



# **15** *Questions* to *ask about* Your **SOCIAL SECURITY** *Benefits*

Compliments of  
**Brian Saranovitz**  
Investment Advisor Representative



Your  
Retirement  
Advisor®



As a baby boomer himself, Brian is founder and president of Your Retirement Advisor, as well as an Investment Advisor Representative. In his advisor role Brian provides planning services to clients...meeting with clients and helping them build a better retirement is what Brian enjoys most about his professions.

A former professional football player (most notably for the New England Patriots) and graduate of the University of New Hampshire, Brian has been a financial advisor for over 30 years with his company formerly known as Saranovitz Capital Management (founded by his father Norman in 1970).

As a jock turned geek, Brian is obsessed with retirement research and finding the best strategies for his students and clients. Brian has witnessed firsthand clients struggling to understand the myriad of issues they face while preparing for retirement.

*"Your Retirement Advisor is the culmination of my life's work. I know with certainty that our services can make a big difference for people everywhere."*





## Supplementing Retirement with Social Security Benefits

Many of us look forward to retirement so we can take advantage of a portion of the Social Security taxes we've paid into the system during our working years, along with enjoying the fruits of our labor through other retirement income products such as IRAs and employer retirement accounts.

Although Social Security is thought of primarily as a benefit during retirement, it was never meant to be your only retirement income. According to the Social Security Administration, Social Security replaces approximately 40 percent of an average wage earner's income after retiring. And, according to most financial experts, retirees will need 70-80 percent or more of their own earnings to live comfortably in retirement.<sup>1</sup>

The good news is you'll never outlive your Social Security benefit and your income payments cannot be reduced. In fact, your Social Security benefits are periodically adjusted to help keep up with cost-of-living increases.

If you're like most clients, you have questions regarding at what age you should begin accepting Social Security benefits. When to begin drawing benefits is an individual choice, and it's important you make the right choice for your situation.

Refer to this guide for answers to questions and hypothetical Social Security scenarios.

<sup>1</sup>*Social Security Administration*  
([www.ssa.gov/pubs/10035.html](http://www.ssa.gov/pubs/10035.html))

## How long do I need to work before withdrawing Social Security benefits at retirement?

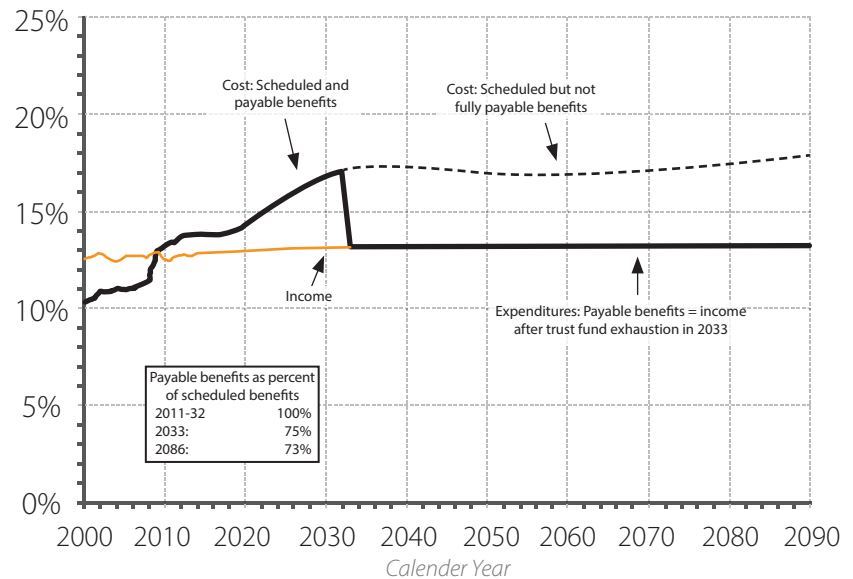
If you currently work (or have been actively employed in the past), you and your employer pay an equal percentage of your salary into Social Security tax. If you're self-employed, you pay both the employee and employer percentage into Social Security tax. If you've looked at a recent benefit statement, you'll see how much social security tax has been paid during a calendar year. Social Security benefits are earned based on "work credits" throughout your working career. To be eligible for a Social Security benefit during retirement, you must have satisfied the "work credit" by earning a minimum of 40 credits (or worked at least 10 years) prior to applying for Social Security benefits.<sup>1</sup>

