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# SOCIAL SECURITY RULES OF THE ROAD

**What every insurance professional should know.**

Pinnacle Financial Services, Inc.





As you get closer to retirement you begin to think about Social Security. You know you have been contributing, but what does that mean for you in retirement.

**What options do you have available to you? What factors should be taken into consideration when filing for Social Security? Your choices can make all the difference.**



## UNDERSTANDING FULL RETIREMENT AGE

### Find your full retirement age

Your full retirement age, which is based on your birth year, is the age at which you qualify for 100% of your Social Security benefits.

YEAR OF BIRTH*	FULL RETIREMENT AGE
1937 OR EARLIER	65
1938	65 AND TWO (2) MONTHS
1939	65 AND FOUR (4) MONTHS
1940	65 AND SIX (6) MONTHS
1941	65 AND EIGHT (8) MONTHS
1942	65 AND TEN (10) MONTHS
1943 - 1954	66
1955	66 AND TWO (2) MONTHS
1956	66 AND FOUR (4) MONTHS
1957	66 AND SIX (6) MONTHS
1958	66 AND EIGHT (8) MONTHS
1959	66 AND TEN (10) MONTHS
1960 AND LATER	67



If you were born on January 1st of any year, you should refer to the previous year. If you were born on the 1st of the month, the Social Security Administration figures your benefit- and your full retirement age- as if your birthday was in the previous month.

Source: SocialSecurity.gov, "Retirement Benefits", 2019.



## DECIDING WHEN TO COLLECT

While you qualify for 100% of your Social Security benefits at a full retirement age, you do have the option to start collecting benefits either before or after your full retirement age. There are pro's and con's to all options.

		
<b>Before Full Retirement Age</b> You can start collecting Social Security as early as age 62. If you collect early, your benefits can be reduced by up to 30%, depending on your full retirement age.	You may collect benefits for a longer period of time, depending on longevity.	You will collect a lesser benefit than what you would have been eligible for at your full retirement age.
<b>At Full Retirement Age</b> You can start collecting Social Security at your full retirement age to receive 100% of your benefit.	You will collect full benefits.	You could collect a greater benefit by collecting after your full retirement age.
<b>After Full Retirement Age</b> You can start collecting Social Security after your full retirement age, and receive benefits that are increased up to 8% annually by accumulating delayed retirement credits. These credits are available each year past your full retirement age, up until age 70.	You will collect a greater benefit than what you were eligible for at your full retirement age.	You may collect benefits for a shorter period of time, depending on longevity.

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Sources: "Social Security." SSA, [www.ssa.gov/planners/retire/delayret.html](http://www.ssa.gov/planners/retire/delayret.html).  
"Social Security." *Benefits Planner: Retirement | Benefits By Year Of Birth | Social Security Administration*, [www.ssa.gov/planners/retire/agereduction.html](http://www.ssa.gov/planners/retire/agereduction.html).



