

JUNE 3, 2021

SOCIAL SECURITY ANALYSIS

SAMPLE SCENARIO

powered by  LIFEYIELD®

Social Security^{PLUS+}

JOSEPH DYNES

2019204281

joseph.dynes_inst@lifeyield.com

LifeYield

100 Florence Ave

Attleboro, MA, United States, 02703

Navigating Social Security

Social Security is far more complex than many people realize, and this complexity can make the decision regarding when to claim Social Security benefits a daunting one. There are many options to consider around when as well as how to file for benefits, and choosing between these options can lead to a significant difference in Social Security income over an individual's or a couple's lifetime.

The Social Security Advantage analyzes these numerous filing options, and finds a filing strategy which may provide the greatest total benefit over the client's lifetime at a specific point in time and given certain specific circumstances. Having found the optimal filing strategy, we then explain how and when to file for benefits with the Social Security Administration in order to receive those benefits.

Summary of approach

This report highlights potential filing strategies for **Sample Scenario**, assuming the inputs listed in the next section, and as described below:

- The date of birth is used to determine the earliest possible benefit date, a client's Full Retirement Age (FRA – the age at which they get their full benefit with no deduction for claiming early).
- The retirement age is a target age at which the client might expect to start claiming benefits. This is used as the starting point for the "Custom" filing strategy, and does not impact the strategy which looks across all filing age combinations to arrive at its selected strategy.
- Life expectancy ages are estimates for each client and determine the timeframe over which Social Security filing strategies are evaluated.
- FRA benefit is the monthly benefit as estimated by the Social Security Administration which a client could expect upon reaching their full retirement age (**67 for John, and 67 for Jane**).
- The monthly amount of any non-covered pension received from employment with a government agency is used to determine whether a client's Social Security benefits would be reduced.
- The results can be shown adjusted for cost of living increases (COLA). When a COLA rate of 0.00% is used, all results are displayed in today's dollars.

The "Optimal" strategy shows the strategy which may lead to the greatest total benefit. The "Custom" strategy claims benefits at a client's specified target retirement age. By default, the Custom strategy is set up as one of the most common filing strategies in use today; file for benefits immediately upon retirement, when a worker's income stops.

This report was prepared using the inputs shown below and an assumed COLA rate of 0%.

John Married	
Date Of Birth	04/15/1968
Life Expectancy	85 years
FRA Benefit	\$2,685
Non-Covered Pension	\$0

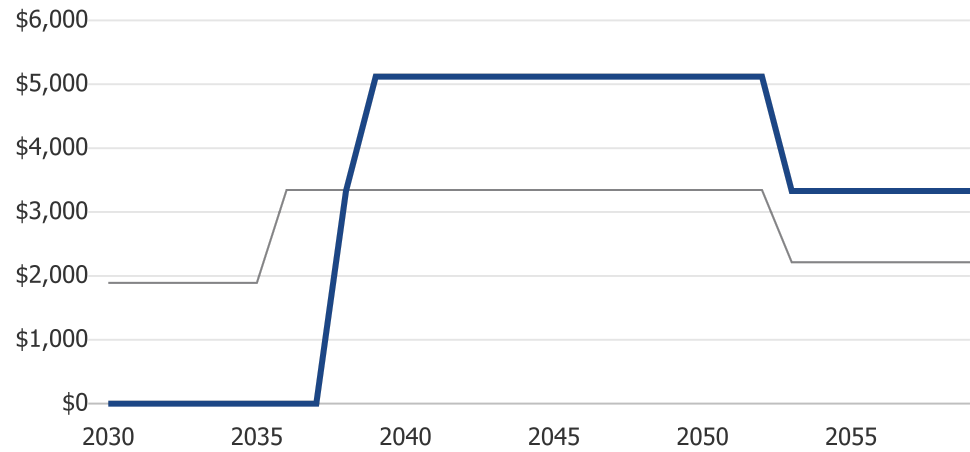
Jane	
Date Of Birth	08/20/1974
Life Expectancy	85 years
FRA Benefit	\$2,065
Non-Covered Pension	\$0

