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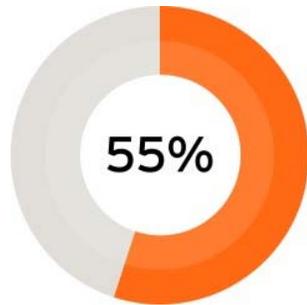
what's your story?



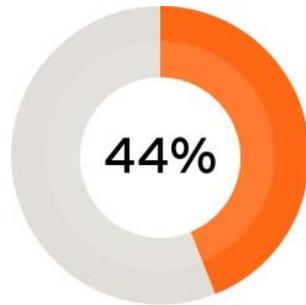
Social Security

BACK TO BASICS &
IMPORTANT CONSIDERATIONS

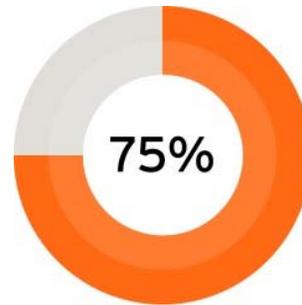
Americans are living longer, with the prospect of a long retirement



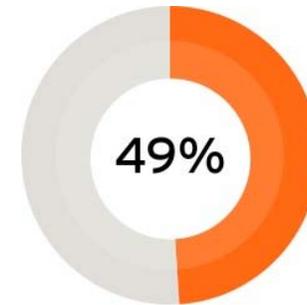
Odds that a 65-year-old female will live to age 85



Odds that a 65-year-old male will live to age 85



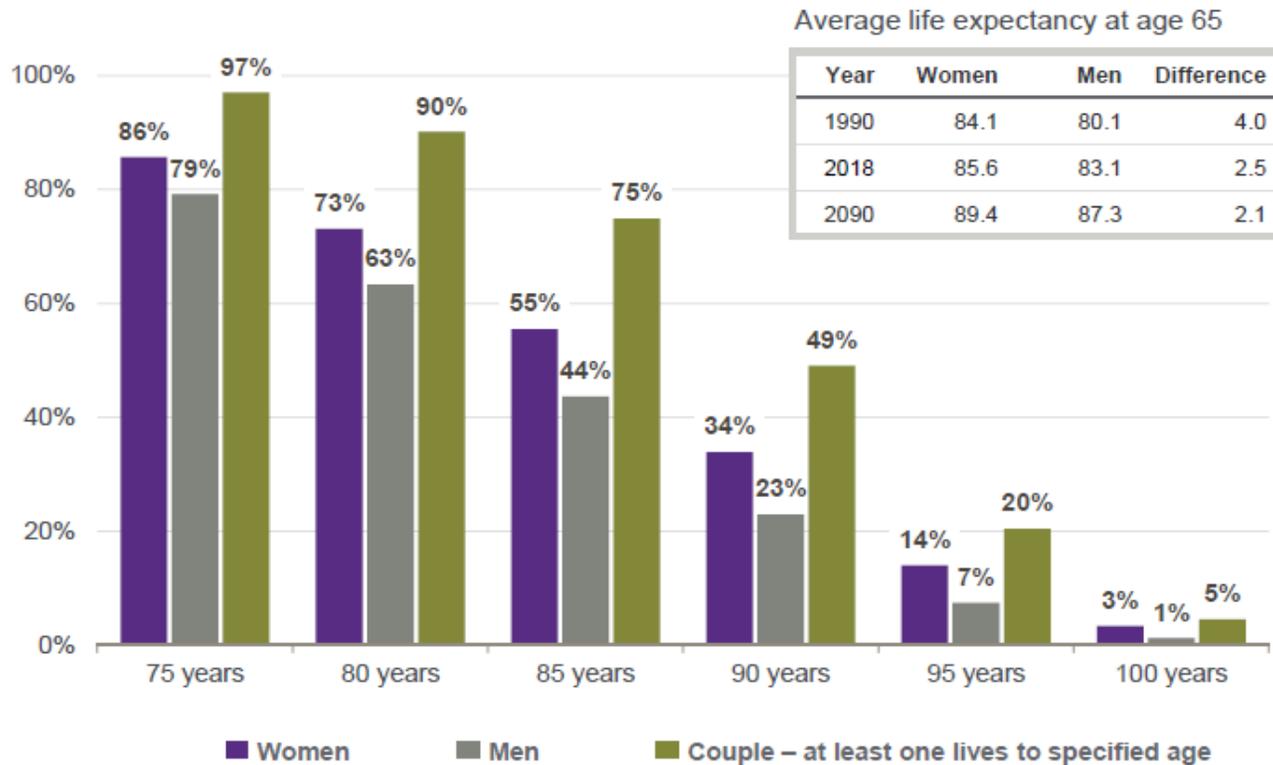
Odds that at least one person of a 65-year-old couple will live to age 85