<sup>1</sup>*Social Security Administration*  
([www.ssa.gov/pubs/10035.html](http://www.ssa.gov/pubs/10035.html))

## How can I tell what my estimated Social Security benefit will be when I retire?

The Social Security Administration provides an online Retirement Estimator<sup>2</sup> for personalized retirement benefit estimates to help you plan. The online Retirement Estimator is a convenient, secure and quick retirement income planning tool because it eliminates the need to manually key in years of earnings information. The estimator also will let you create "what-if" scenarios. You can change your "stop work" dates or expected future earnings to create and compare different retirement scenarios.

<sup>2</sup><http://www.ssa.gov/estimator/>



*Financial Status of Social Security, p. 11.*  
[www.socialsecurity.gov/OACT/TR/2012/tr2012.pdf](http://www.socialsecurity.gov/OACT/TR/2012/tr2012.pdf)

## Is Social Security going bankrupt?

According to current projections, Social Security will begin running in a deficit position by 2020—and between 2021 and 2033, it will have to use monies from its accumulated trust fund to pay full benefits. Review the chart, and note after 2033, Social Security may only be able to pay 74 percent of scheduled benefits. Please consult an insurance professional to ensure your individual plans align with Social Security projections.



## What does “Full Retirement Age” mean?

Full Retirement Age is the age you are eligible to begin collecting Social Security benefits through the Federal Social Security system (see chart to determine your Full Retirement Age). Although you may not reach your Full Retirement Age until you turn age 67, this does not mean you can't opt to begin collecting benefits before, or after, you reach your Full Retirement Age. In fact, you can begin accepting a reduced level of benefits at age 62 or wait until after you reach your Full Retirement Age—it's your choice.

## Why should I wait until my Full Retirement Age of 67 when I can begin collecting my benefits at 62?

Since your benefits are based on how much you earned during your career and the amount of Social Security taxes you paid into the system, Social Security benefits vary significantly among individuals. This is why the decision on when to begin accepting Social Security benefits is a personal one. Each situation is unique, and thus, should be carefully reviewed before making any decisions.

In general, if you begin accepting Social Security benefits at your Full Retirement Age, you will receive the full retirement benefits to which you are entitled. If you choose to initiate Social Security benefits before your Full Retirement Age, you will receive permanently reduced benefits for the remainder of your life (an approximate reduction of about 0.5 of 1 percent for each month you receive benefits before your Full Retirement Age). By accepting benefits at age 62, you will lose 25 percent of your full retirement benefit for the remainder of your life.

On the other hand, if you choose not to receive your benefits until after your Full Retirement Age, your benefit will be automatically increased by a certain percentage, depending on the year

Year of Birth	Full Retirement Age <sup>3</sup>
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	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 or later	67

<sup>3</sup><http://www.ssa.gov/retire2/retirechart.htm>

you were born. It's important to remember that your decision for Social Security could be final. The government may allow you to change your mind and may adjust your payment amount. For example, if you begin accepting Social Security benefits at age 62, and realize six months later you could have made more money by waiting until your Full Retirement Age, the government may or may not allow you to change your decision. For this reason, it is very important to carefully consider your financial situation before making any decisions.

## **I thought the retirement age was 65. Did something change?**

Social Security rules did change in 1983. For those born before 1938, the Full Retirement Age is 65. In 2003, the age for full benefits increased, so it's important to carefully review the Full Retirement Age grid. Note: if the Full Retirement Age continues to rise, it's important to be aware of changes in guidelines and plan based on your age.

## **How long can I delay receiving retirement benefits to receive the maximum benefit?**

You can only delay receiving Social Security benefits until age 70. When you reach age 70, you must begin accepting monthly payments. These payments may be more than what you would have received at age 67.

## **Am I required to pay taxes on Social Security benefits?**

Under current rules, your benefits may or may not be taxable depending on your total income and benefits paid to you during the tax year. If you're single or widowed, you may earn up to \$25,000 per year without paying taxes on your Social Security benefits. If you're married and file a joint tax return, you'll be required to pay taxes on a portion of your Social Security benefits if your total income is greater than \$32,000 per year.