Custom Strategy	
John	62 years
Jane	62 years

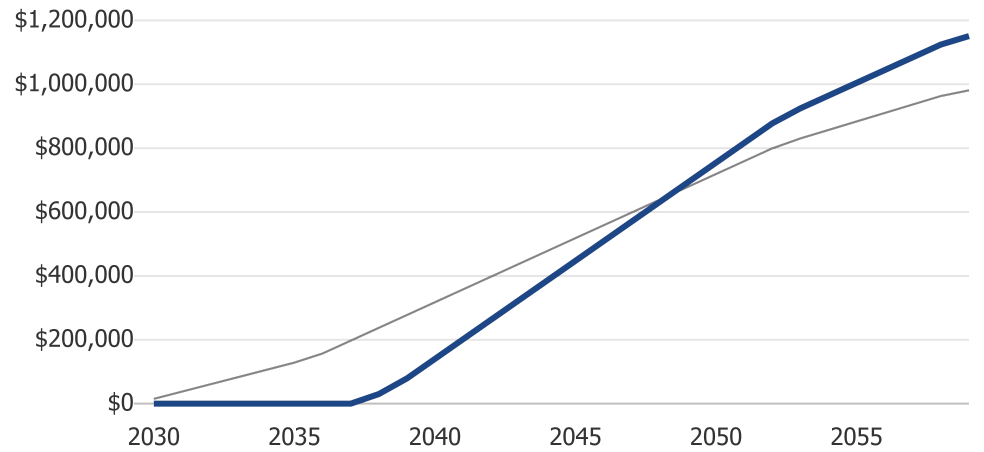
The charts below show the estimated monthly benefits and the cumulative benefits over time.

Optimal Custom

Monthly Benefits



Cumulative Benefits



\$1,774
Monthly Increase

\$169,951
Cumulative Increase

Optimal Strategy

Filing Instructions

- John files for retirement benefits at age 70 in April 2038.
- Jane files for retirement benefits at age 65 in August 2039.
- Jane switches to survivor benefits at age 78 in May 2053.

Custom Strategy

Filing Instructions

- John files for retirement benefits at age 62 in May 2030.
- Jane files for retirement benefits at age 62 in September 2036.
- Jane switches to survivor benefits at age 78 in May 2053.

Schedule of benefits

The estimated monthly benefits, annual benefits, and cumulative benefits for the **Optimal** and **Custom** strategy are shown in the table below.

Year	John's Age	Jane's Age	Optimal Strategy				Custom Strategy				Optimal vs Custom	
			John's Benefit	Jane's Benefit	Annual Benefit	Cumulative Benefit	John's Benefit	Jane's Benefit	Annual Benefit	Cumulative Benefit	Annual	Cumulative
2030	62	56	\$0	\$0	\$0	\$0	\$1,891	\$0	\$15,125	\$15,125	-\$15,125	-\$15,125
2031	63	57	\$0	\$0	\$0	\$0	\$1,891	\$0	\$22,688	\$37,814	-\$22,688	-\$37,814
2032	64	58	\$0	\$0	\$0	\$0	\$1,891	\$0	\$22,688	\$60,502	-\$22,688	-\$60,502
2033	65	59	\$0	\$0	\$0	\$0	\$1,891	\$0	\$22,688	\$83,190	-\$22,688	-\$83,190
2034	66	60	\$0	\$0	\$0	\$0	\$1,891	\$0	\$22,688	\$105,878	-\$22,688	-\$105,878
2035	67	61	\$0	\$0	\$0	\$0	\$1,891	\$0	\$22,688	\$128,567	-\$22,688	-\$128,567
2036	68	62	\$0	\$0	\$0	\$0	\$1,891	\$1,454	\$28,505	\$157,071	-\$28,505	-\$157,071
2037	69	63	\$0	\$0	\$0	\$0	\$1,891	\$1,454	\$40,137	\$197,209	-\$40,137	-\$197,209
2038	70	64	\$3,329	\$0	\$29,965	\$29,965	\$1,891	\$1,454	\$40,137	\$237,346	-\$10,173	-\$207,382
2039	71	65	\$3,329	\$1,790	\$48,901	\$78,866	\$1,891	\$1,454	\$40,137	\$277,484	\$8,764	-\$198,618