Odds that at least one person of a 65-year-old couple will live to age 90

Americans are living longer, with the prospect of a long retirement

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



Social Security Administration, Period Life Table, 2016 (published in 2019)

And (perhaps) the bad news...

Americans are living longer, with the prospect of a long retirement

In 1940, a 65-year-old had a 14-year life expectancy vs. 20 years today.

Given the real prospect of a retirement that might last 20 or more years, serious time and effort must be given to deciding when to collect Social Security retirement benefits, weighed against other sources of income and anticipated life expectancy.

Due to demographic trends, future changes will be necessary....

Reduce benefits?

Raise the full retirement age?

Increase Social Security taxes?

Demographic trends will require a fix at some point in the future

2.8

Current number of workers covering each Social Security beneficiary

2.3

Estimated number of workers covering each Social Security beneficiary as of 2035

2305

Current estimate for when Social Security's main trust fund will be depleted, absent any changes to the current system

20%

Automatic reduction to benefits beginning in 2034 should the main trust fund be depleted (Congress could authorize deferral to 2035)

75%

Amount of benefits that SSA projects it can provide through 2090 even without any changes to Social Security

| | |
|---------------------------|---|
| 48 MILLION | Number of Americans collecting Social Security retirement benefits (in addition to ~10 million for disability and ~6 million for survivor benefits) |
| \$1,500 | Average Social Security monthly retirement benefit, as of June 2020 |
| \$3,011 | Maximum Social Security age-66 (FRA) monthly retirement benefit for a worker with steady earnings at the maximum level since age 22 |
| 40% | Estimated income replacement provided by Social Security for an age-65 retiree with average lifetime earnings (only ~25% for high earners) |
| 60% | Individuals opting to collect retirement benefits before Full Retirement Age (early benefits = permanently reduced benefits) |
| \$3.4 TRILLION | Retirees' estimated lost potential retirement income due to claiming Social Security benefits at a sub-optimal time* |

- ❑ You must earn 40 Social Security credits to qualify for Social Security benefits (the equivalent of 10 years of work history).
- ❑ The amount of required earnings for a credit may change year to year. In 2020, you must earn \$5,640 to get the maximum 4 credits for the year.
- ❑ The Social Security Administration (SSA) uses the highest 35 years of indexed earnings to determine the “average indexed monthly earnings” (AIME), which ultimately leads to a calculation of an individual’s benefit known as the Primary Insurance Amount (PIA).
- ❑ The higher your lifetime earnings, the higher your Social Security retirement benefit. In 2020, maximum taxable earnings is \$137,700.
- ❑ Eligible individuals can file for retirement benefits as early as age 62 or as late as age 70.

At your full
retirement age?

Age 66-67



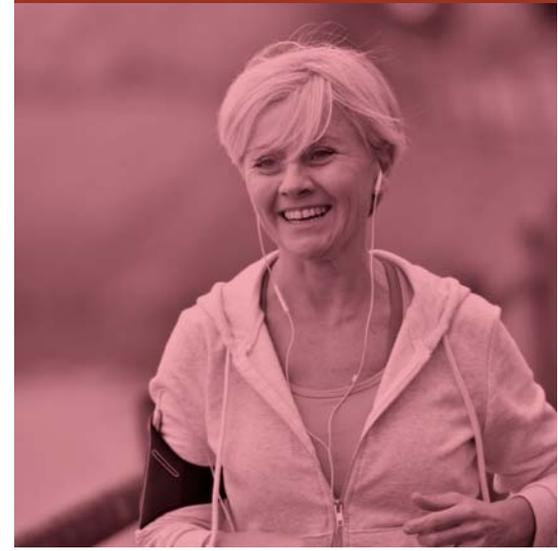
Before your full
retirement age?

