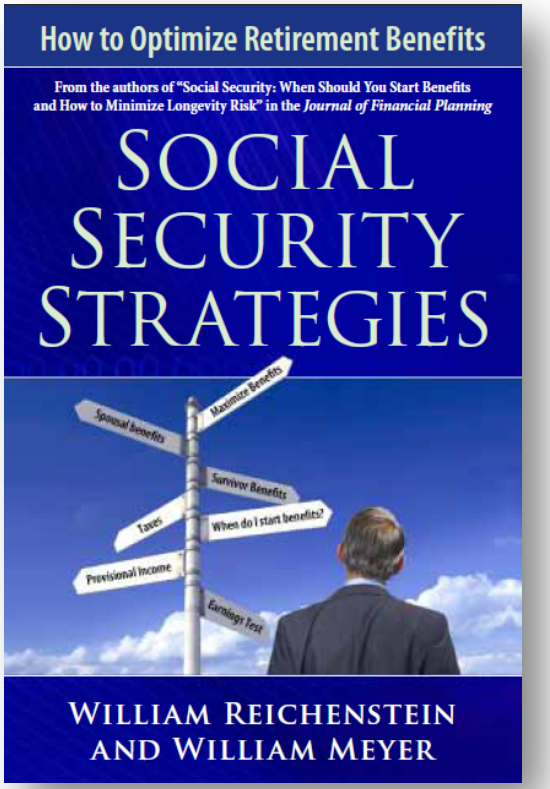
Social Security Strategies:

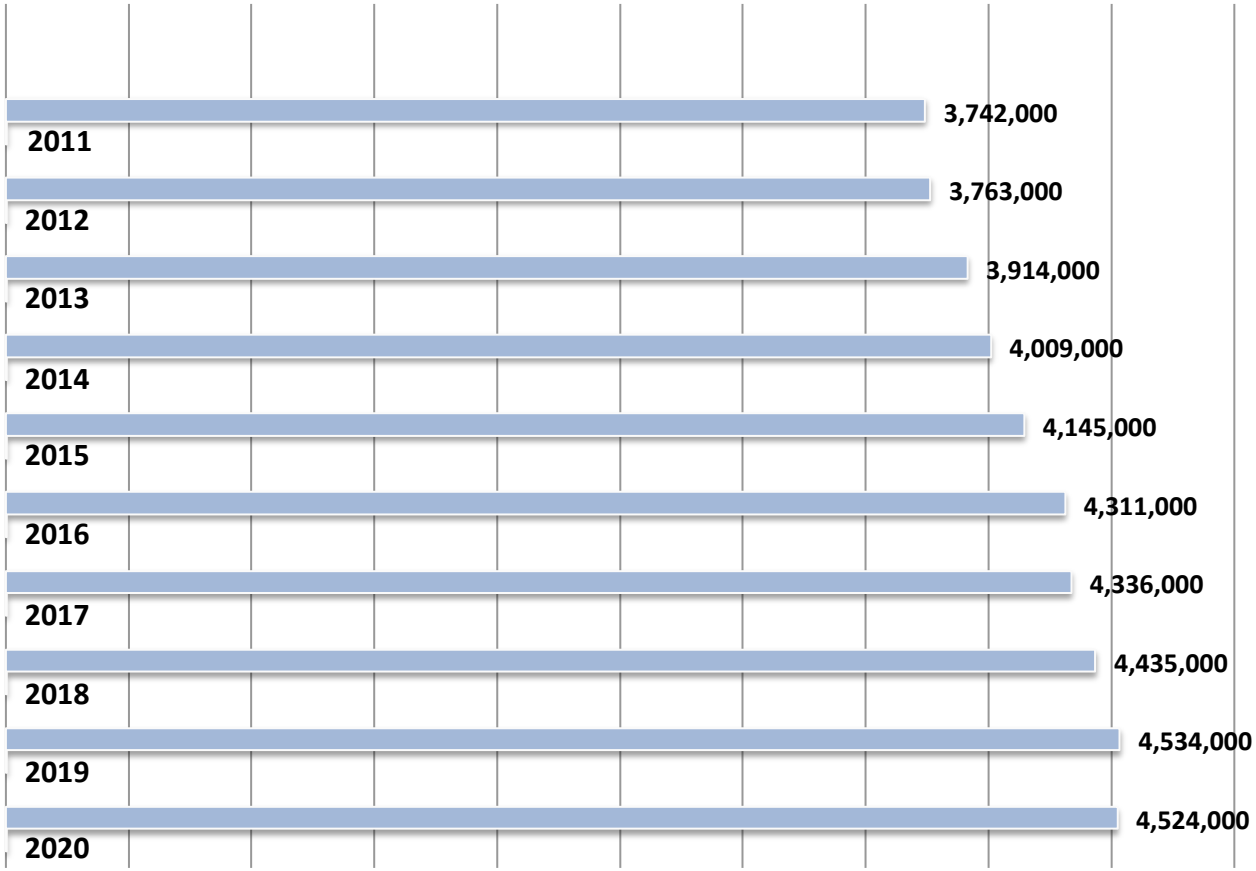
OPTIMIZING RETIREMENT BENEFITS



PRESENTER: BILL MEYER, CEO

RETIREE INC. AND SOCIAL SECURITY SOLUTIONS, INC.

Over the next 10 years, more than 46 million Americans will reach Social Security retirement age.