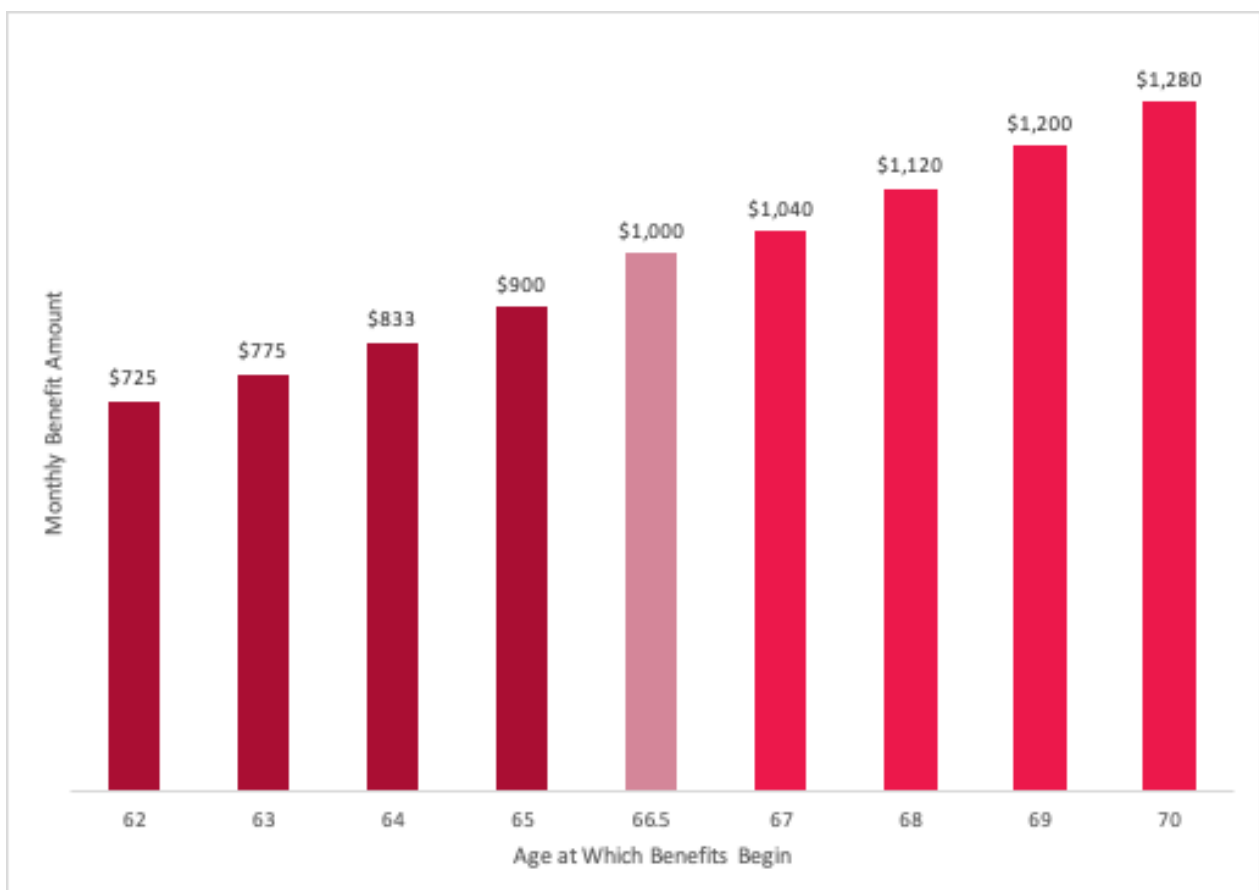
## HYPOTHETICAL EXAMPLE

The graph below illustrates how collecting Social Security before and after full retirement age can impact monthly benefits. It assumes a monthly benefit of \$1,000 at a full retirement age of 66½.

**BEFORE FULL  
RETIREMENT AGE**

**AT FULL  
RETIREMENT AGE**

**AFTER FULL  
RETIREMENT AGE**



Source: SocialSecurity.gov, "When to Start Receiving Retirement Benefits", 2019.





AVERAGE MALE  
LIFE EXPECTANCY:

84

AVERAGE FEMALE  
LIFE EXPECTANCY:

86½

## CONSIDERING THE EFFECTS OF LONGEVITY

With the average life expectancy being 84 for today's 65-year-old male, and 86 ½ for today's 65-year old female, longevity is among the most important considerations in deciding when to start collecting Social Security. The longer your life expectancy, the more advantageous it may be to delay collecting benefits.

Source: "Benefits Planner: Retirement." *The United States Social Security Administration*,  
[www.ssa.gov/planners/lifeexpectancy.html](http://www.ssa.gov/planners/lifeexpectancy.html).



# LONGEVITY PLANNING

## WHAT ABOUT LIFE INSURANCE?

An important consideration when evaluating social security is longevity planning. Statistically speaking, a wife will outlive a husband. Social Security allows for the surviving partner to keep the larger of the two social security payments when the death of a spouse occurs.

Taking into account the loss of income is important. If an individual is no longer receiving \$2,000 a month, or \$24,000 a year, will that impact their retirement? Will the loss impact their ability to pay for essentials such as groceries, medications, or other purchases?

With a life insurance policy, the loss of income payments can be bridged. Work with your clients to show how a permanent policy can be extra security for a surviving spouse without a second Social Security check.

# FACING A POSSIBLE INCOME GAP IN RETIREMENT



EARNINGS SCALE	CAREER-AVERAGE EARNINGS	ANNUAL SOCIAL SECURITY BENEFIT	% OF CAREER-AVERAGE EARNINGS REPLACED
LOWER EARNINGS	\$23,308	\$12,348	53.3%
MEDIUM EARNINGS	\$51,795	\$20,355	39.6%
HIGHER EARNINGS	\$82,872	\$26,971	32.8
MAXIMUM EARNINGS	\$127,061	\$32,875	26%

*Table assumes current-law scheduled benefits, and that hypothetical retirees turn 65 in 2020 and begin to collect benefits at age 65. For simplicity, example does not include tax adjustments.*

Social Security is not meant to be all of your retirement income. Although you have possibly paid into it your whole life it still will only replace a portion of what you need in retirement to live.

How much you receive from Social Security depends on how much you

have contributed over your lifetime.

View the table above to see how different earners have different outcomes with Social Security.

Source: SocialSecurity.gov, "Replacement Rates For Hypothetical Retired Workers," April 2019.