## **Is money held inside an annuity a consideration when determining whether Social Security benefits are taxable?**

Not until the money is withdrawn. That's why you may want to consider tax-deferred investments as an element of your retirement strategy.

## **Will I have to stop working when I begin accepting monthly Social Security benefits?**

No, but if you accept Social Security benefits before your Full Retirement Age and your earnings exceed the 2016 annual earnings limit of \$15,720, some of your benefit payments will be withheld.<sup>4</sup> Basically, you'll lose \$1 of Social Security benefits for every \$2 of wages exceeding the \$15,720 earnings limit. Beginning the month you reach Full Retirement Age, you can work and earn as much as you want and receive your full Social Security benefit payment with no reductions or earnings caps.

<sup>4</sup><https://www.ssa.gov/news/press/factsheets/colafacts2016.html>



## How much will I lose if I take my Social Security benefits early?

If you begin collecting benefits at Full Retirement Age, you'll receive nearly 25 percent more in monthly benefits than if you had chosen to begin collecting benefits at age 62. If you wait until age 70, your benefits will be approximately 60 percent higher than if you would have started collecting benefits at age 62.

One thing is clear—you have choices. If you have limited investments and Social Security benefits can provide you with a viable income, you may want to begin collecting at age 62. However, if you are in good health and plan to work until age 70, it's more advantageous for you to wait as long as possible before collecting benefits.

## My wife is age 61 and never worked outside of the home. I'm worried my Social Security payments will stop and she'll have to live solely off of our investments if I die before she does. Is that the case?

Should you die before your wife, she will be entitled to a one-time burial payment of \$255 from Social Security. Additionally, based on her age and the number of years you have worked, she may be entitled to a monthly survivor benefit from Social Security. The survivor benefit typically ranges from 75 to 100 percent of your original monthly benefit and lasts until she dies.

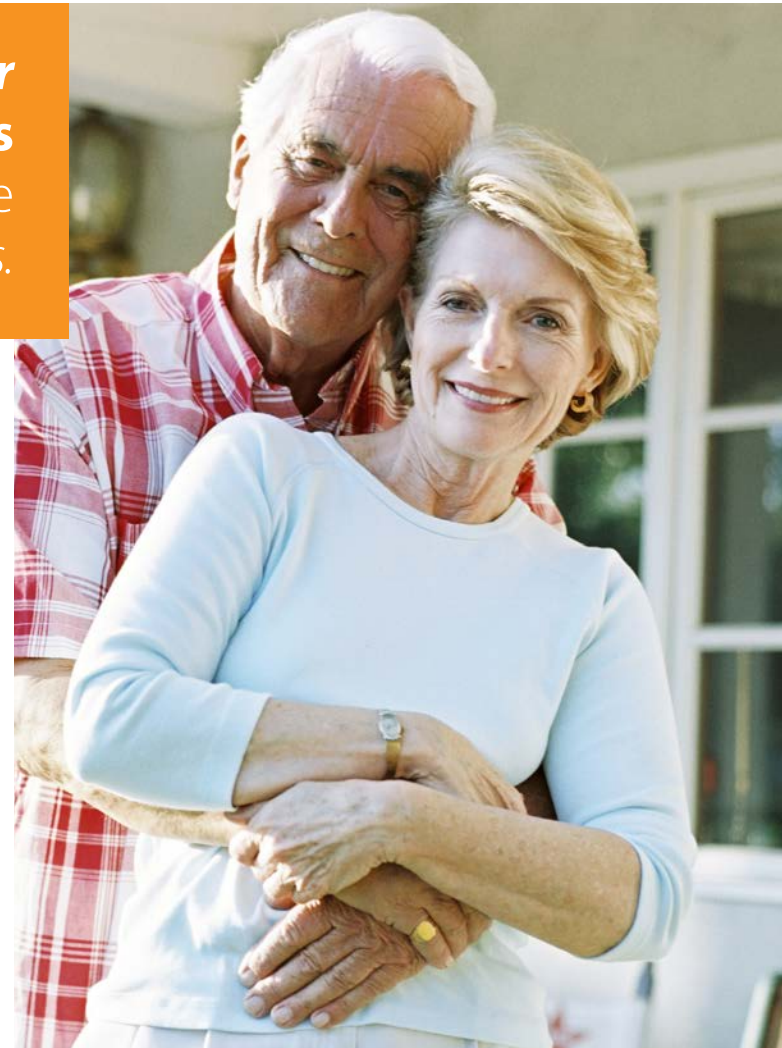
It's important you **apply for benefits** at least **three months before** you would like to begin receiving benefit payments.