Americans Turning 62 and Eligible to File for Social Security

Your clients will expect that you can give them advice

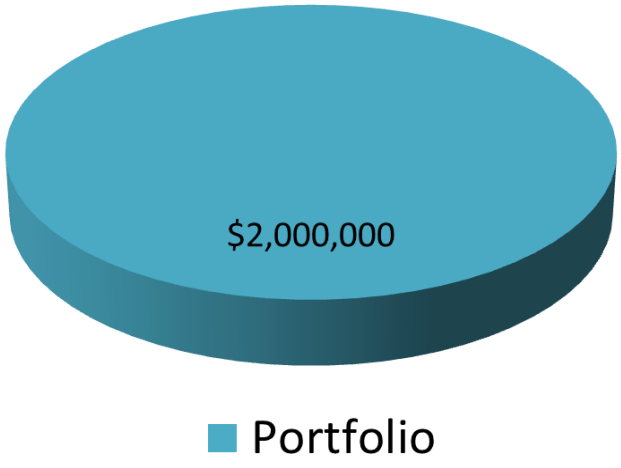
Recent survey findings from 532 married couples between 60-66:

- ✧ Advice on Social Security "expected" by financial planners

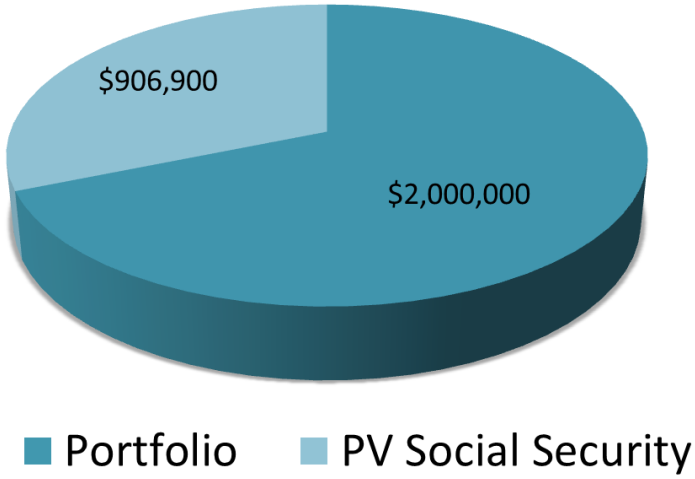
- ✧ While almost 9 in 10 respondents reported being aware of how timing affects their Social Security benefits, only 27% were aware of Unusual Claiming Options like "file and suspend" and "restricted application." Furthermore, knowledge of Social Security seemed to be related to net worth. For example 98% of those with investable assets exceeding $1 million knew that Social Security benefits vary depending on the age at which they are elected, compared to 80% of those with investment assets less than $100,000.

MarketTools September 2011

You're advising your clients on their retirement savings.



What about the rest of their retirement assets?



PV Social Security assumes that his PIA is $2000, hers is $1800. Both live to 90. 1% real discount rate.

An optimal SS claiming strategy can help plans succeed

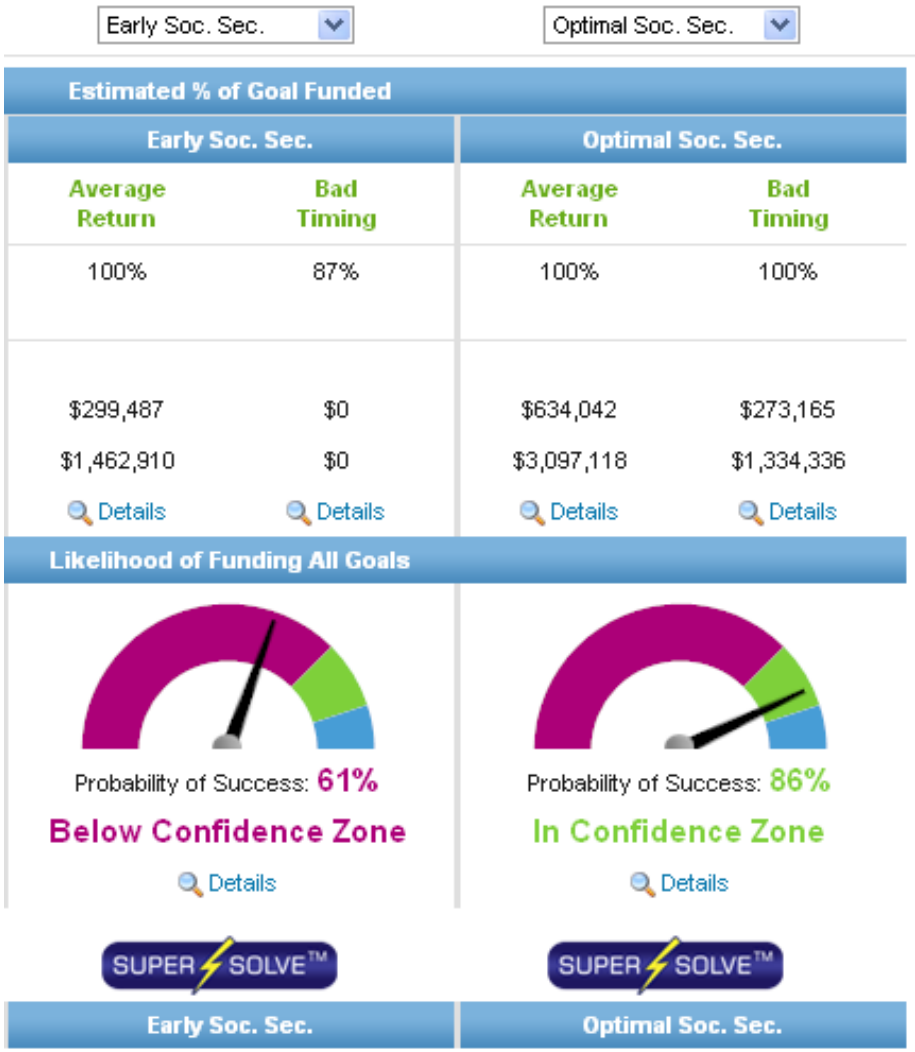
MoneyGuidePro SS inputs taken from Social Security Analyzer software