As early as age 62



After your full
retirement age?

As late as age 70



Full Retirement Age (FRA) vs. Early Retirement vs. Late Retirement

| Year of Birth * | Full Retirement Age (FRA) |
|-----------------|---------------------------|
| 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 and later | 67 |

Early Retirement

- Retiree can elect to receive benefits as early as age 62
- For the first 36 months, the full retirement age (FRA) benefit is reduced by 5/9th of one percent for each month before FRA 132%
- Beyond 36 months, the FRA benefit is further reduced by 5/12th of one percent for each early month
- For a retiree taking benefits five years early, the reduction to FRA = 30%

Delayed Retirement Credit

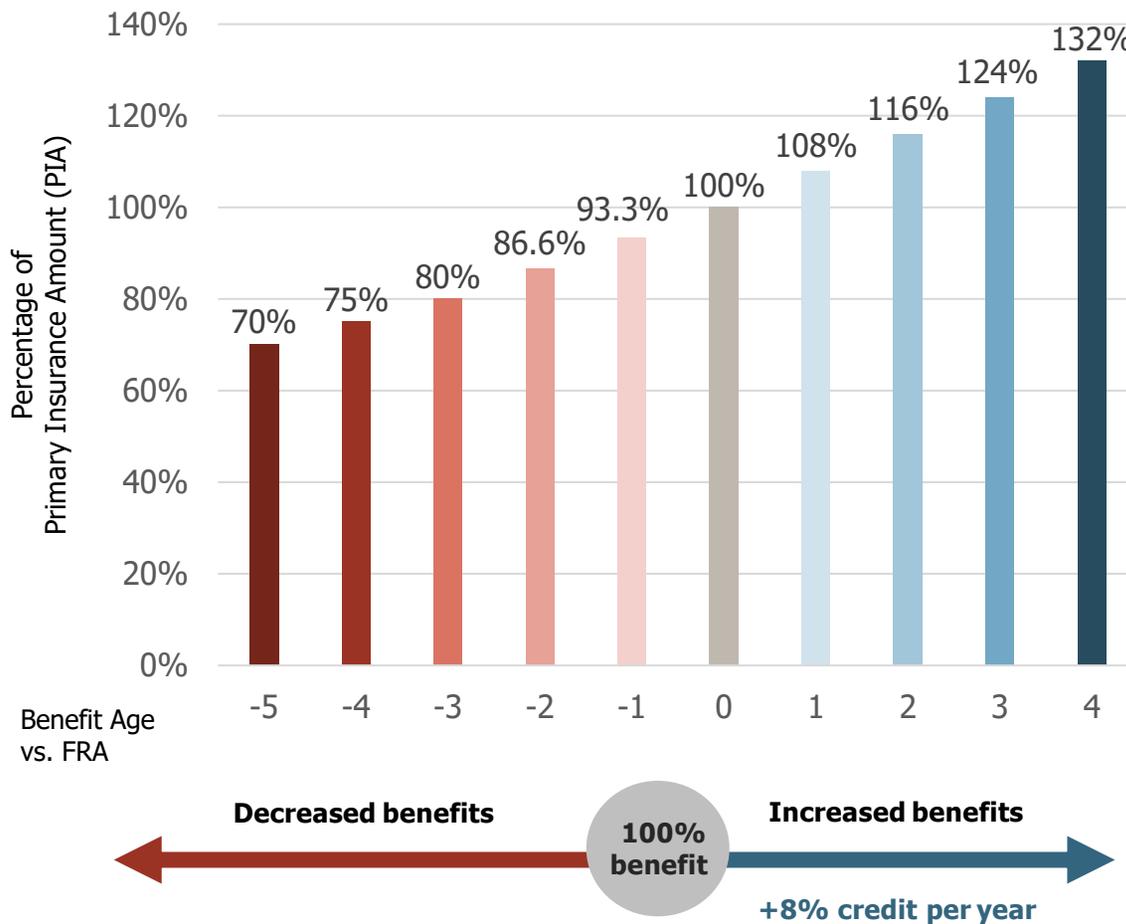
(i.e. Benefits after FRA, up to age 70)

| Year of Birth | Credit per Year |
|----------------|-----------------|
| Before 1937 | Varies |
| 1937-38 | 6.50% |
| 1939-40 | 7.00% |
| 1941-42 | 7.50% |
| 1943 and later | 8.00% |

Source: SSA.gov – “Early or Late Retirement?”