## I'm almost 70 and ready to apply for Social Security benefits. How do I apply?

It's important you apply for benefits at least three months before you would like to begin receiving benefit payments.

To apply for benefits, visit [www.socialsecurity.gov/applyonline](http://www.socialsecurity.gov/applyonline).

You can also calculate your benefit amount at [www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator).



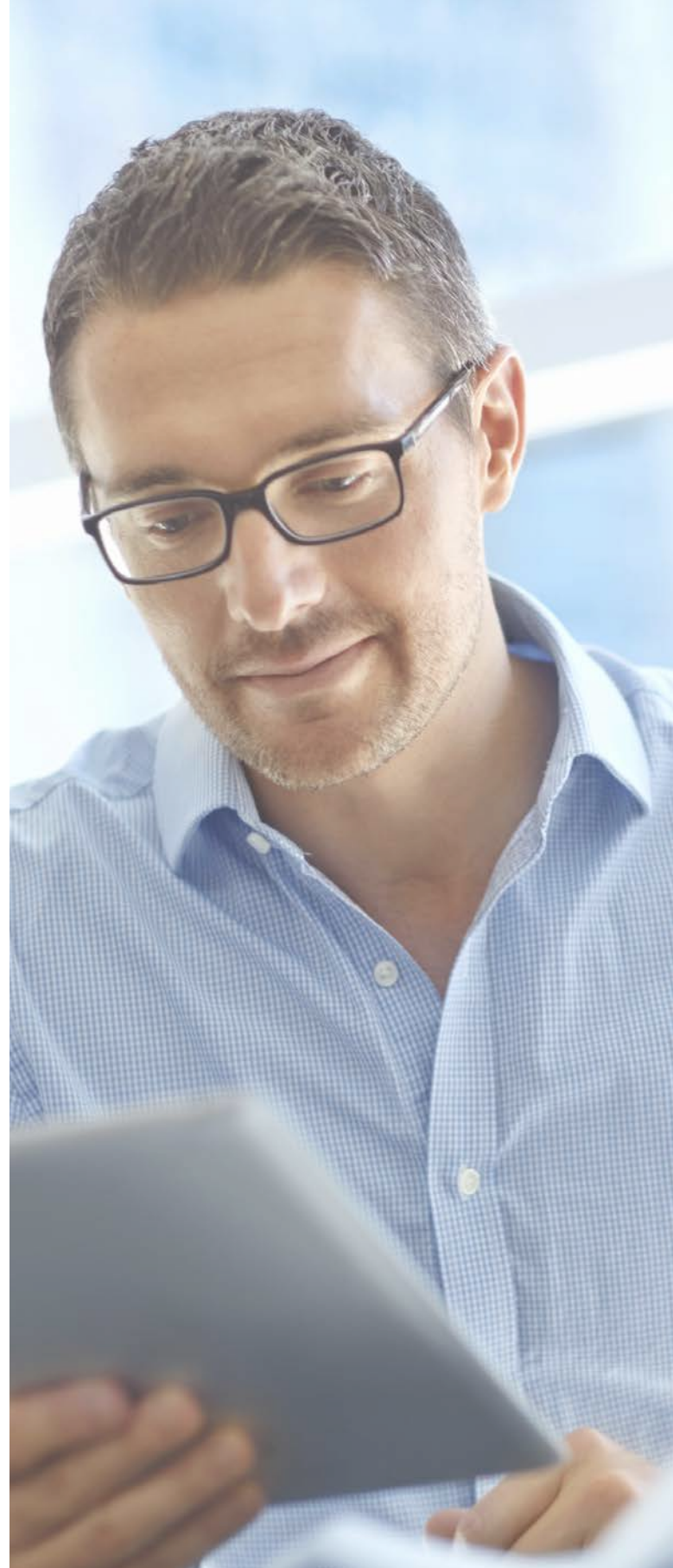


**I think I've invested well, but I'm not sure my investments will cover all of my expenses in retirement. I'm almost to turn 62 and the Social Security benefit is hard to turn away. Is it better to rely on my investments for additional money or Social Security?**

This depends on your unique financial situation—and whether or not you've made profitable investments throughout your working years that continue to make financial gains. Before determining what's best for you, you need to become familiar with the current rates of any other investments you have. Contact a financial professional to assist with this.