He's 61, she's 57
His PIA: $2000
Her PIA : $950
Taxable assets $250,000
IRA $285,000
Spending $50,000/yr
Portfolio 61/39

Early claim: both claim at 62

Optimal claim:

- At 66 he files and suspends
- At 66 she files a restricted application for spousal benefits
- At 70 both claim their own benefits which have grown due to delayed retirement credits.



An optimal strategy: Joe and Sue

Facts: Short life expectancy runs in Joe's family. He anticipates living until age 80. His Primary Insurance amount (PIA) is $2000. Sue hopes to live to age 90. Her PIA is $1600.

Primary (Algorithm recommends)
At 62 **Sue** claims an early retirement benefit and receives $1200

At 66 **Joe** files a restricted application for a spousal benefit and receives $800.

At 70 **Joe** switches to his own retirement benefit which has grown from $2000 to $2640 due to delayed retirement credits

After Joe's death Sue receives his benefit of $2640

Custom (Manually entered what if?)
At 63 **Joe** claims a reduced retirement benefit of $1600

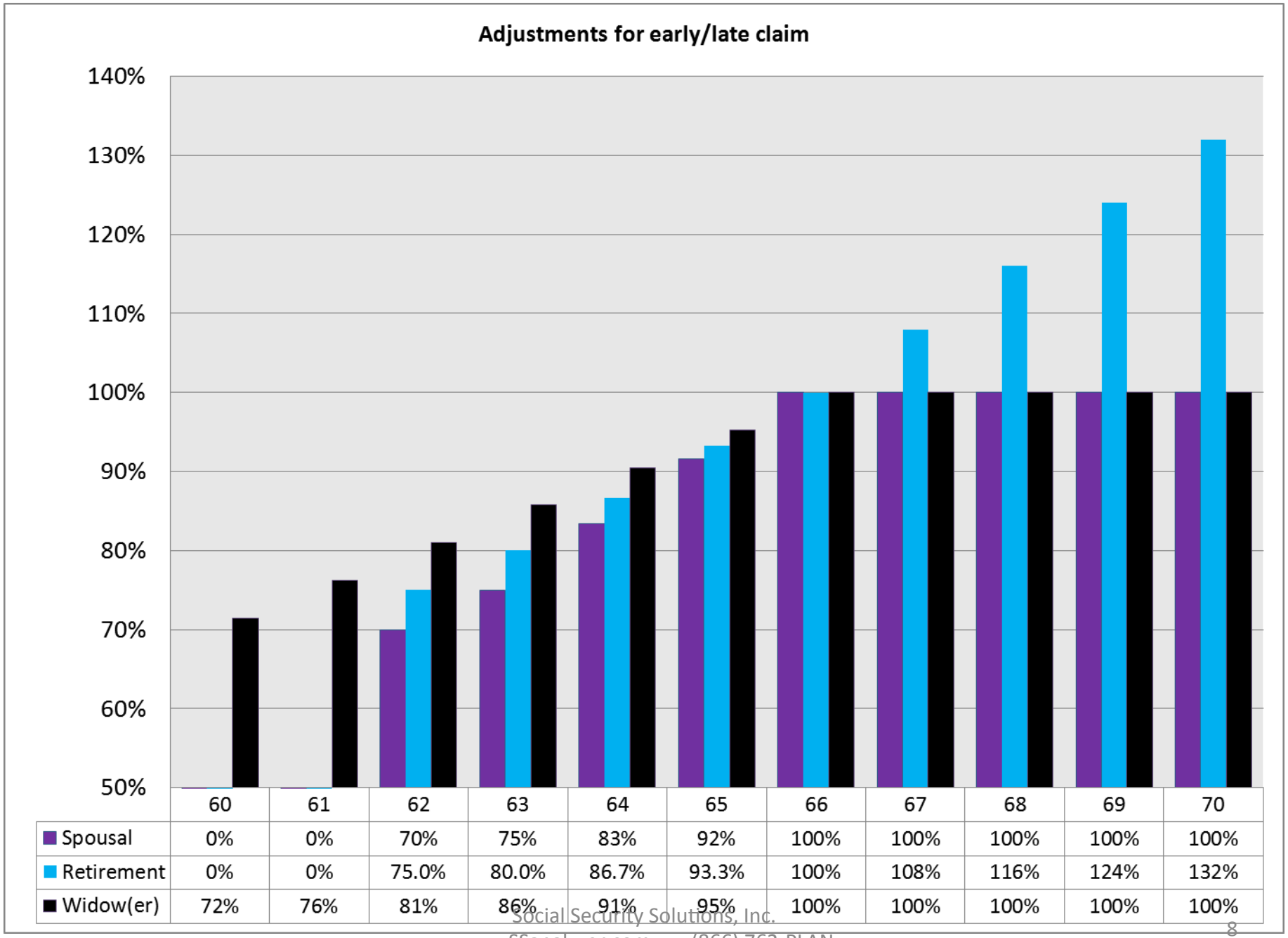
At 63 **Sue** claims an early retirement benefit of $1280

After Joe's death Sue receives $1650 as a widow's benefit.