* Persons born on January 1 of any year should refer to the previous year

Early Retirement vs. Full Retirement Age (FRA) vs. Late Retirement



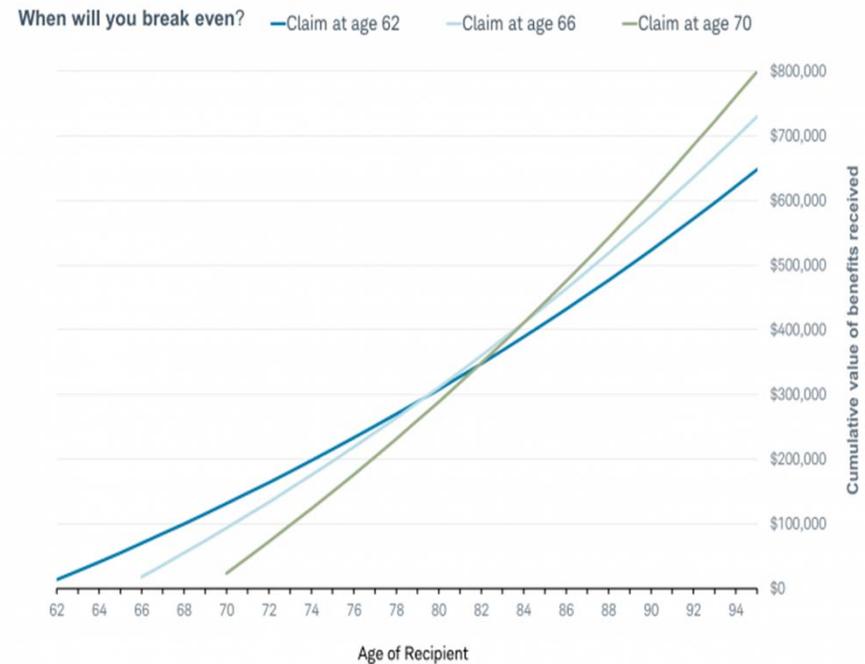
Notes:

- 1) PIA = Primary Insurance Amount, which reflects the benefit available at Full Retirement Age (FRA).
- 2) Benefits are permanently reduced for benefits commencing before Full Retirement Age.
 - For the first 36 months prior to FRA, the benefit is reduced by 5/9th of one percent for each month before full retirement age (FRA).
 - Beyond 36 months, the benefit is further reduced by 5/12th of one percent for each early month.
- 3) Delayed retirement credits apply for benefits deferred past Full Retirement Age, up to age 70.
 - For individuals born in 1960 or later, FRA is age 67 with a maximum possible deferral period of three years (maximum +24 percent improvement).

Early Retirement vs. Full Retirement Age (FRA) vs. Late Retirement

Hypothetical Scenario (Top-Wage Earner):

| Social Security Monthly Benefits | Retirement Age | Approximate Break-even Age |
|----------------------------------|----------------|----------------------------|
| Age 62: \$2,102 / mo | 62 vs. 66 | ~ 77 – 78 |
| Age 66: \$2,806 / mo | 62 vs. 70 | ~ 80 – 81 |
| Age 70: \$3,721 / mo | 66 vs. 70 | ~ 82 – 83 |



Source: Estimates based on data from ssa.gov, shown in today’s dollars, using SSA’s Quick Calculator as of 10/31/2017 for a person born 5/1/1954, with earned income equal to or greater than the maximum Social Security wage base. The SAA calculator and table above does not include a cost of living adjustment. The chart above includes 2% annual cost of living adjustment to include that in the break-even calculation. Time value of money is not considered in the example.