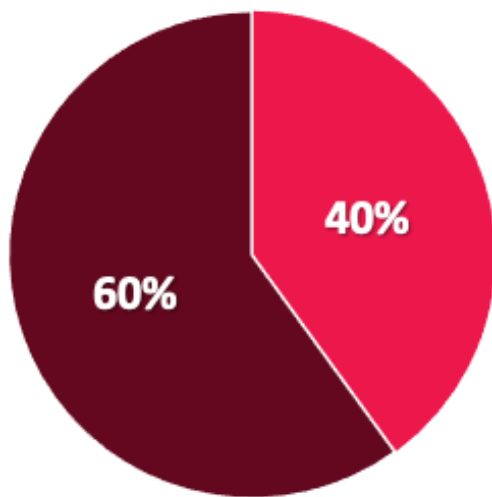


## ADDING AN ANNUITY TO FILL THE INCOME GAP

During your evaluation of your retirement income you will need to take into account other sources of income. Here is where an annuity can play a key role in your retirement. A Fixed annuity can guarantee your principle, protect from market volatility and provide a Guaranteed income for life. See the example below on how an annuity can work with your plan.

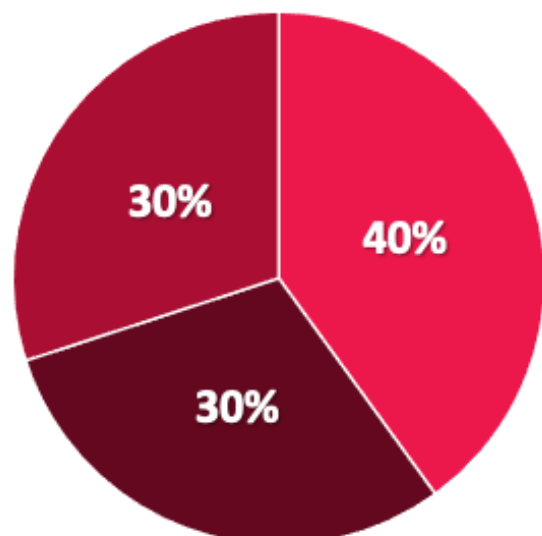
### RETIREMENT INCOME SOURCES

■ Social Security ■ Employer Retirement Plans and Personal Savings



### Guaranteed Income

■ Social Security ■ Employer Retirement Plans and Personal Savings ■ Annuity



By adding an annuity to your retirement income plan, you could increase your amount of guaranteed income — helping to ensure you don't run out of money in retirement.

## HYPOTHETICAL EXAMPLE

The example below shows total Social Security benefits collected when beginning at certain ages, and highlights when waiting to collect becomes more advantageous. It assumes a \$1,000 monthly benefit at a full retirement age of 66½.

Age	Total Benefits Collected		
	Begin at 62 Reduced Monthly Benefit: \$725	Begin at 66½ Monthly Benefit: \$1,000	Begin at 70 Increased Monthly Benefit: \$1,280
62	\$8,700		
63	\$17,400		
64	\$26,100		
65	\$34,800		
66	\$43,500		
67	\$52,200	\$18,000	
68	\$60,900	\$30,000	
69	\$69,600	\$42,000	
70	\$78,300	\$54,000	\$15,360
71	\$87,000	\$66,000	\$30,720
72	\$95,700	\$78,000	\$46,080
73	\$104,400	\$90,000	\$61,440
74	\$113,100	\$102,000	\$76,800
75	\$121,800	\$114,000	\$92,160
76	\$130,500	\$126,000	\$107,520
77	\$139,200	\$138,000	\$122,880
78	\$147,900	\$150,000	\$138,240
79	\$156,00	\$162,000	\$153,600
80	\$165,300	\$174,000	\$168,960
81	\$174,000	\$186,000	\$184,320
82	\$182,700	\$198,000	\$199,680
83	\$191,400	\$210,000	\$215,040
84	\$200,100	\$222,000	\$230,400
85	\$208,800	\$234,000	\$245,760

Collecting at 66½ produces greater total benefits than collecting at age 62, if you live to age 78.

Collecting at 70 produces greater total benefits than collecting at age 66½, if you live to age 82.

Social Security benefits are adjusted to reflect any increase in the cost of living, measured by the Consumer Price Index, to ensure the purchasing power of Social Security benefits is not eroded by inflation. For simplicity, this example does not include any cost of living adjustments.

Source: SocialSecurity.gov, "Cost-of-Living Adjustment", 2017.





## MEET YOUR --- RETIREMENT GOALS

There are many different types of annuities to fit your unique goals for retirement. Some key benefits include:

- Principal protection to help keep your assets safe
- Growth potential to help you accumulate assets
- Tax-deferral for faster accumulation than taxable products
- Guaranteed lifetime income to help ensure peace of mind

Pinnacle Financial Services specializes in offering solutions with carriers who's annuities are easier to understand, helping you to achieve your goals with no surprises. Talk with a representative about how an annuity could fit into your retirement income plan.





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