

UNDERSTANDING YOUR

# Cash Flow Decisions

For Joe and Mary Simpson

**Presented by:**



# Important Notes

This analysis provides only broad, general guidelines, which may be helpful in shaping your thinking about your retirement needs. It can serve as a guide for discussions with your professional advisors.

Your Social Security benefits are based on the information you provided. Its purpose is to help you frame your thoughts and become better informed before filing. It shows strategies and age combinations that you might not have considered. This report is not intended to provide an exact analysis, but it will help you determine the filing method and age you want to start your benefits. This report reflects the provisions and restrictions included in the Bipartisan Budget Act of 2015.

Calculations contained in this analysis are estimates only, based on the information you provided, such as the value of your assets today, and the rate at which the assets appreciate. The actual values, rates of growth, and tax rates may be significantly different from those illustrated. These assumptions are only a "best guess."

A portion of your Social Security benefits may be taxable. Since other sources of retirement income can affect taxation of your benefits, proper income tax planning can only be done as part of a comprehensive retirement income plan. The actual income taxation of Social Security benefits will depend on the facts and circumstances at the time the benefits are received. Any illustration of the potential income taxation of Social Security benefits is an estimate.

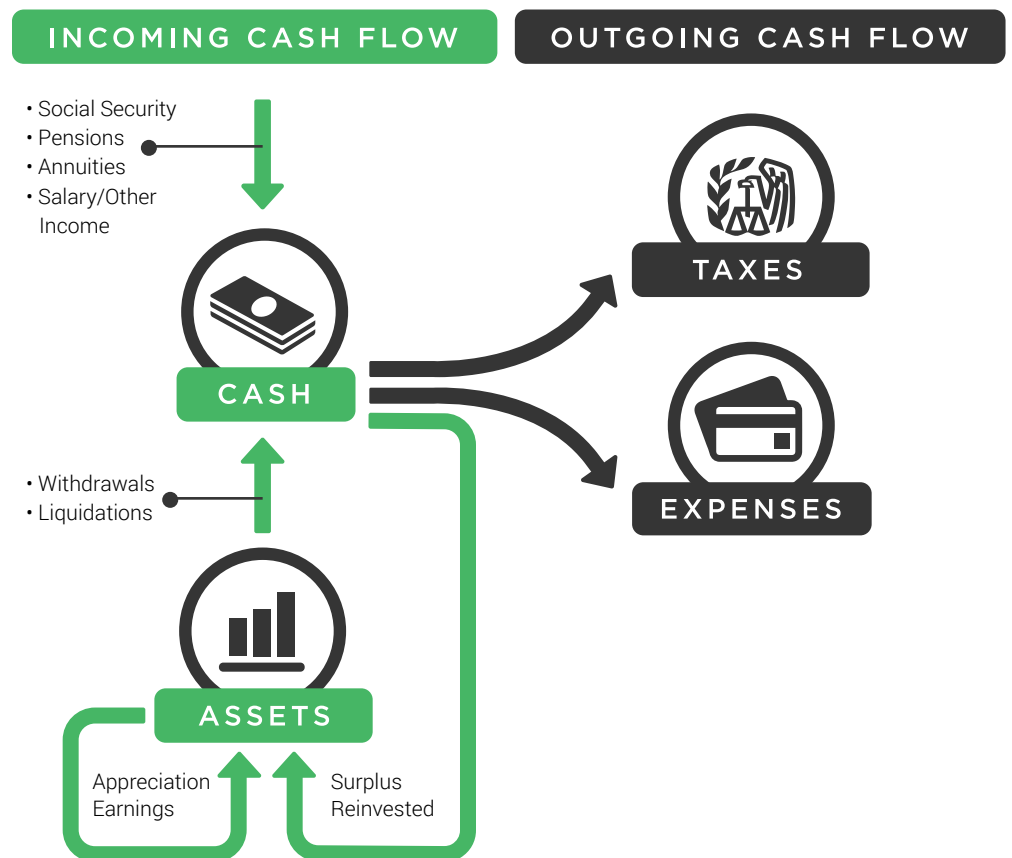
If you have questions not covered in this report, your Social Security Administration office and its website ([www.ssa.gov](http://www.ssa.gov)) are excellent sources of additional information.

**IMPORTANT:** The projections or other information generated in this report regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

This tool and support materials are designed to provide general information on the subjects covered. It is not intended to provide specific legal or tax advice. You should discuss all strategies with your legal, tax, and financial advisors.

# Cash Flow Decisions for Retirement

Cash flow describes how you use financial resources. It is a process that is always moving. All parts of cash flow affect each other. Social Security is often a major part of retirement income and you should select a benefit start age and filing method that gives you the best overall retirement income.



You receive income from both outside and inside sources. Outside sources include salary, pensions, annuities, Social Security, and other income. Inside sources include any withdrawals or liquidations of assets, and interest and dividends.

Some outgoing payments may be mandatory, such as taxes. Other payments include expenses that may be essential or discretionary. The balance, or surplus, is saved or is used to acquire additional assets. The assets grow through appreciation or reinvested earnings.

The following pages project how **all the parts** of your cash flow **determine your retirement lifestyle**.

# Current Cash Flow

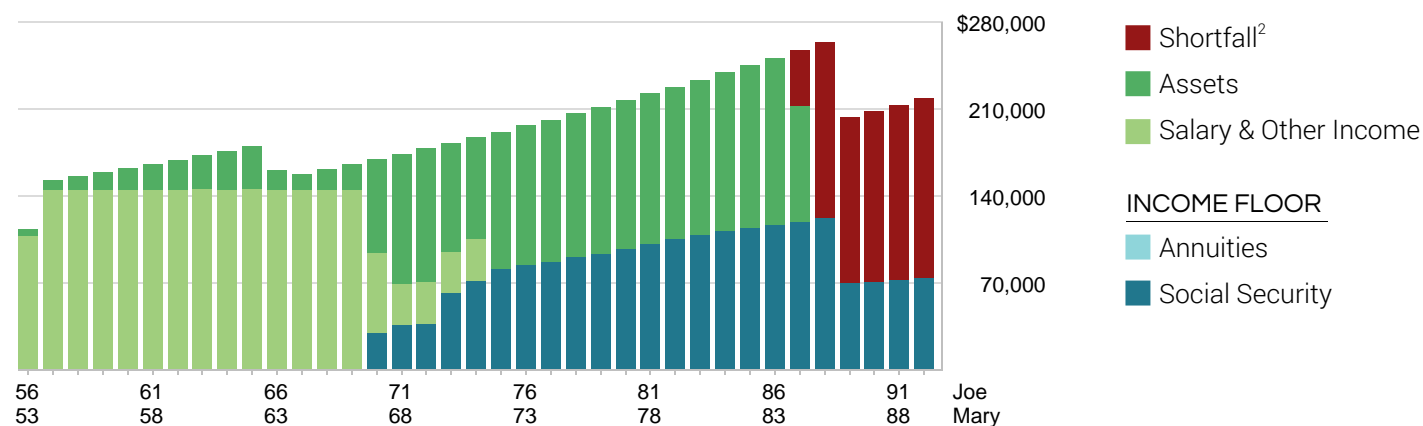
Using Optimal Social Security Strategy

	JOE	MARY	CASH FLOW RESULTS
Current Age	56	53	
Monthly benefit at FRA <sup>1</sup>	\$2,100	\$1,800	
Assume live to	89	90	
Start benefits at age	<b>70</b>	<b>70</b>	
Filing Method: File for Benefits			

## \$192,287

Shortfall (NPV)

## ANNUAL CASH FLOW



## ADDITIONAL ITEMS TO CONSIDER

- i** Present value today of remaining needs is \$192,287.
- i** Life insurance death benefit to fund survivor needs is \$505,581.
- i** In this situation, the Social Security strategy used gives a better cash flow than Social Security maximization alone. Maximum Social Security benefits would increase remaining needs today to \$192,319 (32 more). Maximum Social Security strategy would be Joe age 70, Mary age 69; File for Benefits.
- i** Caution should be used when planning to retire later. 49% of retirees retired earlier than planned mostly due to health related reasons, according to Retirement Income Reference Book, LIMRA Secure Retirement Institute, 2012.
- i** Your current home is valued at \$656,355 in 2047 when first deficit occurs. You may consider downsizing your home or a reverse mortgage.