Source: Charles Schwab – “When Should You Take Social Security?” (Feb 2019)

4 Key Factors for Evaluating whether to Take Benefits Early or Late:



Life expectancy (single or joint)



Spousal benefits



Income needs



Changes in employment

| Consider taking benefits earlier if... | Consider taking benefits later if... |
|---|--|
| You are no longer working and find it difficult to cover annual expenses. | You are still working and make enough to impact the taxability of your benefits. |
| You are in poor health and do not expect the surviving member of the household to make it to average life expectancy. | You are in good health and expect to exceed average life expectancy. |
| You are the lower-earning spouse and your higher-earning spouse can wait to file for a higher benefit. | You are the higher-earning spouse and want to be sure your surviving spouse receives the highest possible benefit. |

Beware of the earning limit

| Income Earned <u>Before</u> Full Retirement Age (FRA) | Income Earned <u>During</u> the Year of Full Retirement Age (FRA) | Income Earned <u>After</u> Full Retirement Age (FRA) |
|---|--|---|
| <ul style="list-style-type: none">For retirees collecting Social Security benefits before FRA, Social Security will take back \$1 of benefits for every \$2 over the earnings limit.For 2020, the earnings limit before FRA is \$18,240. | <ul style="list-style-type: none">During the year you reach FRA and up to the month you reach FRA, Social Security will deduct \$1 of benefits for every \$3 over the earnings limit.During this year, Social Security only counts earnings that you receive before the month you reach FRA.For 2020, the earnings limit in the year of FRA is \$48,600. | <ul style="list-style-type: none">There is no earnings limit after an individual reaches full retirement age. |

Note: Benefit reductions due to the earnings limit are only temporary, as the monthly benefit will be recalculated upon full retirement age (FRA) to give credit for previously withheld payments. Any Social Security adjustments will be recalculated as of the January following FRA.

Social Security benefits not necessarily tax-free

| Taxable Portion of Social Security Benefits | Taxable Income | |
|---|---------------------------|------------------------|
| | Single, Head of Household | Married Filing Jointly |
| 0% | Less than \$25,000 | Less than \$32,000 |
| Up to 50% | \$25,000 - 34,000 | \$32,000 - 44,000 |
| Up to 85% | Over \$34,000 | Over \$44,000 |



DiMeo Schneider: "Solving the Social Security Puzzle"
<https://www.dimeoschneider.com/research/solving-the-social-security-puzzle>

