

SOCIAL SECURITY  
2019 BENCH BAR CONFERENCE  
APRIL 17, 2019



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STRATEGIC WEALTH

# WHEN TO START RECEIVING RETIREMENT BENEFITS

From the Social Security Administration web site:

*At Social Security, we're often asked, "What is the best age to start receiving retirement benefits?" The answer is that there is no one "best age" for everyone and, ultimately, it is your choice.*

# STABLE INCOME VERSUS VOLATILITY

| Which sort of income stream would you prefer in retirement?

**Dow sheds over 1,300 points in 2 days**

Bloomberg News, [October 11, 2018](#)

**Social Security benefits to rise most in 7 years**

Financial-Planning.com, [October 11, 2018](#)

# SOCIAL SECURITY BASICS

## HOW BENEFITS ARE CALCULATED

**To be eligible for  
own benefit**

**Need at least 10  
working years**

**Calculation**

**Average of highest  
35 years of  
earnings adjusted  
for inflation**

# SOCIAL SECURITY BASICS

## Full Retirement Age (FRA)

- 66 for those born in 1943 to 1954

## Primary Insurance Amount (PIA)

- Benefit received if you file at FRA
- 2019 maximum PIA = \$2,861/mo.

## Earning Limit Before FRA

- \$1 of benefits withheld for every \$2 earned over \$17,640
- In year you turn FRA, \$1 withheld for every \$3 earned over \$46,920

## Benefit Taxation

- 0%, 50% or 85% of benefits are taxed at Federal level, depending on income



# THREE IMPORTANT AGES

<b>Age</b>	<b>Worker Benefit (% of Primary Insurance Amount)</b>
62	75%
66-67 (Full Retirement Age)	100%
70	132%

# FULL RETIREMENT AGE FOR RETIREMENT BENEFITS

Year of Birth	FRA	Age 62 Reduced Benefit*	Age 70 Delayed Worker Benefit*
1954 or earlier	66 and 0 months	75.0%	132.0%
1955	66 and 2 months	74.2%	130.7%
1956	66 and 4 months	73.3%	129.3%
1957	66 and 6 months	72.5%	128.0%
1958	66 and 8 months	71.7%	126.7%
1959	66 and 10 months	70.8%	125.3%
1960 or later	67 and 0 months	70.0%	124.0%

| \*As a percentage of PIA

# CLAIMING SOCIAL SECURITY BY AGE DEPENDING ON YEAR OF BIRTH

Birth Year	Age 62	Age 63	Age 64	Age 65	Age 66	Age 67	Age 68	Age 69	Age 70
1943-1954	75%	80%	86.7%	93.3%	100%	108%	116%	124%	132%
1955	74.2%	79.2%	85.6%	92.2%	98.9%	106.7%	114.7%	122.7%	130.7%
1956	73.3%	78.3%	84.4%	91.1%	97.8%	105.3%	113.3%	121.3%	129.3%
1957	72.5%	77.5%	83.3%	90%	96.7%	104%	112%	120%	128%
1958	71.7%	76.7%	82.2%	88.9%	95.6%	102.7%	110.7%	118.7%	126.7%
1959	70.8%	75.8%	81.1%	87.8%	94.4%	101.3%	109.3%	117.3%	125.3%
1960 or later	70%	75%	80%	86.7%	93.3%	100%	108%	116%	124%



# MARRIED COUPLE BASICS

## Spousal Benefit

- | Married > one year
- | Benefit received based on a spouse's earnings record
- | Spouse with the work record must file first
- | Only one spouse can get spousal benefit
- | Same sex marriages recognized



## Widow(er) Benefit

- | Larger of the individual benefits received after one spouse passes away
- | Married > 9 months

# THREE IMPORTANT AGES

<b>Age</b>	<b>Worker Benefit (% of Primary Insurance Amount)</b>	<b>Spousal Benefit (% of Spouse's Primary Insurance Amount)</b>
62	75%	35%
66-67 (Full Retirement Age)	100%	50%
70	132%	50%

# MARRIED COUPLE BASICS

## Spousal Benefit

- | Married > one year
- | Benefit received based on a spouse's earnings record
- | Spouse with the work record must file first
- | Only one spouse can get spousal benefit
- | Same sex marriages recognized

## Widow(er) Benefit

- | Larger of the individual benefits received after one spouse passes away
- | Married > 9 months



# FULL RETIREMENT AGE FOR SURVIVORS

Year of Birth	Survivor's Full Retirement Age	Age 60 Reduced Benefit*
1956 or earlier	66 and 0 months	71.5%
1957	66 and 2 months	71.5%
1958	66 and 4 months	71.5%
1959	66 and 6 months	71.5%
1960	66 and 8 months	71.5%
1961	66 and 10 months	71.5%
1962 or later	67 and 0 months	71.5%