Retirement expenses at 100% of pre-retirement amount. Expenses at first death at 75% of retirement expenses. Assumed rate of return is 4%. Pre-retirement effective income tax rate is 25%. Post retirement effective income tax rate is 25%.

<sup>1</sup> Prior to full retirement age, earnings from continuing to work may result in reduced or withheld benefits. At full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

<sup>2</sup> Present value today of remaining needs is \$192,287. Life insurance death benefit of \$505,581 could fund survivor needs at first death.

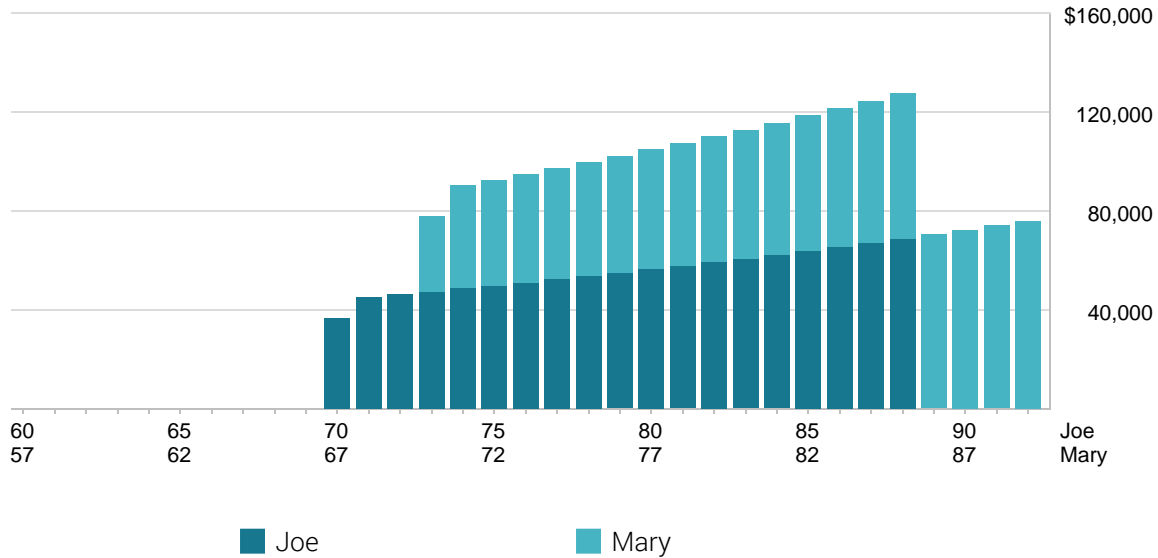
ASSETS CONSUMED IN THIS ORDER

1. Savings
2. IRA's/401(k)'s
3. Roth IRA's
4. Investments

Assets are assumed to grow at 4% before taxes.

	JOE	MARY	FUTURE VALUE OF BENEFITS	
Current Age	56	53	<div>\$3,256,621</div> <div>File for Benefits</div>	
Monthly benefit at FRA <sup>1</sup>	\$2,100	\$1,800		
Assume live to	89	90		
Start benefits at age	<b>70</b>	<b>70</b>		

ANNUAL BENEFITS BY YEAR  
Assumes 2.5% Cost of Living Adjustments



			NEW MONTHLY BENEFITS			REASON
DATE	AGE <sup>2</sup>	CHANGE FOR	JOE	MARY	TOTAL	
Mar 2030	70	Joe	\$3,679	\$0	\$3,679	Start own retirement benefits
Apr 2033	70	Mary	\$3,962	\$3,396	\$7,358	Start own retirement benefits
Jan 2049	86	Mary	\$0	\$5,882	\$5,882	Survivor benefits start

<sup>1</sup> Prior to full retirement age, earnings from continuing to work may result in reduced or withheld benefits. At full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

<sup>2</sup> Age at end of year illustrated.

## Current Cash Flow

Ages	Annual Expenses	INCOME FLOOR			OTHER INCOME SOURCES		Shortfall
		Annuity	Pensions	Social Security	Salary & Other	Withdrawal from Assets	
56/53	\$112,500	\$0	\$0	\$0	\$107,409	\$5,091	\$0
57/54	153,000	0	0	0	145,166	7,834	0
58/55	156,075	0	0	0	145,166	10,909	0
59/56	159,227	0	0	0	145,166	14,061	0
60/57	162,458	0	0	0	145,166	17,292	0
61/58	165,769	0	0	0	145,166	20,603	0
62/59	169,163	0	0	0	145,166	23,998	0
63/60	172,642	0	0	0	145,166	27,477	0
64/61	176,208	0	0	0	145,166	31,043	0
65/62	179,864	0	0	0	145,166	34,698	0
66/63	161,110	0	0	0	145,166	15,945	0
67/64	157,450	0	0	0	145,166	12,285	0
68/65	161,387	0	0	0	145,166	16,221	0
69/66	165,421	0	0	0	145,166	20,256	0
70/67	169,557	0	0	28,972	64,651	75,935	0
71/68	173,796	0	0	35,636	33,675	104,485	0
72/69	178,141	0	0	36,534	33,675	107,932	0
73/70	182,594	0	0	61,510	33,675	87,409	0
74/71	187,159	0	0	71,272	33,675	82,212	0
75/72	191,838	0	0	81,107	0	110,731	0
76/73	196,634	0	0	83,908	0	112,726	0
77/74	201,550	0	0	86,934	0	114,615	0
78/75	206,589	0	0	90,160	0	116,429	0
79/76	211,753	0	0	93,619	0	118,134	0
80/77	217,047	0	0	97,199	0	119,848	0
81/78	222,473	0	0	101,040	0	121,434	0
82/79	228,035	0	0	105,187	0	122,848	0
83/80	233,736	0	0	108,869	0	124,867	0
84/81	239,579	0	0	111,400	0	128,180	0
85/82	245,569	0	0	113,995	0	131,574	0
86/83	251,708	0	0	116,644	0	135,064	0
87/84	258,001	0	0	119,369	0	93,522	45,111
88/85	264,451	0	0	122,157	0	0	142,294
86	203,297	0	0	69,184	0	0	134,112
87	208,379	0	0	70,761	0	0	137,618
88	213,588	0	0	72,381	0	0	141,208
89	218,928	0	0	74,032	0	0	144,896