Social Security Claiming Strategies

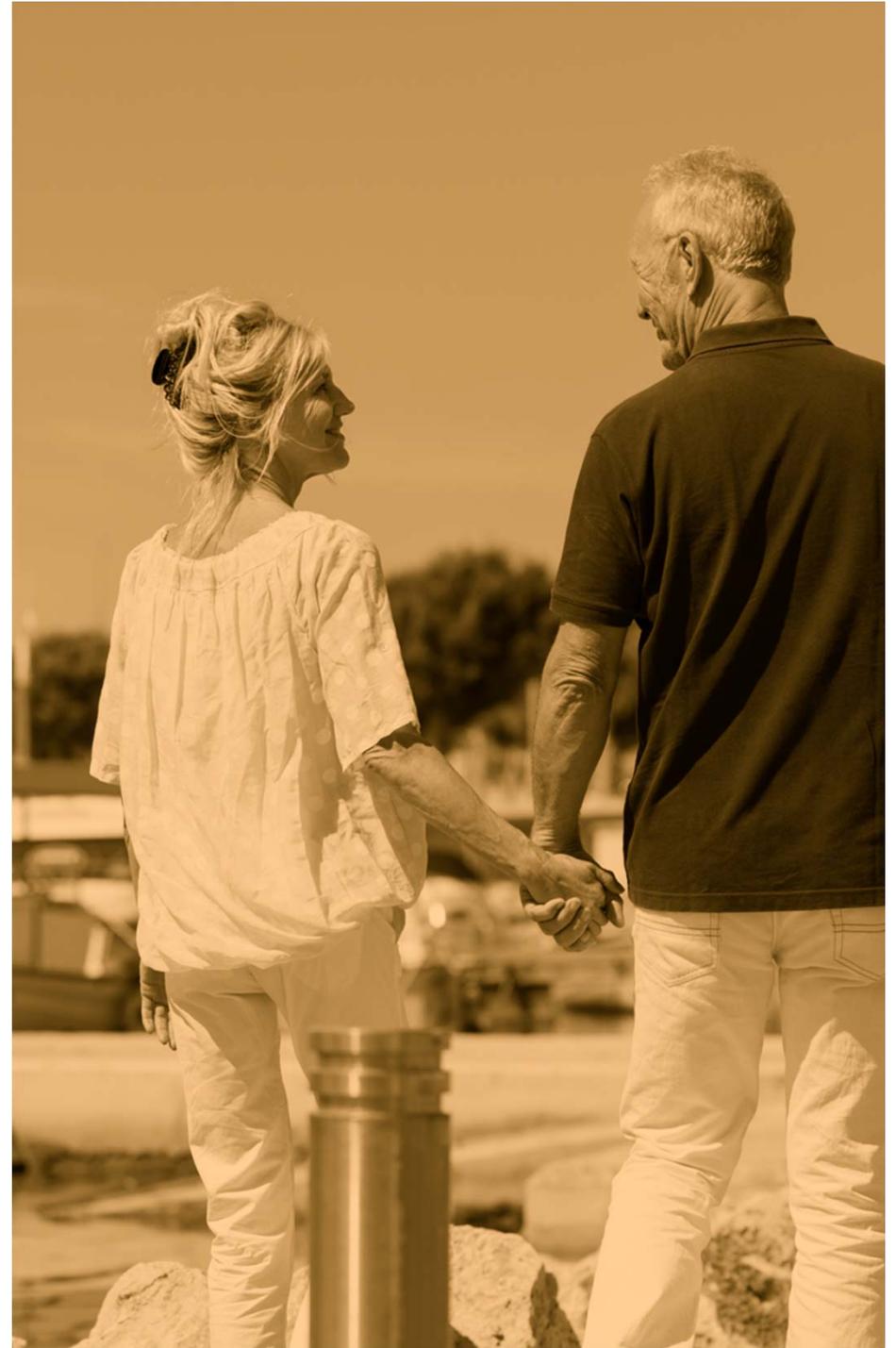
01

File & Suspend

Ended as of May 1, 2016

Primary earner files then suspends their benefit (to earn delayed retirement credit on their benefit)

With the primary earner having activated their benefit (even though not collecting the benefit), the secondary earner files for a spousal benefit associated with the primary earner's benefit; this allowed for the secondary earner to collect a spousal benefit while also delaying collecting on their own benefit.





Social Security Claiming Strategies

02

Restricted Application

- If both spouses have an earnings record
- One spouse files a restricted application restricting the scope of benefits to spousal benefits only (which allows their own benefit to earn delayed retirement credits)
- Often most beneficial for primary earner to utilize this strategy

In order to be eligible for the restricted application strategy...

- You were born before 1/2/1954 *and* have reached full retirement age (FRA), **AND**
- You are not currently collecting a retirement benefit based on your earnings record, **AND**
- Your spouse is currently collecting a retirement benefit based on their earnings record

Social Security Claiming Strategies

03

The '62/70' Split Strategy

The spouse with the lower earnings record starts benefits between age 62 and full retirement age

The spouse with the higher earnings record delays benefits until age 70

This strategy provides some Social Security income while enhancing the retirement benefit of the higher earning spouse

This strategy may provide for greater survivor benefits in the future due to the enhanced retirement benefit





Planning Tip: The Restricted Application

While 'file-and-suspend' is no longer an available claiming strategy, some individuals may be able to file a 'restricted application' allowing a filer to claim a spousal benefit while deferring their own benefit in order to receive delayed retirement credits. This strategy can be useful for couples where both spouses have notable earnings records and who have the financial resources to forego the higher benefit for a few years.