Year	John's Age	Jane's Age	Optimal Strategy				Custom Strategy				Optimal vs Custom	
			John's Benefit	Jane's Benefit	Annual Benefit	Cumulative Benefit	John's Benefit	Jane's Benefit	Annual Benefit	Cumulative Benefit	Annual	Cumulative
2040	72	66	\$3,329	\$1,790	\$61,429	\$140,295	\$1,891	\$1,454	\$40,137	\$317,621	\$21,291	-\$177,327
2041	73	67	\$3,329	\$1,790	\$61,429	\$201,723	\$1,891	\$1,454	\$40,137	\$357,759	\$21,291	-\$156,036
2042	74	68	\$3,329	\$1,790	\$61,429	\$263,152	\$1,891	\$1,454	\$40,137	\$397,896	\$21,291	-\$134,744
2043	75	69	\$3,329	\$1,790	\$61,429	\$324,581	\$1,891	\$1,454	\$40,137	\$438,034	\$21,291	-\$113,453
2044	76	70	\$3,329	\$1,790	\$61,429	\$386,010	\$1,891	\$1,454	\$40,137	\$478,171	\$21,291	-\$92,162
2045	77	71	\$3,329	\$1,790	\$61,429	\$447,439	\$1,891	\$1,454	\$40,137	\$518,309	\$21,291	-\$70,870
2046	78	72	\$3,329	\$1,790	\$61,429	\$508,867	\$1,891	\$1,454	\$40,137	\$558,446	\$21,291	-\$49,579
2047	79	73	\$3,329	\$1,790	\$61,429	\$570,296	\$1,891	\$1,454	\$40,137	\$598,584	\$21,291	-\$28,288
2048	80	74	\$3,329	\$1,790	\$61,429	\$631,725	\$1,891	\$1,454	\$40,137	\$638,721	\$21,291	-\$6,996
2049	81	75	\$3,329	\$1,790	\$61,429	\$693,154	\$1,891	\$1,454	\$40,137	\$678,859	\$21,291	\$14,295
2050	82	76	\$3,329	\$1,790	\$61,429	\$754,583	\$1,891	\$1,454	\$40,137	\$718,996	\$21,291	\$35,586
2051	83	77	\$3,329	\$1,790	\$61,429	\$816,011	\$1,891	\$1,454	\$40,137	\$759,134	\$21,291	\$56,877
2052	84	78	\$3,329	\$1,790	\$61,429	\$877,440	\$1,891	\$1,454	\$40,137	\$799,271	\$21,291	\$78,169
2053	85	79	\$0	\$3,329	\$47,111	\$924,552	\$0	\$2,215	\$31,100	\$830,372	\$16,011	\$94,180
2054	86	80	\$0	\$3,329	\$39,953	\$964,504	\$0	\$2,215	\$26,582	\$856,953	\$13,371	\$107,551
2055	87	81	\$0	\$3,329	\$39,953	\$1,004,457	\$0	\$2,215	\$26,582	\$883,535	\$13,371	\$120,923
2056	88	82	\$0	\$3,329	\$39,953	\$1,044,410	\$0	\$2,215	\$26,582	\$910,116	\$13,371	\$134,294
2057	89	83	\$0	\$3,329	\$39,953	\$1,084,363	\$0	\$2,215	\$26,582	\$936,698	\$13,371	\$147,665
2058	90	84	\$0	\$3,329	\$39,953	\$1,124,316	\$0	\$2,215	\$26,582	\$963,279	\$13,371	\$161,037
2059	91	85	\$0	\$3,329	\$26,635	\$1,150,951	\$0	\$2,215	\$17,721	\$981,000	\$8,914	\$169,951

Assumptions

If using annual income to estimate a worker's benefit at Full Retirement Age (FRA), it is assumed that the current year's benefit formula bend points are appropriate to use, and also that the monthly income is a suitable substitute for the indexed monthly income used by the Social Security Administration (SSA). This allows for a quick FRA benefit estimate with minimal information required, but will not be as precise as an estimate from the SSA. Where possible, using a FRA benefit provided by the SSA is recommended as it will yield the most accurate anticipated results.