## Current Retirement Assets

<b>Ages</b>	<b>Beginning of Year Balance</b>	<b>Contributions/ Reinvestment</b>	<b>Growth and Earnings</b>	<b>Withdrawals</b>	<b>End of Year Balance</b>
56/53	1,450,000	8,325	38,345	5,091	1,498,914
57/54	1,498,914	11,100	53,227	8,925	1,564,096
58/55	1,564,096	11,100	55,767	12,093	1,628,650
59/56	1,628,650	11,100	58,313	15,338	1,692,506
60/57	1,692,506	11,100	60,866	20,402	1,753,848
61/58	1,753,848	11,100	63,298	29,412	1,808,615
62/59	1,808,615	11,100	65,335	34,041	1,860,790
63/60	1,860,790	11,100	67,265	38,777	1,910,158
64/61	1,910,158	11,100	69,080	43,624	1,956,494
65/62	1,956,494	11,100	70,770	48,583	1,999,561
66/63	1,999,561	11,100	72,327	23,657	2,069,111
67/64	2,069,111	11,100	74,939	18,910	2,146,019
68/65	2,146,019	11,100	77,842	24,306	2,220,435
69/66	2,220,435	11,100	80,642	29,827	2,292,130
70/67	2,292,130	3,600	82,729	101,247	2,279,493
71/68	2,279,493	0	81,805	139,314	2,221,985
72/69	2,221,985	0	79,317	143,910	2,157,393
73/70	2,157,393	0	76,542	116,545	2,117,389
74/71	2,117,389	0	74,747	109,617	2,082,520
75/72	2,082,520	0	73,153	158,374	1,997,300
76/73	1,997,300	0	69,541	162,336	1,904,505
77/74	1,904,505	0	65,623	166,383	1,803,744
78/75	1,803,744	0	61,381	170,544	1,694,581
79/76	1,694,581	0	56,799	174,809	1,576,571
80/77	1,576,571	0	51,859	179,184	1,449,246
81/78	1,449,246	0	46,542	183,659	1,312,128
82/79	1,312,128	0	40,829	170,188	1,182,769
83/80	1,182,769	0	35,421	124,867	1,093,323
84/81	1,093,323	0	31,605	128,180	996,749
85/82	996,749	0	27,500	131,574	892,675
86/83	892,675	0	23,090	171,599	744,166
87/84	744,166	0	16,897	104,707	656,356
88/85	656,356	0	13,127	0	669,483
89/86	669,483	0	13,390	0	682,873
90/87	682,873	0	13,657	0	696,530
91/88	696,530	0	13,931	0	710,461
92/89	710,461	0	14,209	0	724,670



## Annual Social Security Benefits

Assumes 2.5% Cost of Living Adjustment

Year	JOE			MARY				TOTAL	
	Age <sup>1</sup>	Retirement	Spousal	Age <sup>1</sup>	Retirement	Spousal	Survivor	Annual Total	Future Value
2020	60	0	0	57	0	0	0	0	0
2021	61	0	0	58	0	0	0	0	0
2022	62	0	0	59	0	0	0	0	0
2023	63	0	0	60	0	0	0	0	0
2024	64	0	0	61	0	0	0	0	0
2025	65	0	0	62	0	0	0	0	0
2026	66	0	0	63	0	0	0	0	0
2027	67	0	0	64	0	0	0	0	0
2028	68	0	0	65	0	0	0	0	0
2029	69	0	0	66	0	0	0	0	0
2030	70	36,790	0	67	0	0	0	36,790	36,790
2031	71	45,252	0	68	0	0	0	45,252	83,514
2032	72	46,392	0	69	0	0	0	46,392	133,246
2033	73	47,544	0	70	30,564	0	0	78,108	216,684
2034	74	48,732	0	71	41,772	0	0	90,504	315,855
2035	75	49,956	0	72	42,816	0	0	92,772	421,262
2036	76	51,204	0	73	43,884	0	0	95,088	533,200
2037	77	52,488	0	74	44,988	0	0	97,476	652,004
2038	78	53,796	0	75	46,116	0	0	99,912	777,996
2039	79	55,140	0	76	47,268	0	0	102,408	911,524
2040	80	56,520	0	77	48,444	0	0	104,964	1,052,949
2041	81	57,936	0	78	49,656	0	0	107,592	1,202,659
2042	82	59,376	0	79	50,892	0	0	110,268	1,361,033
2043	83	60,864	0	80	52,164	0	0	113,028	1,528,503
2044	84	62,388	0	81	53,472	0	0	115,860	1,705,503
2045	85	63,948	0	82	54,816	0	0	118,764	1,892,487
2046	86	65,544	0	83	56,184	0	0	121,728	2,089,914
2047	87	67,188	0	84	57,588	0	0	124,776	2,298,287
2048	88	68,868	0	85	59,028	0	0	127,896	2,518,114
2049				86	60,504	0	10,080	70,584	2,689,423
2050				87	62,016	0	10,332	72,348	2,869,348
2051				88	63,564	0	10,596	74,160	3,058,282
2052				89	65,148	0	10,860	76,008	3,256,621

<sup>1</sup> Age at end of year illustrated.

## Current Cash Flow Taxation

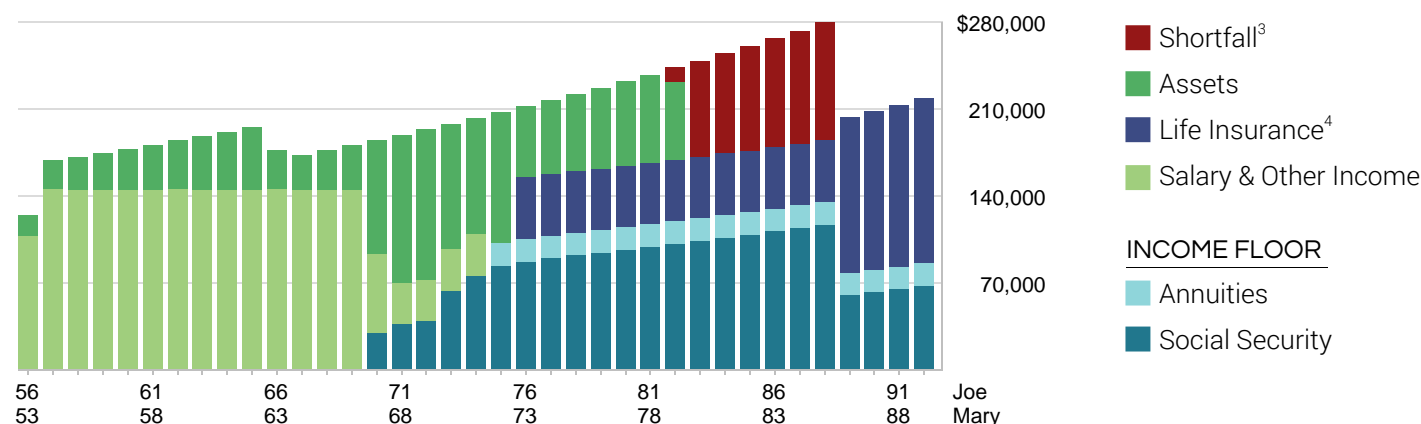
Ages	INCOME		TAXES				Social Security Subject to Taxes
	Social Security	Other Taxable	On Social Security	Ordinary Income	Capital Gains	Total Taxes	
56/53	0	161,925	0	53,391	0	53,391	0%
57/54	0	215,741	0	70,285	0	70,285	0%
58/55	0	215,440	0	70,303	0	70,303	0%
59/56	0	215,002	0	70,286	0	70,286	0%
60/57	0	221,392	0	71,975	0	71,975	0%
61/58	0	243,312	0	77,543	0	77,543	0%
62/59	0	247,941	0	78,777	0	78,777	0%
63/60	0	252,677	0	80,035	0	80,035	0%
64/61	0	257,524	0	81,316	0	81,316	0%
65/62	0	262,483	0	82,620	0	82,620	0%
66/63	0	237,557	0	76,447	0	76,447	0%
67/64	0	232,810	0	75,360	0	75,360	0%
68/65	0	238,206	0	76,819	0	76,819	0%
69/66	0	243,727	0	78,306	0	78,306	0%
70/67	36,790	197,646	7,818	57,062	0	64,879	85%
71/68	45,252	189,313	9,616	51,153	0	60,769	85%
72/69	46,392	193,909	9,858	52,302	0	62,161	85%
73/70	78,108	166,546	16,598	45,461	0	62,059	85%
74/71	90,504	159,616	19,232	43,729	0	62,961	85%
75/72	92,772	158,373	19,714	39,593	0	59,307	85%
76/73	95,088	162,336	20,206	40,584	0	60,790	85%
77/74	97,476	166,383	20,714	41,596	0	62,309	85%
78/75	99,912	170,544	21,231	42,636	0	63,867	85%
79/76	102,408	174,809	21,762	43,702	0	65,464	85%
80/77	104,964	179,184	22,305	44,796	0	67,101	85%
81/78	107,592	183,659	22,863	45,915	0	68,778	85%
82/79	110,268	115,955	23,432	28,989	0	52,421	85%
83/80	113,028	0	4,159	0	0	4,159	15%
84/81	115,860	0	4,460	0	0	4,460	15%
85/82	118,764	0	4,769	0	0	4,769	16%
86/83	121,728	105,010	25,867	0	15,751	41,619	85%
87/84	124,776	74,570	21,254	0	11,185	32,439	68%
88/85	127,896	0	5,739	0	0	5,739	18%
89/86	70,584	0	1,400	0	0	1,400	8%
90/87	72,348	0	1,587	0	0	1,587	9%
91/88	74,160	0	1,780	0	0	1,780	10%
92/89	76,008	0	1,976	0	0	1,976	10%

