategies to Maximize Benefits. A total of 567 sets of values are considered. For each age combination, the strategy with the highest cumulative benefit is the best strategy for that age. A color is assigned each strategy and the color of the strategy with the highest value is placed in the cell representing that age combination. The age combination with the highest overall total is indicated on the graph with a star. For age combinations prior to FRA, only File for Benefits is calculated.

Other Assumptions and Limitations

In all cases, if the current age of a person is more than 62, no calculations will be made for ages less than current age.

Social Security Explorer does not consider some of the more complex filing strategies such as those that involve changing strategies at a later time. For example: filing for benefits starting at FRA then later suspending benefits; widowed persons filing for survivor benefits at age 60 while delaying own benefits until FRA or later or filing for own benefits early and claiming survivor benefits at FRA.

Benefits calculated are estimates only and do not consider other factors that may affect benefits such as future work credits, military service, reductions due to earnings prior to FRA or credits applied at FRA for reduction in benefits due to earnings or benefits starting on dates other than the age indicated. In reality, these factors are complex and only the Social Security Administration can fully address these questions. Social Security Administration does not illustrate many of these special adjustments on the benefit statements they provide, as these adjustments are made at time of filing. Since Social Security Explorer uses the benefits from the Social Security benefit statements, these other adjustments are not reflected.