Eligibility for Filing a Restricted Application:

- 1) 'Spouse A' was born before 1/2/1954 and has reached full retirement age (FRA), **AND**
- 2) 'Spouse A' is not currently collecting a retirement benefit based on Spouse A's earnings record, **AND**
- 3) 'Spouse B' is currently collecting a retirement benefit based on Spouse B's earnings record



Example:

- John is currently age 67 and is not currently collecting his Social Security retirement benefit. At full retirement age (66), John was entitled to a benefit of \$3,000/month.
- Jane is age 67 and is currently collecting her Social Security retirement benefits. At her full retirement age (66), Jane began receiving a \$2,000 monthly benefit based on her earnings record.
- John files a restricted application that restricts the scope of his benefits to spousal benefits only, which entitles John to a spousal benefit of \$1,000/month.
- John defers his benefit until age 70, at which point he switches from the spousal benefit to his own retirement benefit.
- By waiting to collect the benefit from his earnings record, John's age-66 retirement benefit of \$3,000/month grows to \$3,960/month at age 70 (calculated as $\$3,000/\text{month} \times (1 + (8 \text{ percent delayed retirement credit}/\text{year} \times 4 \text{ years}))$).
- Under this strategy, John was able to collect a spousal benefit of \$12,000 per year while allowing his own benefit to grow via delayed retirement credits.

The Social Security Administration recommends that you apply four months before you would like your retirement benefits to start

You can apply for retirement benefits:

Online:

<https://www.ssa.gov/benefits/retirement/apply.html>

By Phone:

1-800-772-1213 (TTY 1-800-325-0778)

In-Person:

make an appointment at your local
Social Security office



Information and documents you may need to apply:

- ❑ Your Social Security number
- ❑ Your birth certificate
- ❑ Your W-2 forms or self-employment tax return for last year
- ❑ Your military discharge papers, if you had military service
- ❑ Your spouse's birth certificate and Social Security number if they are applying for benefits.
- ❑ Your children's birth certificates and Social Security numbers, if you are applying for children's benefits.
- ❑ Proof of U.S. citizenship or lawful alien status if you (or a spouse or child applying for benefits) were not born in the United States
- ❑ The name of your financial institution, the routing number, and your account number for direct deposit

**Per the Social Security Administration,
"Don't delay in applying for benefits if you don't have all the information.
If you don't have a document you need, we can help you get it."**

Changing life circumstances may lead some individuals to want a ‘do-over’ for their Social Security retirement benefits

If you change your mind regarding your benefits, you may be able to apply for a withdrawal of your retirement benefits application:

- Must be completed within 12 months after being entitled to benefits
- You must repay all benefits that were previously received
- You are limited to one withdrawal per lifetime

Complete Social Security Form SSA-521 and explain the reasons for the withdrawal; the completed application should then be sent to a local Social Security office



Upon starting Social Security retirement benefits, some members of your family may also be entitled to receive benefits from your Social Security earnings record or you may qualify to receive benefits from their earning record.

Spousal Benefits

Start between spouse's age 62 and FRA:

- Permanently reduces monthly benefit
- May be affected by the earnings test if still working

Start after spouse's FRA, receives the greater of:

- 50 percent of your monthly benefits based at your FRA (no delayed credit)
- Spouse's FRA personal monthly benefit with delayed credit

Children Benefits

Eligible children, including biological, adopted, stepchildren, and/or dependent grandchildren may also be eligible for benefits, provided they meet the following qualifications:

- Unmarried and
- Under age 18 or
- Age 18-19 and full-time student (no higher than grade 12) or
- Greater than age 18 and disabled from a disability that started before age 22

Ex-Spouse Benefits

You may be entitled to benefits from your ex-spouse's record if you meet the following qualifications:

- Marriage lasted more than 10 consecutive years
- You have not remarried
- You and your ex-spouse are at least age 62

An Ex-Spouse benefit does not affect the benefit you or your family may receive.

Maximum Family Benefit:

If one of your children also qualifies for benefits, generally the total amount you and your family may receive is about 150 to 180 percent of your full retirement benefit.