The Primary Strategy provides $197,000 more

Joe's age	Sue's age	Primary Strategy		Custom Strategy 1		Difference (PS vs CS1)
		Joe $2,000 PIA	Sue $1,600 PIA	Joe $2,000 PIA	Sue $1,600 PIA	
62	58	$0	$0	$0	$0	$0
63	59	$0	$0	$1,600	$0	$19,200
64	60	$0	$0	$1,600	$0	$38,400
65	61	$0	$0	$1,600	$0	$57,600
66	62	$800	$1,200	$1,600	$0	$52,800
67	63	$800	$1,200	$1,600	$1,280	$63,360
68	64	$800	$1,200	$1,600	$1,280	$73,920
69	65	$800	$1,200	$1,600	$1,280	$84,480
70	66	$2,640	$1,200	$1,600	$1,280	$72,960
71	67	$2,640	$1,200	$1,600	$1,280	$61,440
72	68	$2,640	$1,200	$1,600	$1,280	$49,920
73	69	$2,640	$1,200	$1,600	$1,280	$38,400
74	70	$2,640	$1,200	$1,600	$1,280	$26,880
75	71	$2,640	$1,200	$1,600	$1,280	$15,360
79	75	$2,640	$1,200	$1,600	$1,280	-$30,720
80	76	$0	$2,640	$0	$1,650	-$42,600
81	77	$0	$2,640	$0	$1,650	-$54,480
82	78	$0	$2,640	$0	$1,650	-$66,360
90	86	$0	$2,640	$0	$1,650	-$161,400
91	87	$0	$2,640	$0	$1,650	-$173,280
92	88	$0	$2,640	$0	$1,650	-$185,160
93	89	$0	$2,640	$0	$1,650	-$197,040
94	90	$0	$0	$0	$0	-$197,040

	Deemed Application applies		Restricted Application possible
	62 through 65		66+ (Full retirement age)
Case 1			
Spouse 1	Claims his/her retirement (Spouse 1's acct. now open)		
Spouse 2		Deemed to be claiming both spousal and retirement	
Case 2			
Spouse 1		Claims his retirement	
Spouse 2	Can only claim his/her retirement (Spouse 1's acct. not opened)	Can claim spousal at any time	
Case 3			
	Spouse 1 claims retirement		S2 can restrict their claim to spousal or retirement
	Spouse 2 claims retirement		S1 can restrict their claim to spousal or retirement



	60	61	62	63	64	65	66	67	68	69	70
Spousal	0%	0%	70%	75%	83%	92%	100%	100%	100%	100%	100%
Retirement	0%	0%	75.0%	80.0%	86.7%	93.3%	100%	108%	116%	124%	132%
Widow(er)	72%	76%	81%	86%	91%	95%	100%	100%	100%	100%	100%

Low Ratio Couple (Low PIA/High PIA)

Strategy: Since both are expected to live beyond mid 80's, Joe delays.

Primary (Algorithm recommends)
Joe earns 4 years of 8% DRCs and claims $2640=2000 x 1.32 at 70.

At 66 **Sue** claims a full spousal benefit of $1000=2000/2 (50% of Joe's PIA).

Custom (Manually entered what if?)
At 63 **Joe** claims a reduced benefit of $1600=2000x0.80

At 63 **Sue** is deemed to be filing for both her own retirement + a spousal. She receives 80% of her own + 75% of the spousal. $775=(0.80 x 500)+0.75 x ((2000/2)-500).

After **Joe's** death Sue receives the greater of Joe's benefit or 82.5% of his $2000 PIA. Since he was receiving 80% of his PIA she receives 82.5%.

The Primary Strategy provides $170K more.
$71K is in the form of increased survivor benefits

Primary Strategy | Custom Strategy 1 | Compare | Summary

Compare: Primary Strategy vs. Custom Strategy 1 — Print Compariso

Go to Full Comparison Table

Joe's age	Sue's age	Primary Strategy		Custom Strategy 1		Difference (PS vs CS1)
		Joe $2,000 PIA	Sue $500 PIA	Joe $2,000 PIA	Sue $500 PIA	
62	59	$0	$0	$0	$0	$0
63	60	$0	$0	$1,600	$0	$19,200
64	61	$0	$0	$1,600	$0	$38,400
65	62	$0	$0	$1,600	$0	$57,600
66	63	$0	$0	$1,600	$775	$86,100
67	64	$0	$0	$1,600	$775	$114,600
68	65	$0	$0	$1,600	$775	$143,100
69	66	$0	$1,000	$1,600	$775	$159,600
70	67	$2,640	$1,000	$1,600	$775	$144,420
71	68	$2,640	$1,000	$1,600	$775	$129,240
72	69	$2,640	$1,000	$1,600	$775	$114,060
73	70	$2,640	$1,000	$1,600	$775	$98,880
74	71	$2,640	$1,000	$1,600	$775	$83,700
75	72	$2,640	$1,000	$1,600	$775	$68,520
86	83	$2,640	$1,000	$1,600	$775	-$98,460
87	84	$0	$2,640	$0	$1,650	-$110,340
88	85	$0	$2,640	$0	$1,650	-$122,220
89	86	$0	$2,640	$0	$1,650	-$134,100
90	87	$0	$2,640	$0	$1,650	-$145,980
91	88	$0	$2,640	$0	$1,650	-$157,860
92	89	$0	$2,640	$0	$1,650	-$169,740
93	90	$0	$0	$0	$0	-$169,740

Medium Ratio Couple (Low PIA/High PIA)
Both have FRAs of 67

Strategy: Since both are expected to live beyond mid 80's, Joe delays.