# Proposed Cash Flow

Cash Flow Using Optimal Social Security Strategy

	JOE	MARY	CASH FLOW RESULTS
Current Age	56	53	
Monthly benefit at FRA <sup>1</sup>	\$2,100	\$1,800	
Assume live to	89	90	
Start benefits at age	<b>70</b>	<b>70</b>	
Filing Method: File for Benefits			
			<b>\$161,322</b>
			Shortfall (NPV)
			\$22,006 <sup>2</sup> to Heirs

## ANNUAL CASH FLOW



## ADDITIONAL ITEMS TO CONSIDER

- Penalty taxes were incurred for early withdrawals from a qualified plan.
- Proposed uses Social Security strategy and order of asset use calculated to give best cash flow.
- Optimal Social Security is Joe age 70, Mary age 70; File for Benefits.
- Optimal order of asset use: Savings, Investments, IRAs/401Ks, Roth IRAs
- Annuity 1 was purchased using the following cash sources: Joe's IRA \$125,000; Joe's Retirement Plan \$125,000
- Present value today of remaining needs is \$161,322.
- Caution should be used when planning to retire later. 49% of retirees retired earlier than planned mostly due to health related reasons, according to Retirement Income Reference Book, LIMRA Secure Retirement Institute, 2012.

See Confirmation of Facts page for proposed annuity and life insurance details. Not valid without Confirmation of Facts page.

Retirement expenses at 100% of pre-retirement amount. Expenses at first death at 75% of retirement expenses. Assumed rate of return is 4%. Pre-retirement effective income tax rate is 25%. Post retirement effective income tax rate is 25%.


<sup>1</sup> Prior to full retirement age, earnings from continuing to work may result in reduced or withheld benefits. At full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

<sup>2</sup> Surplus is total remaining assets at the end of the illustration.

<sup>3</sup> Present value today of remaining needs is \$161,322.

<sup>4</sup> Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

#### ADDITIONAL ITEMS TO CONSIDER

-  Your current home is valued at \$594,481 in 2042 when first deficit occurs. You may consider downsizing your home or a reverse mortgage.

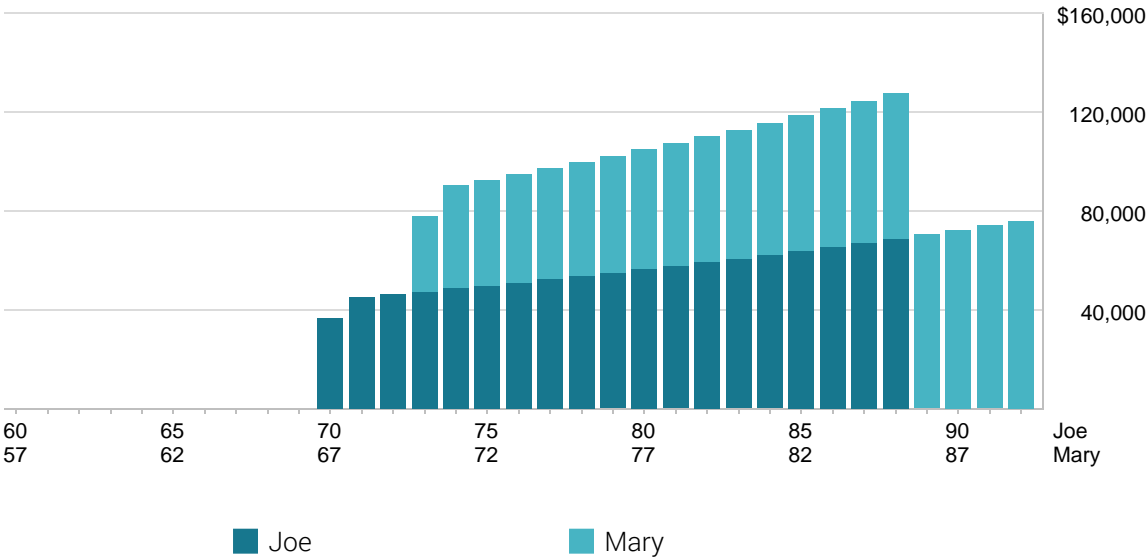
#### ASSETS CONSUMED IN THIS ORDER

1. Savings
2. Investments
3. IRA's/401(k)'s
4. Roth IRA's

Assets are assumed to grow at 4% before taxes.

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Monthly benefit at FRA <sup>1</sup>	\$2,100	\$1,800		
Assume live to	89	90		
Start benefits at age	<b>70</b>	<b>70</b>		

ANNUAL BENEFITS BY YEAR  
Assumes 2.5% Cost of Living Adjustments



			NEW MONTHLY BENEFITS			REASON
DATE	AGE <sup>2</sup>	CHANGE FOR	JOE	MARY	TOTAL	
Mar 2030	70	Joe	\$3,679	\$0	\$3,679	Start own retirement benefits
Apr 2033	70	Mary	\$3,962	\$3,396	\$7,358	Start own retirement benefits
Jan 2049	86	Mary	\$0	\$5,882	\$5,882	Survivor benefits start

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<sup>2</sup> Age at end of year illustrated.

## Proposed Cash Flow

Ages	Annual Expenses	INCOME FLOOR			OTHER INCOME SOURCES			Shortfall
		Annuity	Pensions	Social Security	Salary & Other	Withdrawal from Assets	From Life Insurance <sup>1</sup>	
56/53	\$124,148	\$0	\$0	\$0	\$107,409	\$16,738	\$0	\$0
57/54	168,530	0	0	0	145,166	23,364	0	0
58/55	171,605	0	0	0	145,166	26,439	0	0
59/56	174,757	0	0	0	145,166	29,591	0	0
60/57	177,988	0	0	0	145,166	32,822	0	0
61/58	181,299	0	0	0	145,166	36,133	0	0
62/59	184,693	0	0	0	145,166	39,528	0	0
63/60	188,172	0	0	0	145,166	43,007	0	0
64/61	191,738	0	0	0	145,166	46,573	0	0
65/62	195,394	0	0	0	145,166	50,228	0	0
66/63	176,640	0	0	0	145,166	31,475	0	0
67/64	172,980	0	0	0	145,166	27,815	0	0
68/65	176,917	0	0	0	145,166	31,751	0	0
69/66	180,951	0	0	0	145,166	35,786	0	0
70/67	185,087	0	0	28,972	64,651	91,465	0	0
71/68	189,326	0	0	36,274	33,675	119,377	0	0
72/69	193,671	0	0	38,514	33,675	121,481	0	0
73/70	198,124	0	0	63,397	33,675	101,052	0	0
74/71	202,689	0	0	75,303	33,675	93,711	0	0
75/72	207,368	18,000	0	83,722	0	105,647	0	0
76/73	212,164	18,000	0	86,974	0	57,190	50,000	0
77/74	217,080	18,000	0	89,869	0	59,211	50,000	0
78/75	222,119	18,000	0	92,046	0	62,072	50,000	0
79/76	227,283	18,000	0	94,277	0	65,006	50,000	0
80/77	232,577	18,000	0	96,562	0	68,016	50,000	0
81/78	238,003	18,000	0	98,910	0	71,093	50,000	0
82/79	243,565	18,000	0	101,302	0	62,663	50,000	11,600
83/80	249,266	18,000	0	103,769	0	0	50,000	77,497
84/81	255,109	18,000	0	106,300	0	0	50,000	80,810
85/82	261,099	18,000	0	108,895	0	0	50,000	84,204
86/83	267,238	18,000	0	111,544	0	0	50,000	87,694
87/84	273,531	18,000	0	114,269	0	0	50,000	91,262
88/85	279,981	18,000	0	117,057	0	0	50,000	94,924
86	203,297	18,000	0	59,834	0	0	125,462	0
87	208,379	18,000	0	62,350	0	0	128,029	0
88	213,588	18,000	0	64,958	0	0	130,630	0
89	218,928	18,000	0	67,651	0	0	133,277	0