Source: SSA.gov

Don't forget about Medicare

- Eligibility for Medicare coverage begins at age 65, which no longer aligns with Social Security's Full Retirement Age (FRA)
- To avoid a delay in coverage, the Social Security Administration recommends signing up in the three months before age 65
- If you claim Social Security retirement benefits before age 65, you will be automatically enrolled for "Original Medicare" – Part A (hospitalization) and Part B (health insurance)
- You can sign up for Medicare during the seven-month Initial Enrollment Period
 - The Initial Enrollment Period begins three months before you reach age 65 and ends three months after the month you turn 65
- The Open Enrollment Period ('Annual Election Period') runs every year from October 15 to December 7
- If you didn't sign up for Medicare upon first eligibility, you will need to use Medicare's General Enrollment Period which runs from January 1 – March 31; if you enroll during this period (and it is after your Initial Enrollment Period), your coverage will begin on July 1.



Social Security – Retirement Planner: When to Start Your Benefits

<https://www.ssa.gov/planners/retire/applying1.html>

Social Security – Early vs. Late Retirement

https://www.ssa.gov/oact/quickcalc/early_late.html

Resources/Sites for Evaluating Social Security Benefits:

<https://www.aarp.org/work/social-security/social-security-benefits-calculator.html>

<http://www.socialsecuritysolutions.com/>

<https://maximizemysocialsecurity.com/>

Fidelity – “How to Get the Most from Social Security”

<https://www.fidelity.com/viewpoints/retirement/get-most-from-social-security>

Schwab – “When Should You Take Social Security?” (Dec 2017)

<https://www.schwab.com/resource-center/insights/content/when-should-you-take-social-security>

The Wall Street Journal – “How to Maximize Social Security Benefits” (Sept 2013)

<https://www.wsj.com/articles/how-to-maximize-social-security-benefits-1378675380>

AARP – “Life after ‘File and Suspend’” (July 2016)

<https://www.aarp.org/retirement/social-security/info-2016/social-security-final-word-on-file-and-suspend.html>

Federal Trade Commissions (FTC) – “This is what a Social Security Scam sounds like”

https://www.consumer.ftc.gov/blog/2018/12/what-social-security-scam-sounds?wpisrc=nl_finance&wpmm=1&template-name=%7B%7Bletter.config.name%7D%7D

Social Security Resources



How to Apply for Social Security

<https://www.aarp.org/retirement/social-security/questions-answers/how-to-apply/>

Social Security – Apply for Retirement Benefits

<https://www.ssa.gov/benefits/retirement/apply.html>

Social Security – Retirement Benefits (July 2020 Publication)

<https://www.ssa.gov/pubs/EN-05-10035.pdf>

Social Security – Planning for Retirement Benefits

<https://www.ssa.gov/benefits/retirement/>

Social Security – How To Apply Online For Retirement, Spouses, or Medicare Benefits

<https://www.ssa.gov/pubs/EN-05-10523.pdf>

Social Security – How to Withdraw Your Social Security Retirement Application

<https://www.ssa.gov/benefits/retirement/planner/withdrawal.html>

Social Security – Additional Publications

<https://www.ssa.gov/pubs/>

Medicare Part A & Part B Sign-up Periods

<https://www.medicare.gov/sign-up-change-plans/how-do-i-get-parts-a-b/part-a-part-b-sign-up-periods>

Medicare – Sign Up or Change Plans

<https://www.medicare.gov/sign-up-change-plans>

Medicare Open Enrollment 2021 Guide

<https://www.medicareresources.org/medicare-open-enrollment/>

Medicare Eligibility & Premium Calculator

<https://www.medicare.gov/eligibilitypremiumcalc/>

What Medicare Covers

<https://www.medicare.gov/what-medicare-covers>

How do Medicare Advantage Plans Work?

<https://www.medicare.gov/sign-up-change-plans/types-of-medicare-health-plans/medicare-advantage-plans/how-do-medicare-advantage-plans-work>

Can I get Medicare if I'm not getting Social Security yet?

<https://www.aarp.org/retirement/social-security/questions-answers/enroll-medicare-not-ss/>

How to Apply for Medicare Without Claiming Social Security

<https://money.usnews.com/money/retirement/medicare/articles/how-to-apply-for-medicare-without-claiming-social-security>

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Thank You

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