Primary (Algorithm recommends)

Note that Sue can not grow her own benefit to exceed her spousal benefit. That is, 900>(700 x 1.24) where 1.24 reflects 3 years of DRCs.

In this case only Joe delays his claim

There are two options for Sue while growing Joe's retirement:

1) Sue can claim a spousal benefit of $900 or 2) she can claim her own benefit of $700 + Joe can claim a spousal of $350= 0.50 x $700. The second option provides $150/mo. more.

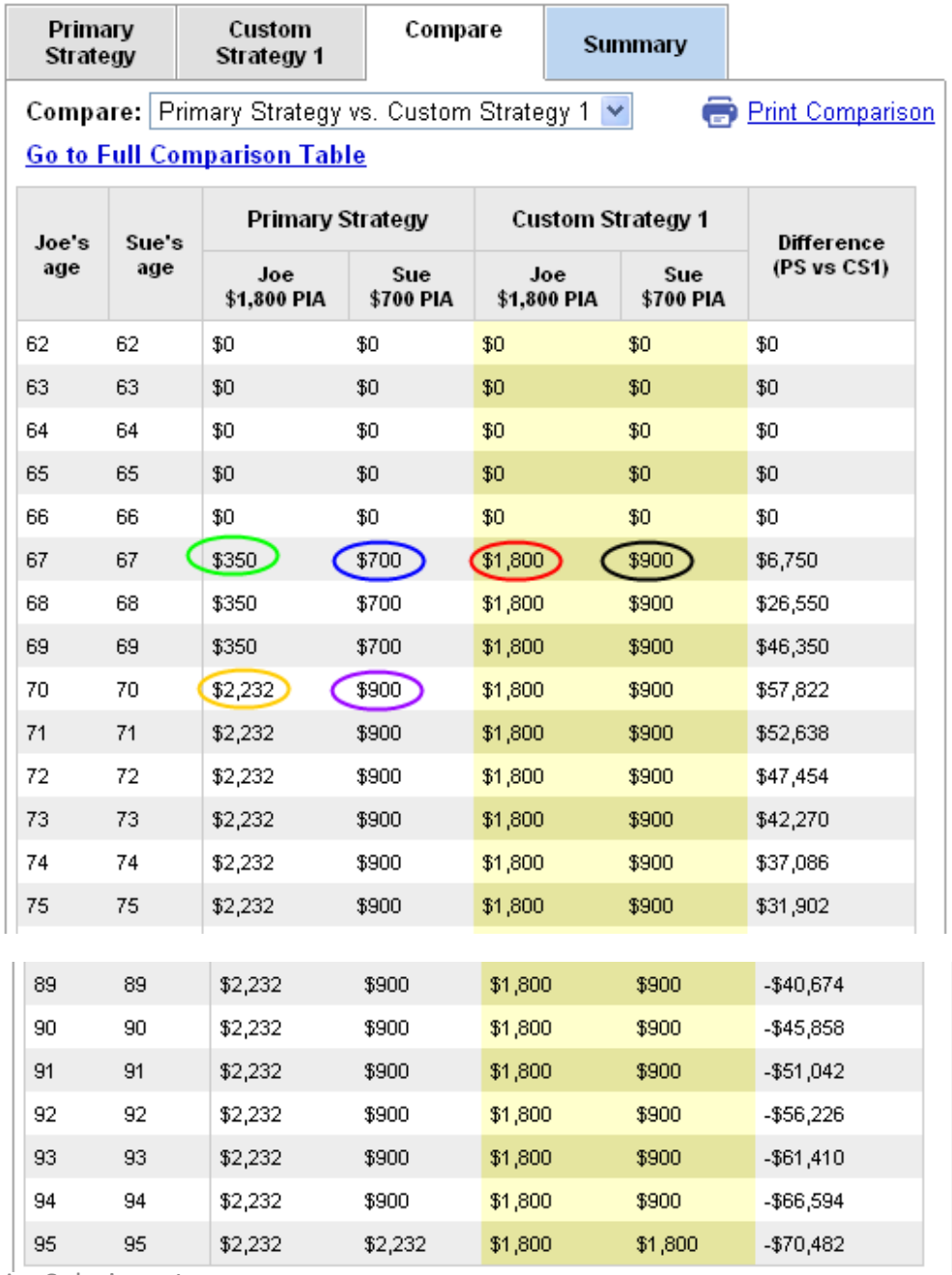
At 67 Sue claims her own retirement of $700

At 67 Joe files a restricted application for spousal benefits and receives $350=0.50 x 700

Joe earns 3 years of 8% DRCs and claims $2232=2000 x 1.24 at 70.