<sup>1</sup> Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

## Proposed Retirement Assets

<b>Ages</b>	<b>Beginning of Year Balance</b>	<b>Contributions/ Reinvestment</b>	<b>Growth and Earnings</b>	<b>Withdrawals</b>	<b>End of Year Balance</b>
56/53	1,450,000	8,325	30,845	16,738	1,229,767
57/54	1,229,767	11,100	42,577	24,045	1,269,178
58/55	1,269,178	11,100	44,241	27,475	1,306,824
59/56	1,306,824	11,100	45,716	31,176	1,342,245
60/57	1,342,245	11,100	46,985	34,762	1,375,348
61/58	1,375,348	11,100	48,158	53,879	1,390,507
62/59	1,390,507	11,100	48,611	53,900	1,406,098
63/60	1,406,098	11,100	49,078	58,562	1,417,494
64/61	1,417,494	11,100	49,374	63,332	1,424,415
65/62	1,424,415	11,100	49,487	68,211	1,426,571
66/63	1,426,571	11,100	49,407	43,203	1,453,655
67/64	1,453,655	11,100	50,320	38,369	1,486,486
68/65	1,486,486	11,100	51,460	43,676	1,515,151
69/66	1,515,151	11,100	52,430	49,104	1,539,357
70/67	1,539,357	3,600	52,618	121,953	1,475,903
71/68	1,475,903	0	49,661	160,019	1,365,544
72/69	1,365,544	0	45,059	164,616	1,245,987
73/70	1,245,987	0	40,086	137,252	1,148,821
74/71	1,148,821	0	36,004	130,323	1,054,502
75/72	1,054,502	0	32,032	155,080	931,455
76/73	931,455	0	26,908	92,270	866,092
77/74	866,092	0	24,086	59,211	830,968
78/75	830,968	0	22,470	62,072	791,365
79/76	791,365	0	20,670	65,006	747,030
80/77	747,030	0	18,677	68,016	697,691
81/78	697,691	0	16,480	71,093	643,078
82/79	643,078	0	14,067	62,663	594,482
83/80	594,482	0	11,890	0	606,371
84/81	606,371	0	12,127	0	618,499
85/82	618,499	0	12,370	0	630,869
86/83	630,869	0	12,617	0	643,486
87/84	643,486	0	12,870	0	656,356
88/85	656,356	0	13,127	0	669,483
89/86	669,483	0	28,390	125,462	1,072,411
90/87	1,072,411	0	25,344	128,029	969,725
91/88	969,725	0	22,126	130,630	861,221
92/89	861,221	0	18,732	133,277	746,676

## Annual Social Security Benefits

Assumes 2.5% Cost of Living Adjustment

Year	JOE			MARY				TOTAL	
	Age <sup>1</sup>	Retirement	Spousal	Age <sup>1</sup>	Retirement	Spousal	Survivor	Annual Total	Future Value
2020	60	0	0	57	0	0	0	0	0
2021	61	0	0	58	0	0	0	0	0
2022	62	0	0	59	0	0	0	0	0
2023	63	0	0	60	0	0	0	0	0
2024	64	0	0	61	0	0	0	0	0
2025	65	0	0	62	0	0	0	0	0
2026	66	0	0	63	0	0	0	0	0
2027	67	0	0	64	0	0	0	0	0
2028	68	0	0	65	0	0	0	0	0
2029	69	0	0	66	0	0	0	0	0
2030	70	36,790	0	67	0	0	0	36,790	36,790
2031	71	45,252	0	68	0	0	0	45,252	83,514
2032	72	46,392	0	69	0	0	0	46,392	133,246
2033	73	47,544	0	70	30,564	0	0	78,108	216,684
2034	74	48,732	0	71	41,772	0	0	90,504	315,855
2035	75	49,956	0	72	42,816	0	0	92,772	421,262
2036	76	51,204	0	73	43,884	0	0	95,088	533,200
2037	77	52,488	0	74	44,988	0	0	97,476	652,004
2038	78	53,796	0	75	46,116	0	0	99,912	777,996
2039	79	55,140	0	76	47,268	0	0	102,408	911,524
2040	80	56,520	0	77	48,444	0	0	104,964	1,052,949
2041	81	57,936	0	78	49,656	0	0	107,592	1,202,659
2042	82	59,376	0	79	50,892	0	0	110,268	1,361,033
2043	83	60,864	0	80	52,164	0	0	113,028	1,528,503
2044	84	62,388	0	81	53,472	0	0	115,860	1,705,503
2045	85	63,948	0	82	54,816	0	0	118,764	1,892,487
2046	86	65,544	0	83	56,184	0	0	121,728	2,089,914
2047	87	67,188	0	84	57,588	0	0	124,776	2,298,287
2048	88	68,868	0	85	59,028	0	0	127,896	2,518,114
2049				86	60,504	0	10,080	70,584	2,689,423
2050				87	62,016	0	10,332	72,348	2,869,348
2051				88	63,564	0	10,596	74,160	3,058,282
2052				89	65,148	0	10,860	76,008	3,256,621

<sup>1</sup> Age at end of year illustrated.



## Proposed Cash Flow Taxation

Ages	INCOME		TAXES				Social Security Subject to Taxes
	Social Security	Other Taxable	On Social Security	Ordinary Income	Capital Gains	Total Taxes	
56/53	0	161,925	0	53,391	0	53,391	0%
57/54	0	215,275	0	69,759	0	69,759	0%
58/55	0	215,968	0	69,654	230	69,884	0%
59/56	0	218,168	0	69,699	620	70,319	0%
60/57	0	219,813	0	69,815	859	70,675	0%
61/58	0	262,684	0	86,286	193	86,480	0%
62/59	0	267,800	0	83,107	0	83,107	0%
63/60	0	272,462	0	84,290	0	84,290	0%
64/61	0	277,232	0	85,494	0	85,494	0%
65/62	0	282,111	0	86,718	0	86,718	0%
66/63	0	257,103	0	80,463	0	80,463	0%
67/64	0	252,269	0	79,289	0	79,289	0%
68/65	0	257,576	0	80,659	0	80,659	0%
69/66	0	263,004	0	82,053	0	82,053	0%
70/67	36,790	218,353	7,818	62,238	0	70,056	85%
71/68	45,252	210,020	9,616	56,330	0	65,946	85%
72/69	46,392	214,616	9,858	57,479	0	67,337	85%
73/70	78,108	187,252	16,598	50,638	0	67,236	85%
74/71	90,504	180,323	19,232	48,906	0	68,138	85%
75/72	92,772	179,080	19,714	44,770	0	64,484	85%
76/73	95,088	115,951	20,206	28,988	0	49,194	85%
77/74	97,476	24,000	7,607	6,000	0	13,607	31%
78/75	99,912	24,000	7,866	6,000	0	13,866	31%
79/76	102,408	24,000	8,131	6,000	0	14,131	32%
80/77	104,964	24,000	8,402	6,000	0	14,402	32%
81/78	107,592	24,000	8,682	6,000	0	14,682	32%
82/79	110,268	24,000	8,966	6,000	0	14,966	33%
83/80	113,028	24,000	9,259	6,000	0	15,259	33%
84/81	115,860	24,000	9,560	6,000	0	15,560	33%
85/82	118,764	24,000	9,869	6,000	0	15,869	33%
86/83	121,728	24,000	10,184	6,000	0	16,184	33%
87/84	124,776	24,000	10,507	6,000	0	16,507	34%
88/85	127,896	24,000	10,839	6,000	0	16,839	34%
89/86	70,584	44,000	10,750	11,000	0	21,750	61%
90/87	72,348	39,582	9,998	9,895	0	19,893	55%
91/88	74,160	34,928	9,202	8,732	0	17,934	50%
92/89	76,008	30,030	8,357	7,508	0	15,865	44%

## Action Plan

For Joe starting benefits at age 70 and Mary starting benefits at age 70.