**My older brother and his wife have a 10-year-old son. My brother is age 67 and collects Social Security but his wife is only 50 years old, and she is also collecting Social Security. How is this possible?**

In certain circumstances, in addition to retirement benefits, Social Security can also provide family benefits for up to half of the retirement amount. In this case, your brother is eligible for Social Security benefits based on his Full Retirement Age. His wife is eligible for payments, not based on her age, but due to the fact she's caring for their child, who is under age 16. These additional benefits are based on your brother's benefit. Unmarried children of Social Security recipients are also eligible for benefits if they are younger than age 18; between the ages of 18 and 19 (but in elementary or secondary school as a full-time student); or 18 or older with severe disabilities.



### 3 Hypothetical Scenarios

**Scenario 1:** Matthew is age 64 and widowed. He did not opt to receive Social Security benefits when he turned age 62, but is considering applying for benefits when he turns age 65. Right now, his health is poor and he is worried because he was hospitalized for heart-related conditions in the past year and has depleted a significant amount of his investments. He wants to ensure he will be able to enjoy his hard-earned Social Security benefits soon, in the event his heart issues become worse with age. Fortunately, Matt decided to accept his benefits before his Full Retirement Age and is able to enjoy the Social Security benefits now, as well as help offset his medical bills with the additional Social Security income.

**Scenario 2:** Mary's husband, John, had been receiving Social Security payments before his death at age 70 last month. Although Mary is only 60, she was able to apply for Social Security survivor benefits immediately and will begin receiving benefits based on John's work history at a rate of somewhere between 75 and 100 percent of his original benefit (see chart from step 1). In addition, their 15-year-old son will qualify for additional survivor benefits based on John's earnings record.

**Scenario 3:** Bob and Dorothy have both worked since they were teenagers and look forward to the additional income Social Security benefits will bring them in retirement. Since they've invested well and realize that Social Security is only one of their options for retirement income, they want to delay taking Social Security benefits until age 70.

This is an ideal scenario because the couple doesn't foresee a need for Social Security benefits until later in life. If they decide they need to begin receiving Social Security benefits sooner, they have that choice. Otherwise, if they stick to their plan to wait until they reach age 70, they will both receive the maximum Social Security benefits available to them—for the remainder of their lives.





Brian Saranovitz  
**978.345.7075**  
Investment Advisor Representative



Respond and learn how financial products, including life insurance and annuities can be used in various planning strategies for retirement. This material has been provided by a professional for informational and educational purposes only and is not endorsed or affiliated with the Social Security Administration or any government agency. Making the right choices can be difficult—especially those that involve finances and retirement. The intent of this booklet is to address commonly asked questions and misconceptions regarding Social Security benefits during retirement. When to begin collecting benefits is a very personal choice, one that should be discussed with a qualified financial professional so you can fully understand all variables involved.

This booklet is not intended to give tax or legal advice. **Material provided by Creative One.**

This material has been prepared for informational and educational purposes only. It is not intended to provide, and should not be relied upon for, accounting, legal, tax or investment advice. Please consult with a professional specializing in these areas regarding the applicability of this information to your situation

As required by the IRS, you are advised that any discussion of tax issues in this material is not intended or written to be used, and cannot be used, (a) to avoid penalties imposed under the Internal Revenue Code or (b) to promote, market or recommend to another party any transaction or matter addressed herein.

The statements and opinions expressed are those of the author and are subject to change at any time. All information is believed to be from reliable sources; however, presenting insurance professional makes no representation as to its completeness or accuracy.

Securities offered through Securities America, Inc., member FINRA/SIPC. Advisory services offered through Securities America Advisors, Inc. Your Retirement Advisor, Retirement Power Hours, and Securities America companies are separate entities.

435 Lancaster Street, Suite 358  
Leominster, MA 01453  
**978.345.7075**  
info@yourretirementadvisor.com  
**www.yourretirementadvisor.com**



Your  
Retirement  
Advisor®