At 70 Sue claims her spousal benefit and receives $900= 0.50 x $1800

The Primary Strategy provides $70k more



Primary Strategy | Custom Strategy 1 | Compare | Summary

Compare: Primary Strategy vs. Custom Strategy 1 — Print Comparison

Go to Full Comparison Table

Joe's age	Sue's age	Primary Strategy		Custom Strategy 1		Difference (PS vs CS1)
		Joe $1,800 PIA	Sue $700 PIA	Joe $1,800 PIA	Sue $700 PIA	
62	62	$0	$0	$0	$0	$0
63	63	$0	$0	$0	$0	$0
64	64	$0	$0	$0	$0	$0
65	65	$0	$0	$0	$0	$0
66	66	$0	$0	$0	$0	$0
67	67	$350	$700	$1,800	$900	$6,750
68	68	$350	$700	$1,800	$900	$26,550
69	69	$350	$700	$1,800	$900	$46,350
70	70	$2,232	$900	$1,800	$900	$57,822
71	71	$2,232	$900	$1,800	$900	$52,638
72	72	$2,232	$900	$1,800	$900	$47,454
73	73	$2,232	$900	$1,800	$900	$42,270
74	74	$2,232	$900	$1,800	$900	$37,086
75	75	$2,232	$900	$1,800	$900	$31,902
89	89	$2,232	$900	$1,800	$900	-$40,674
90	90	$2,232	$900	$1,800	$900	-$45,858
91	91	$2,232	$900	$1,800	$900	-$51,042
92	92	$2,232	$900	$1,800	$900	-$56,226
93	93	$2,232	$900	$1,800	$900	-$61,410
94	94	$2,232	$900	$1,800	$900	-$66,594
95	95	$2,232	$2,232	$1,800	$1,800	-$70,482

Medium Ratio Couple (Low PIA/High PIA)

Joe is six years older than Sue. Since both are expected to live beyond age 80 Joe delays. Sue begins her benefits ASAP since her benefit will be replaced by a widow's benefit at age 79.

Primary (Algorithm recommends)
At 62 Sue claims an early retirement benefit and receives $440=0.75 x 600

At 66 Joe files a restricted application for a spousal benefit and receives $300=0.50 x 600

Joe earns 4 years of 8% DRCs and claims $2640=1.32 x 2000 at 70.

At 64 Sue adds a spousal benefit of $322=0.806 x ((2000/2)-600) to her $440 retirement benefit and receives $762

After Joe's death Sue receives his benefit of $2640

Custom (Manually entered what if?)
At 66 Joe claims his full retirement benefit of $2000

At 66 **Sue** claims a full spousal benefit of $1000

After Joe's death Sue receives $2000 as a widow's benefit.

The Primary Strategy provides $68,000 more. $46K is in the form of increased survivor benefits.

Primary Strategy | Custom Strategy 1 | Compare | Summary

Compare: Primary Strategy vs. Custom Strategy 1 — Print Comparison

Go to Full Comparison Table

Joe's age	Sue's age	Primary Strategy		Custom Strategy 1		Difference (PS vs CS1)
		Joe $2,000 PIA	Sue $600 PIA	Joe $2,000 PIA	Sue $600 PIA	
62	56	$0	$0	$0	$0	$0
63	57	$0	$0	$0	$0	$0
64	58	$0	$0	$0	$0	$0
65	59	$0	$0	$0	$0	$0
66	60	$0	$0	$2,000	$0	$24,000
67	61	$0	$0	$2,000	$0	$48,000
68	62	$300	$440	$2,000	$0	$63,120
69	63	$300	$440	$2,000	$0	$78,240
70	64	$2,640	$762	$2,000	$0	$61,416
71	65	$2,640	$762	$2,000	$0	$44,592
72	66	$2,640	$762	$2,000	$1,000	$35,768
73	67	$2,640	$762	$2,000	$1,000	$30,944
74	68	$2,640	$762	$2,000	$1,000	$26,120
75	69	$2,640	$762	$2,000	$1,000	$21,296
83	77	$2,640	$762	$2,000	$1,000	-$17,296
84	78	$2,640	$762	$2,000	$1,000	-$22,120
85	79	$0	$2,640	$0	$2,000	-$29,800
86	80	$0	$2,640	$0	$2,000	-$37,480
87	81	$0	$2,640	$0	$2,000	-$45,160
88	82	$0	$2,640	$0	$2,000	-$52,840
89	83	$0	$2,640	$0	$2,000	-$60,520
90	84	$0	$2,640	$0	$2,000	-$68,200
91	85	$0	$0	$0	$0	-$68,200

Medium Ratio Couple (Low PIA/High PIA)

Strategy: Since both are expected to live beyond mid 80's, both delay. She grows her retirement benefit while claiming a spousal

Primary (Algorithm recommends)
Joe earns 4 years of 8% DRCs and claims $2640=1.32 x 2000 at 70.

At 66 **Sue** claims a full spousal benefit of $1000=2000/2 (50% of Joe's PIA).

At 70 **Sue** switches to her own retirement benefit of $1294=1.32 x 980

Custom (Manually entered what if?)
At 63 **Joe** claims a reduced benefit of $1600=0.80 x 2000

At 63 **Sue** is deemed to be filing for both her own retirement + a spousal. She receives 80% of her own + 75% of the spousal: $799=(0.80 x 980)+0.75 x ((2000/2)-980).

After **Joe's** death Sue receives the greater of Joe's benefit or 82.5% of his $2000 PIA. Since he was receiving 80% of his PIA she receives 82.5%.

The Primary Strategy provides $213K more. One third of the increase is due to increased survivor benefits.