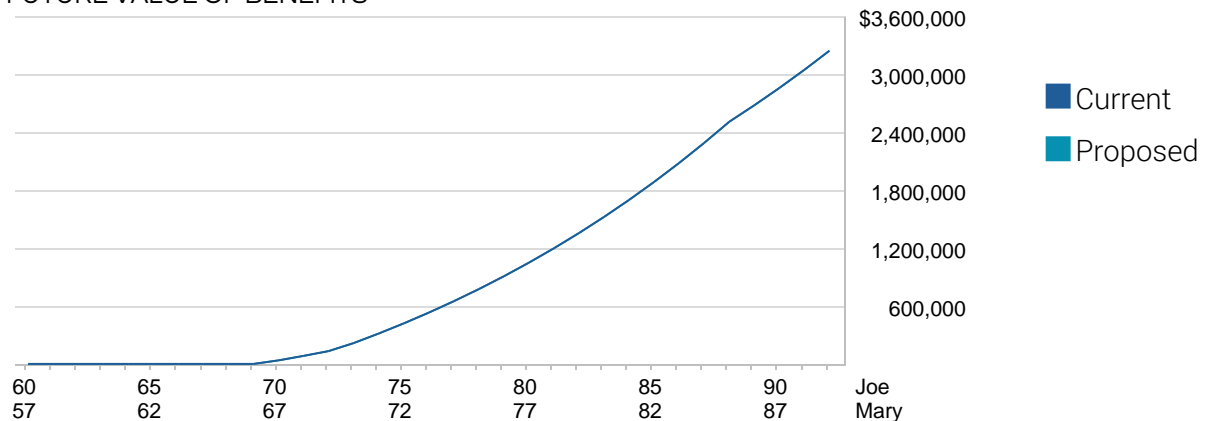
✓	WHEN	WHO	ACTION	NOTES
<input type="checkbox"/>	As soon as possible	Joe	Purchase annuity.	
<input type="checkbox"/>	As soon as possible	Joe	Complete application for new life insurance policy.	
<input type="checkbox"/>	As soon as possible	Joe	Schedule medical exam for new life insurance policy.	
<input type="checkbox"/>	As soon as possible	Advisor	Deliver life insurance policy.	
<input type="checkbox"/>	April 2017	Advisor	Schedule annual review.	
<input type="checkbox"/>	November 2029	Joe	File for benefits.	Apply 3 months prior to date benefits would start. Application may be made any time during this month.
<input type="checkbox"/>	December 2032	Mary	File for benefits.	Apply 3 months prior to date benefits would start. Application may be made any time during this month.
<input type="checkbox"/>	At death of a spouse		When a spouse dies, the surviving spouse should notify the Social Security Administration of spouse's death.	Social Security provides a one-time payment of \$255 plus potential monthly survivors' benefits.

This schedule was prepared on April 7, 2016.

All items should be reviewed regularly and adjusted for any changes in Social Security rules, tax laws, or major life events of either Joe or Mary. A review with your financial advisors annually is recommended.

# Social Security Break-Even Analysis

FUTURE VALUE OF BENEFITS



CURRENT						PROPOSED			
Year	Ages <sup>1</sup>	Annual Total	Cumulative Lifetime Benefits	Future Value of Benefits	Present Value of Benefits	Annual Total	Cumulative Lifetime Benefits	Future Value of Benefits	Present Value of Benefits
2020	60/57	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2021	61/58	0	0	0	0	0	0	0	0
2022	62/59	0	0	0	0	0	0	0	0
2023	63/60	0	0	0	0	0	0	0	0
2024	64/61	0	0	0	0	0	0	0	0
2025	65/62	0	0	0	0	0	0	0	0
2026	66/63	0	0	0	0	0	0	0	0
2027	67/64	0	0	0	0	0	0	0	0
2028	68/65	0	0	0	0	0	0	0	0
2029	69/66	0	0	0	0	0	0	0	0
2030	70/67	36,790	36,790	36,790	21,245	36,790	36,790	36,790	21,245
2031	71/68	45,252	82,042	83,514	46,372	45,252	82,042	83,514	46,372
2032	72/69	46,392	128,434	133,246	71,141	46,392	128,434	133,246	71,141
2033	73/70	78,108	206,542	216,684	111,240	78,108	206,542	216,684	111,240
2034	74/71	90,504	297,046	315,855	155,916	90,504	297,046	315,855	155,916
2035	75/72	92,772	389,818	421,262	199,949	92,772	389,818	421,262	199,949
2036	76/73	95,088	484,906	533,200	243,346	95,088	484,906	533,200	243,346
2037	77/74	97,476	582,382	652,004	286,121	97,476	582,382	652,004	286,121
2038	78/75	99,912	682,294	777,996	328,280	99,912	682,294	777,996	328,280
2039	79/76	102,408	784,702	911,524	369,829	102,408	784,702	911,524	369,829
2040	80/77	104,964	889,666	1,052,949	410,778	104,964	889,666	1,052,949	410,778
2041	81/78	107,592	997,258	1,202,659	451,138	107,592	997,258	1,202,659	451,138
2042	82/79	110,268	1,107,526	1,361,033	490,910	110,268	1,107,526	1,361,033	490,910
2043	83/80	113,028	1,220,554	1,528,503	530,110	113,028	1,220,554	1,528,503	530,110
2044	84/81	115,860	1,336,414	1,705,503	568,747	115,860	1,336,414	1,705,503	568,747
2045	85/82	118,764	1,455,178	1,892,487	606,829	118,764	1,455,178	1,892,487	606,829
2046	86/83	121,728	1,576,906	2,089,914	644,359	121,728	1,576,906	2,089,914	644,359
2047	87/84	124,776	1,701,682	2,298,287	681,351	124,776	1,701,682	2,298,287	681,351
2048	88/85	127,896	1,829,578	2,518,114	717,808	127,896	1,829,578	2,518,114	717,808
2049	86	70,584	1,900,162	2,689,423	737,155	70,584	1,900,162	2,689,423	737,155

<sup>1</sup> Age at end of year illustrated.

CURRENT						PROPOSED			
Year	Ages <sup>1</sup>	Annual Total	Cumulative Lifetime Benefits	Future Value of Benefits	Present Value of Benefits	Annual Total	Cumulative Lifetime Benefits	Future Value of Benefits	Present Value of Benefits
2050	87	72,348	1,972,510	2,869,348	756,223	72,348	1,972,510	2,869,348	756,223
2051	88	74,160	2,046,670	3,058,282	775,016	74,160	2,046,670	3,058,282	775,016
2052	89	76,008	2,122,678	3,256,621	793,537	76,008	2,122,678	3,256,621	793,537

Summary

START AGES		FILING METHOD	FUTURE VALUE
Current	Joe starts at 70, Mary starts at 70	File for Benefits	\$3,256,621
Proposed	Joe starts at 70, Mary starts at 70	File for Benefits	\$3,256,621

<sup>1</sup> Age at end of year illustrated.

# Confirmation of Facts

## PERSONAL INFORMATION

### Joe Simpson

56

Male

Feb. 05, 1960

Joe and Mary are married.

### Mary Simpson

53

Female

Mar. 05, 1963

## EXPENSES

Current value of residence	\$350,000
Monthly Mortgage Payment for 10 years	\$2,500
Growth rate	2%

Total Monthly Expenses (excluding mortgage)	\$10,000
Percent expenses at first retirement	100%
Percent continued after first death	75%
Inflation rate	2.5%

## SALARY

Name	Pre-Retirement			Post-Retirement		
	Salary	Annual Increase	Until Age	Salary	Annual Increase	Until Age
Joe	\$150,000	0%	70	\$25,000	0%	75
Mary	\$75,000	0%	68	\$25,000	0%	72

Effective tax rate 25%

Post retirement tax rate 25%

Income tax rate on capital gains assumed to be 15%.

