



S O C I A L S E C U R I T Y

P R O

Assumptions Guide

Purpose

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 Pro 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 of the strategies illustrated in this report may require you to file in person.

Impact

Social Security Pro 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 Pro 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

- Individuals who have not started receiving Social Security Benefits and are less than 71 years old or married couples where at least one person is 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
- Does not consider disability or dependent benefits that may be available
- 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 Pro offers a link to the Social Security Administration website calculator for determining WEP and estimates the minimum WEP.
 - Social Security Pro reduces spousal benefits, if any, for GPO by 2/3 of the non-covered pension
 - Social Security Pro uses the numbers you provide and makes no further calculations of such benefit amounts.

Methodology

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

The program defaults to death(s) at life expectancy 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 6% 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.

Calendar year values are illustrated. Benefit starting dates are calculated by using SSA guidelines. Generally if you attain an age in a given month or reach full retirement age, benefits are paid in the next month,

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.

You may choose to illustrate future or present (discounted) values, if your investment rate is greater than 0%. Otherwise, cumulative values are shown.

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.

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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. As many as 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 Pro 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, or continue working while receiving Social Security and later credits for benefits withheld due to excess earnings.

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 Pro uses the benefits from the Social Security benefit statements, these other adjustments are not reflected.