Primary Strategy | Custom Strategy 1 | Compare | Summary

Compare: Primary Strategy vs. Custom Strategy 1 — Print Comparisc

Go to Full Comparison Table

Joe's age	Sue's age	Primary Strategy		Custom Strategy 1		Difference (PS vs CS1)
		Joe $2,000 PIA	Sue $980 PIA	Joe $2,000 PIA	Sue $980 PIA	
62	59	$0	$0	$0	$0	$0
63	60	$0	$0	$1,600	$0	$19,200
64	61	$0	$0	$1,600	$0	$38,400
65	62	$0	$0	$1,600	$0	$57,600
66	63	$0	$0	$1,600	$799	$86,388
67	64	$0	$0	$1,600	$799	$115,176
68	65	$0	$0	$1,600	$799	$143,964
69	66	$0	$1,000	$1,600	$799	$160,752
70	67	$2,640	$1,000	$1,600	$799	$145,860
71	68	$2,640	$1,000	$1,600	$799	$130,968
72	69	$2,640	$1,000	$1,600	$799	$116,076
73	70	$2,640	$1,294	$1,600	$799	$97,656
74	71	$2,640	$1,294	$1,600	$799	$79,236
75	72	$2,640	$1,294	$1,600	$799	$60,816
86	83	$2,640	$1,294	$1,600	$799	-$141,804
87	84	$0	$2,640	$0	$1,650	-$153,684
88	85	$0	$2,640	$0	$1,650	-$165,564
89	86	$0	$2,640	$0	$1,650	-$177,444
90	87	$0	$2,640	$0	$1,650	-$189,324
91	88	$0	$2,640	$0	$1,650	-$201,204
92	89	$0	$2,640	$0	$1,650	-$213,084
93	90	$0	$0	$0	$0	-$213,084

Sensitivity analysis

Same case. What if she claimed at 65 instead of 66?

Below FRA she can not file a restricted application for spousal benefits.

She can file for her own retirement , or he can file and suspend and she can claim her own retirement and a spousal benefit.

She loses the opportunity to grow her own retirement benefit.

Here he files and suspends and she files for her own retirement and a spousal and receives $933=(0.93 x 980)+0.916 x ((2000/2)-980).

<u>Claiming one year early costs $53K over a lifetime.</u>

Primary Strategy | Custom Strategy 1 | Compare | Summary

Compare: Primary Strategy vs. Custom Strategy 1 Print Comparisc

Go to Full Comparison Table

Joe's age	Sue's age	Primary Strategy		Custom Strategy 1		Difference (PS vs CS1)
		Joe $2,000 PIA	Sue $980 PIA	Joe $2,000 PIA	Sue $980 PIA	
62	59	$0	$0	$0	$0	$0
63	60	$0	$0	$0	$0	$0
64	61	$0	$0	$0	$0	$0
65	62	$0	$0	$0	$0	$0
66	63	$0	$0	$0	$0	$0
67	64	$0	$0	$0	$0	$0
68	65	$0	$0	$0	$933	$11,196
69	66	$0	$1,000	$0	$933	$10,392
70	67	$2,640	$1,000	$2,640	$933	$9,588
71	68	$2,640	$1,000	$2,640	$933	$8,784
72	69	$2,640	$1,000	$2,640	$933	$7,980
73	70	$2,640	$1,294	$2,640	$933	$3,648
74	71	$2,640	$1,294	$2,640	$933	-$684
75	72	$2,640	$1,294	$2,640	$933	-$5,016
85	82	$2,640	$1,294	$2,640	$933	-$48,336
86	83	$2,640	$1,294	$2,640	$933	-$52,668
87	84	$0	$2,640	$0	$2,640	-$52,668
88	85	$0	$2,640	$0	$2,640	-$52,668
89	86	$0	$2,640	$0	$2,640	-$52,668
90	87	$0	$2,640	$0	$2,640	-$52,668
91	88	$0	$2,640	$0	$2,640	-$52,668
92	89	$0	$2,640	$0	$2,640	-$52,668
93	90	$0	$0	$0	$0	-$52,668

Sensitivity analysis

Same case. What if he claimed at 69 instead of 70?

He would receive $2480=1.24 x 2000. The 1.24 reflects 3 years of 8% DRCs.

Joe claiming one year early has much less effect on the outcome.

Primary Strategy | Custom Strategy 1 | Compare | Summary

Compare: Primary Strategy vs. Custom Strategy 1 — Print Comparisc

Go to Full Comparison Table

Joe's age	Sue's age	Primary Strategy		Custom Strategy 1		Difference (PS vs CS1)
		Joe $2,000 PIA	Sue $980 PIA	Joe $2,000 PIA	Sue $980 PIA	
62	59	$0	$0	$0	$0	$0
63	60	$0	$0	$0	$0	$0
64	61	$0	$0	$0	$0	$0
65	62	$0	$0	$0	$0	$0
66	63	$0	$0	$0	$0	$0
67	64	$0	$0	$0	$0	$0
68	65	$0	$0	$0	$0	$0
69	66	$0	$1,000	$2,480	$1,000	$29,760
70	67	$2,640	$1,000	$2,480	$1,000	$27,840
71	68	$2,640	$1,000	$2,480	$1,000	$25,920
72	69	$2,640	$1,000	$2,480	$1,000	$24,000
73	70	$2,640	$1,294	$2,480	$1,294	$22,080
74	71	$2,640	$1,294	$2,480	$1,294	$20,160
75	72	$2,640	$1,294	$2,480	$1,294	$18,240
87	84	$0	$2,640	$0	$2,480	-$4,800
88	85	$0	$2,640	$0	$2,480	-$6,720
89	86	$0	$2,640	$0	$2,480	-$8,640
90	87	$0	$2,640	$0	$2,480	-$10,560
91	88	$0	$2,640	$0	$2,480	-$12,480
92	89	$0	$2,640	$0	$2,480	-$14,400
93	90	$0	$0	$0	$0	-$14,400

Widow age 60 with a $1600 PIA. Her husband died at age 63 before claiming. His PIA is $2000

Primary Strategy

Her own benefit can be grown to exceed the widows.