## SOCIAL SECURITY

	Joe	Mary
Monthly benefit at full retirement age	\$2,100	\$1,800
Full retirement age	67	67
Social Security cost of living adjustment	2.5%	

## PROPOSED ANNUITIES

Owner	Description	Monthly Income	Annual Increase	Starting at Age	Percent After Death	Continue Until Age	Type	Cost
Joe	Annuity 1	\$2,000	0%	75	100%	Lifetime	Qualified	\$250,000

## SAVINGS ASSETS

Description	Joe		Mary	
	Current Balance	Monthly Contribution	Current Balance	Monthly Contribution
IRA	\$125,000	\$0	\$100,000	\$0
Roth IRA	\$100,000	\$0	\$50,000	\$0
Personal Savings	\$50,000	\$0	\$0	\$0

## INVESTMENTS

Name	Current Balance	Current Basis	Monthly Contributions
Joe	\$75,000	\$75,000	\$0

## RETIREMENT SAVINGS PLAN (401(k))

Name	Current Balance	Employee Contributions	Employer Contributions
Joe	\$350,000	\$625	\$625
Mary	\$250,000	\$300	\$190

PROPOSED LIFE INSURANCE<sup>1</sup>

Insured	Description	Initial Death Benefit	Initial Premium
Joe	MM Whole Life	\$500,000	\$15,530

<sup>1</sup> Premiums may vary based on many factors, including the age, sex, and health of the insured. This presentation is not valid unless accompanied by an illustration of proposed policy values.

# Mitigating Risks to Your Plan



## LONGEVITY RISK

We all want to live as long as possible, however, the longer you live will increase your exposure to many retirement risks. The risk many fear is running out of money.

Living longer increases the likelihood of spending down assets, additional medical expenses, or may require long-term care. You could outlive income sources that pay for a specific period.



## MITIGATION IDEAS

- ☒ Use some investments to purchase income annuities, creating lifetime income streams.
- ☒ Consider planning that extends beyond average life expectancy. One in four retirees will live past age 90 and one in ten will live past age 95.
- ☒ Consider using a small portion of savings to acquire longevity annuity that provides large monthly incomes starting at older ages, typically age 85 and up.
- ☐ Convert home equity to a reverse mortgage that provides specified monthly payments as long as last borrower remains in the home.



## HEALTH CARE RISK

Aging is often accompanied by health related problems and costs. Medical costs have been increasing faster than CPI according to EBRI. Health related problems may lead to a need for long-term care. 70% of people age 65 and over will need long-term care at some point. The average length of care is 2.2 years for men and 3.7 years for women, with an average annual cost in the US of \$85,000, although costs vary based on location.<sup>1</sup>



## MITIGATION IDEAS

- ☒ Reduce likelihood of health problems through diet, exercise and lifestyle.
- ☐ Rely on Medicaid and government programs for the costs of health needs.
- ☒ Buy a Medicare supplement that provides coverages for the "gaps" between health costs and Medicare payments.
- ☐ Depend on family members to supplement costs and care needed.
- ☐ Secure long-term care policy if available.
- ☒ Hybrid policies combine long-term care benefits with a life insurance policy or an annuity.

<sup>1</sup> [www.longtermcare.gov](http://www.longtermcare.gov)



## MARKET RISK

Due to market fluctuations, investments may perform worse than expected. Since risks and returns vary inversely, some risk may be necessary to achieve a desired return.

Other investments are subject to interest rate risks, such as bonds and certificates of deposits. Changes in interest rates may result in lower returns or undesirable options for reinvesting at maturity.



## MITIGATION IDEAS

- ☐ Diversification can help limit the effects of market fluctuations. A typical investment mix is 40% equity, 50% bonds, and 10% cash.
- ☒ Review investments annually and shift more investments to income producing assets as you age.
- ☒ Shifting some assets to fixed income provides an income floor of more predictable income.
- ☒ Consider “bucket method” of investing—buckets of investments using time horizons: the sooner it is to be used the lower the risk; the later it will be used, the greater the risk.



## INFLATION RISK

Retirees often depend on fixed income sources that do not vary. Inflation reduces each dollar's purchasing power. A couple retiring on \$5,000 monthly income in 1990 would need \$8,979 monthly income to have the same purchasing power today. Consumer Price Index has increased at an average rate of 3% since 1913.<sup>1</sup>







## MITIGATION IDEAS

- ☐ Do not rely on just fixed income investments that provide no inflation-adjusted incomes.
- ☒ Planning must assume income needs will increase for inflation.
- ☒ Review and adjust expenses annually to reflect inflation.
- ☒ Social Security benefits are inflation-adjusted income. Delaying Social Security benefits may result in a larger benefit.

<sup>1</sup> [www.bls.gov](http://www.bls.gov)



 WORK RELATED RISK	 MITIGATION IDEAS
<p>Retirement plans may be greatly altered if retirement employment plans are disrupted. Forced retirement resulted in 47% of workers retiring earlier than they had planned according to EBRI. Reemployment risk is planning to work full-time or part-time in retirement and being unable to find work. Working longer may not be an option due to the job market, poor health, or caregiving responsibilities. In 2013, 69% of retirees were expecting to work but only 25% actually worked.<sup>1</sup></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Plan for the unexpected—consider needs if employment ends prematurely.</li> <li><input type="checkbox"/> Prior to retirement, you should acquire skills needed for possible part-time work in retirement.</li> <li><input checked="" type="checkbox"/> Consider diet, exercise, and lifestyle habits while still working, to avoid health problems which may limit your ability to work as long as you prefer.</li> <li><input checked="" type="checkbox"/> Retirement planning is not just about money. You should consider the social aspects of working longer and the personal rewards it provides.</li> </ul>
 PUBLIC POLICY RISK	 MITIGATION IDEAS
<p>You have little or no control over many public policies that can affect your retirement.</p> <p>Changes in tax laws, Social Security benefits, or Medicare benefits are examples of risks you should consider in your planning.</p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Although you cannot control the tax laws, you can make your retirement assets and income less sensitive to taxes.</li> <li><input checked="" type="checkbox"/> A Roth IRA can minimize the tax effects of its monthly income during retirement.</li> <li><input checked="" type="checkbox"/> Be sure to consider required minimum distributions for retirement plans and IRAs to coordinate them with other income to minimize taxation.</li> <li><input checked="" type="checkbox"/> Review any changes in government programs with your financial advisors to make appropriate adjustments.</li> <li><input checked="" type="checkbox"/> Planning that is flexible and reviewed regularly is the best preparation for changes you cannot control.</li> </ul>

<sup>1</sup> Employee Benefits Research Institute



## LOSS OF SPOUSE RISK

Loss of a spouse often results in unexpected reductions in various income items and results in added expenses such as caregiving.



## MITIGATION IDEAS

- ☒ Life insurance transfers the risk at either spouse's death, regardless of its unpredictable occurrence, to a life insurance company.
- ☒ An annuity with joint and survivor income can reduce the loss of income at a spouse's death.
- ☒ Review many scenarios to determine the probable loss of income at a spouse's death, regardless of which spouse dies first.

## Definitions and Additional Information

### Full retirement age

Full retirement age (FRA) is the age at which a person may first become entitled to full or unreduced retirement benefits. If your birthday is on January 1, the previous year's FRA will determine your full retirement age.

YEAR OF BIRTH	FULL RETIREMENT AGE
1943 through 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 and later	67

### Reductions for retirement before full retirement age

You may start Social Security retirement benefits as early as age 62; however, each month prior to FRA will result in a reduction in your benefits. This reduction ranges from 25% for those with a FRA of 66 to 30% for FRA of 67. The formula is 5/9 of 1% per month up to 36 months, plus 5/12 of 1% per month exceeding 36.