Any pension amount from employment outside the Social Security system is assumed to be from a government pension, so that it applies both to benefit adjustments made due to the Windfall Elimination Provision (WEP a set of rules which apply to a worker claiming Social Security benefits as well as receiving a pension from employment such as that with a government agency - where Social Security taxes were not paid, and that can result in reduced benefits for the worker and any dependents claiming benefits on their account) and also dependent benefit adjustments made due to the Government Pension Offset provision (GPO a set of rules which can result in reduced benefits for a person claiming benefits on another person's account, and also receiving a pension from employment with a government agency). In the case of the WEP it is assumed that 20 or fewer years were worked within the Social Security system, so that the maximum deduction (a 40% factor instead of the usual 90%) up to the first bend point of the WEP-adjusted FRA benefit formula is used. It is also assumed that the WEP applies whenever a pension amount is provided; the user should check with the SSA if they feel the client may be exempt from the WEP due an exception such as only having worked outside of Social Security prior to 1957, or having a pension from railroad employment only. A full list of exceptions to the WEP are available from the SSA.

All analysis of cumulative benefits of a filing strategy is performed in present day dollars, even when a COLA adjustment is provided. The age of initial eligibility for benefits is assumed to be 62 for worker or spousal benefits, and age 60 for survivor benefits.

If a marital status of Divorced is specified, it is assumed that the marriage lasted at least 10 years and that the couple has been divorced for at least 2 years by the time any spousal benefit claim is filed (assuming the spouse is eligible to do so when considering the rule changes introduced as part of the Bipartisan Budget Act of 2015). This also assumes that any voluntary suspension of benefits by an ex-spouse prior to April 30th, 2016 will not prevent a subsequent restricted application for spousal benefits from being filed by a person permitted to do so (i.e. who attained age 62 in 2015 or earlier). For the purposes of survivor benefits, the ex-spouse is assumed to have filed for their own benefits at their full retirement age (FRA).

The Cost of Living Adjustment (COLA) amounts published by the Social Security Administration each year are used only when deriving a WEP-adjusted FRA benefit from the benefit entered by the user for a client who has already passed their age of initial eligibility for benefits (typically age 62). No projections of future COLA increases are made by the tool.

A client's date of death is assumed to fall at the end of the month of their birthday. Survivor benefits are assumed to take effect in the month after the deceased client's death. A date of death is provided for a deceased spouse when marital status is set to Widowed. The deceased spouse is assumed to have not filed for benefits at their date of death, meaning survivor benefits are calculated based on filing at the deceased's FRA if death occurred prior to their reaching that age, and that benefits are calculated based on entitlement at their date of death otherwise (i.e. any delayed retirement credits will be included in the benefit estimates).

Disclosures

All figures, assumptions, and calculations displayed are purely hypothetical in nature and are used for illustrative purposes only; such are examples among many possible examples. Terminology used generally reflects the common usage of the words and concepts, and is not necessarily intended to encompass technical, legal, or financial definitions. A change in assumptions or input data will change the results. The actual values and results of these items may differ significantly from the assumed hypothetical values and calculations. No representation is made to guarantee any future financial result or outcome. Certain hypothetical calculations are based on assumptions provided by you concerning income level, applicable tax rates, tax basis, etc. Since these assumptions are critical to the outcome of the matters displayed, you should verify the assumptions used prior to reviewing any applicable item or report.

This report is designed to provide general information on the subjects covered. Pursuant to IRS Circular 230, it is not intended to provide specific legal or tax advice and cannot be used to avoid penalties or to promote, market, or recommend any tax plan or arrangement. Information provided is not endorsed or affiliated with any government agency. You are encouraged to consult your personal tax advisor or attorney.

Advisor Disclosures

Custom Disclosure