\*As a percentage of full survivor benefit

# PLANNING STRATEGIES



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# FILING STRATEGIES

## WHEN TO CLAIM?

### **Single or married to a spouse who is ineligible for benefits**

- | Life expectancy  $\leq$  average  $\rightarrow$  file early
- | Life expectancy  $\geq$  average  $\rightarrow$  file between full retirement age and 70

### **Also consider:**

- | Retirement age
- | Non-Social Security income
- | Longevity insurance

### **Married couples need to consider additional factors:**

- | Individual and joint life expectancy
- | Spousal benefits
- | Survivor benefits
- | Age difference

# LIFE EXPECTANCY PROBABILITIES

If you're 65 today, the probability of living to a specific age or beyond

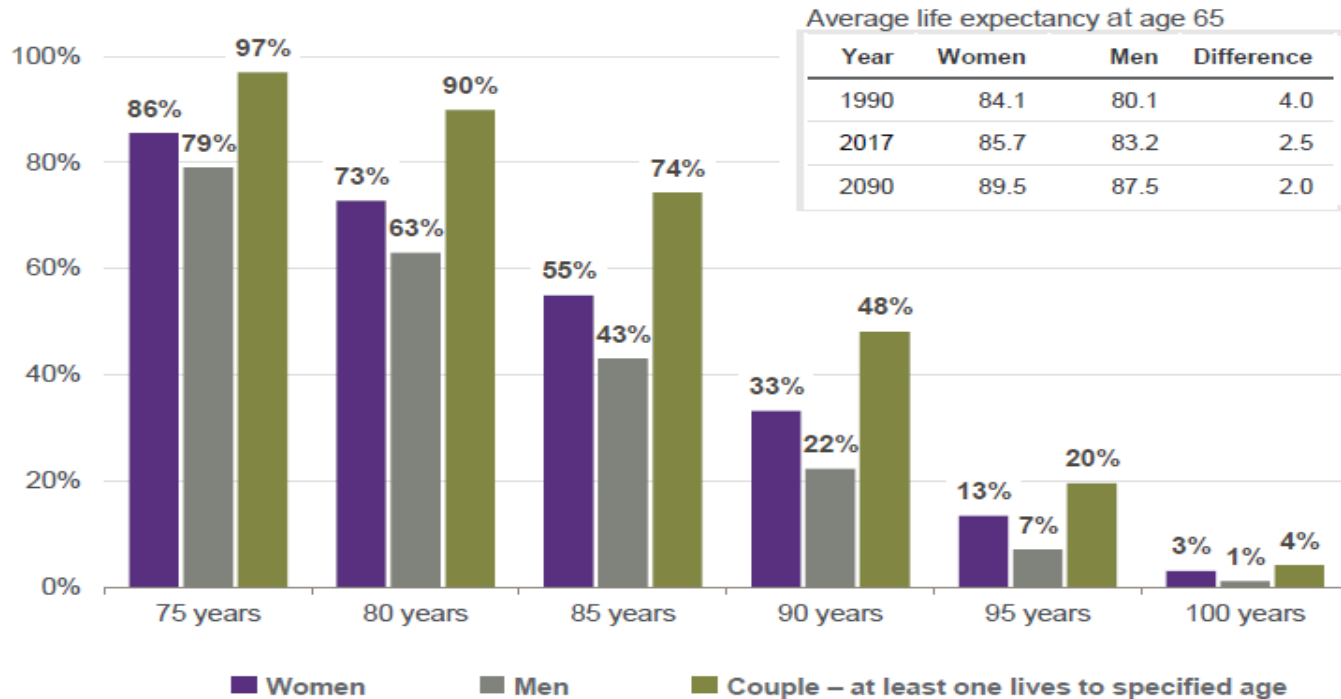


Chart: Social Security Administration, Period Life Table, 2015 (published in 2018), J.P. Morgan Asset Management.

Table: Social Security Administration 2018 OASDI Trustees Report.

# CHANGES TO FILING STRATEGIES BIPARTISAN BUDGET ACT OF 2015

**Congress eliminated two popular filing strategies for married couples**

| File and Suspend

| Restricted Applications

- Allowed worker to collect spousal benefit while delaying their own individual benefit.
- Grandfathered in for those born on or before January 1, 1954



# FILING STRATEGIES MARRIED COUPLES

## **File a Restricted Application**

- | At FRA, a worker can take a spousal benefit only and then own benefit later
  - Only applies to those born on or before January 1, 1954
  - Collect spousal benefit at FRA
  - Allows worker benefit to accrue additional eight percent per year
  - 12/2023 is last filing date this may be possible.