### Delayed retirement credits for retirement after full retirement age

If you choose to delay starting benefits, you will receive an increase in your benefit amount of 8% per year up to age 70. After age 70 there are no further credits for delaying benefits. The credit is 2/3 of 1% for each month beyond FRA.

### Monthly benefit at full retirement age

You can find your monthly benefit at full retirement age on your annual Social Security statement or from the on-line statement. The amount used in this report is the monthly value in today's dollars. This report automatically applies cost of living adjustments for you. This monthly benefit amount is also known as Primary Insurance Amount or PIA.

## Spousal and family benefits

If you are receiving Social Security retirement benefits, your spouse and children may also qualify to receive benefits on your record. Your spouse or child may receive a monthly payment of up to one-half of your full retirement benefit amount, subject to a family maximum of approximately 150-180% of your full retirement payment. These payments will not reduce your retirement benefit. If there is more than one beneficiary, the payments are prorated among your family members eligible for benefits. However, if you suspend your benefits, all benefits based on your earnings will also be suspended. Individuals age 62 or younger in 2016 do not have this option.

## Survivor benefits

Social Security provides survivor benefits for your family. If you die and your children are under 18, they are eligible for survivor benefits. In addition, your spouse qualifies for survivor benefits if age 60 or greater or caring for your children under age 16. Your spouse's survivor benefits when not caring for children under 16 will be reduced if benefits start prior to full retirement age.

## Family benefits

This report does not consider survivor or retirement payments available for children, which may increase the total benefits your family may receive.

## Disability benefits

This report does not consider disability payments that you or your family may be eligible to receive.

## Pensions based on earnings not covered by Social Security

If you receive a pension for work not covered by Social Security, your monthly retirement or survivors' benefit may be reduced.

## Government Pension Offset (GPO)

This provision affects only individuals who have earned a pension from work not covered by Social Security. Two-thirds of the monthly non-covered pension amount may reduce any spousal benefits you are otherwise entitled. GPO does not reduce any benefits based on your work record covered by Social Security.

## Windfall Elimination Provision (WEP)

Your Social Security benefits may be reduced if you are entitled to a monthly pension from work not covered by Social Security and also qualify for Social Security retirement benefits. The years and earnings covered by Social Security determine the reduction, if any.

Each year worked up to starting retirement may affect benefits. The Social Security Administration does not include this reduction on your annual statement. It is calculated when you file for benefits. For 2016, this reduction is limited to the lesser of \$428 or one-half of your non-covered monthly pension.

## Marital status

Married: Currently married under federal definition of marriage. Applicable spousal benefits and survivor benefits have been included.

Widowed: Currently not married under federal definition of marriage. Survivor benefits have been considered throughout the tool.

Divorced: If you were married for at least 10 years before divorce. You may receive spousal benefits based on an ex-spouse's benefit. It does not have to be the most recent ex-spouse, but your marriage must have lasted ten years. Claiming this benefit will in no way affect your ex-spouse's benefits. Anyone younger than age 62 in 2015 will be deemed to file for both their benefits and any spousal benefits at the same time and receive the higher of the two amounts. They will no longer be able to claim spousal benefits only.

Single: Currently not married under federal definition of marriage (or were married for less than 10 years before divorce). Benefits will only consider your earning record.

## File for benefits

You file for all eligible benefits. You must file for all benefits to which you may be eligible, including your own benefit as well as any spousal benefit if one exists. Benefits will be reduced for each month prior to FRA.

## File and suspend

Once you have reached FRA, you file your application for benefits and immediately suspend payments until a later date. This allows you to delay benefits up to age 70 to earn delayed retirement credits to increase monthly payments. If you suspend after May 2016, any benefits based on your earnings will also be suspended.

## File a restricted application

For individuals age 62 or older in 2015, once you have reached FRA, you file a restricted application for survivor or spousal benefits. This allows you to begin spousal or survivor benefits while earning delayed retirement credits. Your spouse must have filed for benefits for you to receive spousal benefits. You apply for your own benefits at a later date and receive increased monthly payments.

## Options to change your selection

Within 12 months of starting benefits if you change your mind, you may withdraw your claim and reapply. If approved, you must repay all benefits paid. This is only allowed once.

If you are already receiving benefits, you may suspend current or future payments up to age 70. The suspended payments will automatically resume at age 70, unless you request them sooner.

## Precaution if benefits are suspended

If you are enrolled in Medicare Part B, premiums cannot be deducted from suspended payments. You will need to pay them directly or have them automatically paid by your bank.

## Cost of living adjustment

Historically prices have risen over time. Social Security Administration reviews the cost of living each year and adjusts benefits accordingly. The 30-year average annual adjustment is 2.5%.

Social Security Administration determines if a cost of living adjustment is made, and if so, how much. Typically, benefits have increased by 2.5% to 3.0% in the past. Using 0% will show basic benefits without any adjustments for inflation. More information can be found at [www.socialsecurity.gov/cola](http://www.socialsecurity.gov/cola).

## What if you work during retirement?

You may work while receiving Social Security benefits and working may mean higher future benefits. However, while working your benefits may be reduced until you reach full retirement age. After full retirement age, the Social Security Administration will recalculate your benefits considering months when benefits were reduced or withheld due to excess earnings. Any year when earnings are higher than a prior year in your earnings record, the higher year will be used to recalculate your PIA and your payment amount.

The excess earnings limit in 2016 is \$15,720. A formula determines the amount benefits will be reduced based on your age. If you are under full retirement age for the entire year, benefits will be reduced \$1 for every \$2 earned above the limit. In the year you attain full retirement age, the deduction will be \$1 for every \$3 over \$41,800 (2016). Starting with the month you reach full retirement age, there is no longer a reduction in benefits or a limit to the amount you may earn.

If Social Security Administration is notified in advance of your anticipated monthly earnings, they will adjust your payments accordingly. If Social Security Administration learns of the excess earnings later, they withhold all future payments until excess benefits are recovered.

## Modified adjusted gross income

Modified adjusted gross income (MAGI) is generally defined as all of your taxable income, plus certain net foreign income, minus allowed deductions. MAGI may include income such as taxable pensions, wages, interest, dividends, and other taxable income plus tax-exempt interest income (such as interest on municipal bonds) and any exclusion from income, such as interest from US savings bonds. See Internal Revenue Code 86b(2) or Internal Revenue Service Publication 915 for more information.

Be sure to consider your retirement plan distributions. All distributions from IRAs and employer plans will be included in MAGI. Roth IRA distributions will not be included.



## Effective tax rate

The effective income tax rate is the average rate at which income is taxed. It takes into account the deductions and credits used to compute income taxes. It is total income taxes divided by total income, and is less than the "tax bracket" or marginal rate.

## How are Social Security benefits taxed?

About one out of three people who get Social Security have to pay income taxes on their benefits. Combined income is the sum of your modified adjusted gross income plus nontaxable interest plus half of your Social Security benefits.

- If you are married and file a joint return, up to 50% of your benefits may be taxable if you and your spouse have a combined income that is between \$32,000 and \$44,000. If your combined income is more than \$44,000, up to 85% of your Social Security benefits is subject to income tax.
- If you are married and file a separate return, you will most likely pay taxes on your benefits.
- If you are single and your combined income is between \$25,000 and \$34,000, you may have to pay taxes on up to 50% of your Social Security benefits. If your combined income is more than \$34,000, up to 85% of your Social Security benefits is subject to income tax.
- No more than 85% of your total benefits is taxable<sup>1</sup>

## For more information

Your Social Security Administration office is an excellent source for questions about your benefits. The website ([www.ssa.gov](http://www.ssa.gov)) is extremely helpful. This report should help you frame your thoughts before filing. It shows strategies that you may not have considered. It eliminates guessing or rules-of-thumb by calculating almost all possible combinations and illustrating the largest benefit.

<sup>1</sup> ssa.gov Retirement Benefits booklet January 2015

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