At 60 she claims a reduced widow's benefit of $1430=0.715 x $2000

At 70 she claims her own retirement which has grown due to delayed retirement credits and receives $2112=1.32 x $1600

Custom Strategy

At 62 she claims a reduced retirement benefit of $1200=0.75 x $1600.

At 66 she claims the widow's benefit of $2000

The primary strategy provides $45,000 more

	Primary Strategy	Custom Strategy	Difference (PS vs. CS)
60	$1,430		-$17,160
61	$1,430		-$34,320
62	$1,430	$1,200	-$37,080
63	$1,430	$1,200	-$39,840
64	$1,430	$1,200	-$42,600
65	$1,430	$1,200	-$45,360
66	$1,430	$2,000	-$38,520
67	$1,430	$2,000	-$31,680
68	$1,430	$2,000	-$24,840
69	$1,430	$2,000	-$18,000
70	$2,112	$2,000	-$19,344
71	$2,112	$2,000	-$20,688
72	$2,112	$2,000	-$22,032
73	$2,112	$2,000	-$23,376
74	$2,112	$2,000	-$24,720
75	$2,112	$2,000	-$26,064
76	$2,112	$2,000	-$27,408
77	$2,112	$2,000	-$28,752
78	$2,112	$2,000	-$30,096
79	$2,112	$2,000	-$31,440
80	$2,112	$2,000	-$32,784
81	$2,112	$2,000	-$34,128
82	$2,112	$2,000	-$35,472
83	$2,112	$2,000	-$36,816
84	$2,112	$2,000	-$38,160
85	$2,112	$2,000	-$39,504
86	$2,112	$2,000	-$40,848
87	$2,112	$2,000	-$42,192
88	$2,112	$2,000	-$43,536
89	$2,112	$2,000	-$44,880

Widow age 60 with a $1400 PIA. Her husband died at age 63 before claiming. His PIA is $2000

Primary Strategy

Her benefit can not be grown to exceed the widows.

At 62 she claims a reduced retirement benefit of $1050=0.75 x $1400

At 66 she claims the widow's benefit of $2000

Custom Strategy

At 60 she claims a reduced widows benefit of $1430=2000 x 0.715

The primary strategy provides $112,000 more

	Primary Strategy	Custom Strategy	Difference (PS vs. CS)
60	$0	$1,430	$17,160
61	$0	$1,430	$34,320
62	$1,050	$1,430	$38,880
63	$1,050	$1,430	$43,440
64	$1,050	$1,430	$48,000
65	$1,050	$1,430	$52,560
66	$2,000	$1,430	$45,720
67	$2,000	$1,430	$38,880
68	$2,000	$1,430	$32,040
69	$2,000	$1,430	$25,200
70	$2,000	$1,430	$18,360
71	$2,000	$1,430	$11,520
72	$2,000	$1,430	$4,680
73	$2,000	$1,430	-$2,160
74	$2,000	$1,430	-$9,000
75	$2,000	$1,430	-$15,840
76	$2,000	$1,430	-$22,680
77	$2,000	$1,430	-$29,520
78	$2,000	$1,430	-$36,360
79	$2,000	$1,430	-$43,200
80	$2,000	$1,430	-$50,040
81	$2,000	$1,430	-$56,880
82	$2,000	$1,430	-$63,720
83	$2,000	$1,430	-$70,560
84	$2,000	$1,430	-$77,400
85	$2,000	$1,430	-$84,240
86	$2,000	$1,430	-$91,080
87	$2,000	$1,430	-$97,920
88	$2,000	$1,430	-$104,760
89	$2,000	$1,430	-$111,600

Why add Social Security claiming strategies to your practice?

1. Improve your "advice quality"
   - *Sophisticated SS strategies are not integrated into leading financial planning software packages, and the rules are too complex to do this yourself*
   - *Quality SS strategies materially impact outcomes within both 1) a financial planning projection and 2) investment management risk budgets and target asset allocation*
2. High consumer demand
   - *Retirees expect you to know these details*
   - *The SSA is not prepared to help or give advice*
   - *More reliance on SS after market melt down*
3. Potential to differentiate your practice
   - *Few advisors incorporate SS as part of their advisory process*
   - *High value niche that engenders trust – deepens your relationship, good client acquisition strategy to "hook" new clients or receive referrals*

We want you to be successful

1. Call us if you need help or have a hard planning case
   - *(866) 762 – PLAN for our Help Desk*
2. *Read our book and research*
   - *Social Security Strategies – Amazon*
   - *When to Start Social Security – Journal of Financial Planning*
3. *Attend our webinars*
   - *"Advanced SS Planning Techniques"*
   - *Quarterly planning sessions – "Strategy of the Quarter"*
4. *Evaluate our software – www.SSanalyzer.com*
   - *NAPFA discount*
   - *Free access to our Provisional Income and Tax calculator*

- *Contact Bill ----* *(913) 261-9396 or wmeyer@socialsecuritysolutions.com*