## **Age 62/Age 70 Strategy**

- | In case where there is a significant age difference, with higher earner being the older of the two:
  - Older spouse files at age 70, younger spouse files at age 62.
  - Younger receives reduced benefits, but for longer period. Still collects maximum survivor benefit.

# FILING STRATEGIES

## DIVORCED

### | Eligibility for benefits from an ex-spouse

- You must be at least 62 years old
- Ex must be at least 62 years old (but does not have to actually file for benefits)
- Marriage > 10 years
- Divorced > 2 years
- You haven't remarried (ex-spouse may have remarried)

### | Do not need to contact ex

### | Your benefits from ex's record do not affect ex's benefits

### | Impacted by Bipartisan Budget Act of 2015

- Restricted application option available as long as you were born on or before January 1, 1954

# CLAIMING STRATEGIES

## DIVORCED

### | Relying on ex-spouse spousal benefits alone

- Breakeven analysis based on expected longevity will determine best age to file for benefits
- Penalty for claiming benefits early is MORE severe for spousal benefits
  - Age 62 FRA 66 – 30% reduction spousal benefits
  - Age 62 FRA 66 – 25% reduction individual benefits

### | Coordinating ex-spouse spousal benefits and retirement benefits

- If individual benefit is higher than ex-spouse benefit is irrelevant
- If ex-spouse spousal benefit is higher than individual benefit
  - May be personally eligible at age 62 but not yet entitled to spousal but any early reductions will still apply to spousal benefits

# FILING FOR EX-SPOUSE BENEFITS DIVORCED

## | File for benefits online

- SSA will make a follow up request for documentation to substantiate eligibility
  - Birth certificate to validate divorcee' age
  - Marriage license to validate the marriage
  - Divorce decree to validate the that marriage met the 10 year requirement and that the divorce was legal.

# FILING STRATEGIES

## WIDOWED

### | Eligibility for benefits from a deceased spouse

- You must be at least 60 years old
- Marriage > nine months
- You haven't remarried before age 60

### | Flexible filing options

- Survivor only or worker only
- Survivor / Worker combination

### | NOT impacted by Bipartisan Budget Act of 2015

# CASE STUDY



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# CASE STUDY – IMPACT ON STRATEGY VS. LONGEVITY

- Husband's date of birth: November 1953
- Husband's PIA: \$2,807 per month
- Wife's date of birth: December 1953
- Wife's PIA is \$1,260 per month

## **Both Live to 90: Optimal Strategy**

- Wife files for retirement benefits Nov 2019, at 65 & 11 mos.
- Husband files for spousal benefits Nov 2019, at 66
- Husband files for retirement benefits Nov 2023, at 70
- Wife files for spousal benefits Nov 2023, at 69 & 11 mos.

**Present value of lifetime benefits**

**\$1.16MM**

# CASE STUDY – IMPACT ON STRATEGY VS. LONGEVITY

- Husband's date of birth: November 1953
- Husband's PIA: \$2,807 per month
- Wife's date of birth: December 1953
- Wife's PIA is \$1,260 per month

## **Both Live to 85: Optimal Strategy**

- Husband files for retirement benefits Dec 2019, at 66 & 1 mo.
- Wife files for spousal benefits Dec 2019, at 66
- Wife files for retirement benefits Dec 2023, at 70

**Present value of lifetime benefits**

**\$917k**



# CASE STUDY – IMPACT ON STRATEGY VS. LONGEVITY

Scenario:	Difference from Optimal Lifetime Benefits
File assuming 90 longevity, but live until age 85	\$6,800
File assuming 90 longevity, but live until age 95	\$300
File assuming 85 longevity, but live until age 90	\$22,900
File assuming 85 longevity, but live until age 95	\$51,400

# CASE STUDY – WHAT IF SOCIAL SECURITY TRUST FUND GOES “BANKRUPT”

- No changes to Social Security law
- Trust Fund runs out of money in 2034
- Social Security becomes “pay as you go”
- Benefits reduced by 23% in 2035

## Both Live to 90: Optimal Strategy

## Bankrupt Reality

- |   |           |
|---|-----------|
| • Wife files for retirement benefits Nov. 2019, at 65 & 11 mos. | No change |
| • Husband files for spousal benefits Nov. 2019, at 66           | No change |
| • Husband files for retirement benefits Nov. 2023, at 70        | No change |
| • Wife files for spousal benefits Nov. 2023, at 69 & 11 mos.    | No change |

Present value of lifetime benefits

\$1,053k

Present value with no benefit reduction

\$1,157k

Cost if not resolved

(\$104k)

# RESOURCES



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# RESOURCES

[www.socialsecurity.gov](http://www.socialsecurity.gov)

1.800.772.1213

**For special benefits information:**

*my* Social Security— [www.socialsecurity.gov/myaccount/](http://www.socialsecurity.gov/myaccount/)

QUESTIONS



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