

ADVANCED
MARKETS

Common Misconceptions About Social Security

2024 PRODUCER USE ONLY



Why we are here...

1

Better understand how Social Security has changed over the years and the benefits it offers your clients

2

Identify some of the common misconceptions about Social Security retirement benefits, as well as spousal and widow's benefits.

3

Help your clients determine the best options for electing their Social Security benefit using some of our tools and strategies

Common Social Security Misconceptions

Social Security will fully fund my retirement

Full benefits start at age 65

I have to apply for my benefits in person at a Social Security office

Taking my benefit early is best

I can't work and receive Social Security benefits

A Government Pension does not impact my Social Security benefit

My Social Security benefits are not taxable

If I am married, I get the same benefit as my spouse

I am divorced, so I can't receive spousal benefits

Widows will continue to receive both benefit checks

Why it's important to get it right...



40% of retirees rely on Social Security as their only retirement income



7% of retirees have a pension and savings in addition to Social Security

Social Security Will Fully Fund My Retirement

Social Security Misconception #1

Am I Eligible for Benefits?

Full benefits = 40 quarters of covered employment

\$1,730 earnings = a quarter of coverage

You can earn a maximum of 4 quarters per year

How are my benefits calculated?

Simplified answer...

- 35 years of highest wages divided by 35
- Then divide that number by 12
- This amount is used in the formula to calculate your PIA

Pre-Retiree Planning?

- There is a wage-based ceiling on FICA taxes withdrawn from income
- Income limit = \$168,600

Full Benefits Start at Age 65

Social Security Misconception #2

Full Retirement Age

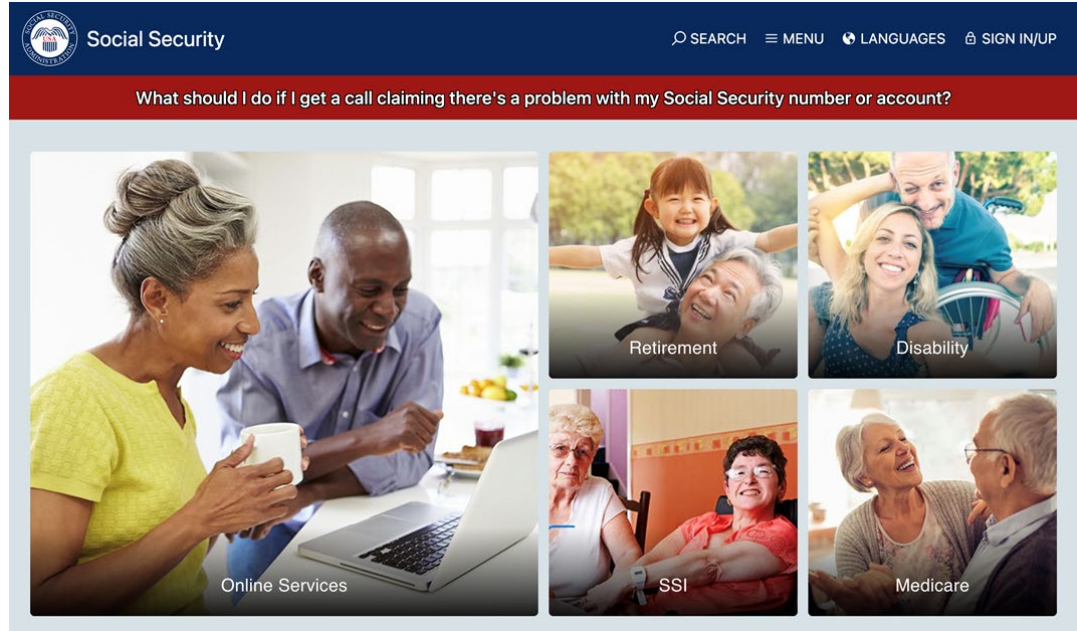
Birth Year	Full Retirement Age
1943-1954	66 years
1955	66 years, 2 months
1956	66 years, 4 months
1957	66 years, 6 months
1958	66 years, 8 months
1959	66 years, 10 months
1960 and later	67 years

I have to apply for my benefits in person at a Social Security office

Social Security Misconception #3

Where do you file?

- Your local office in person
- Online at ssa.gov



Taking Benefits Early is Best

Social Security Misconception #4

What happens if I elect benefits early?

This chart illustrates the payout percentage for someone who is 67 at full retirement age.

Age you begin receiving benefits	Your Social Security payout percentage
62	70%
63	75%
64	80%
65	86.7%
66	93.3%
67	100%
68	108%
69	116%
70	124%

Timing has an impact...



Early filing – Age 62 with reduced benefits

- Earnings limit also applies



FRA filing – Age 66-67 with full benefits

- No earnings limit after reaching full retirement age



Delayed filing until age 70 with increased benefits

- Earn 8% delayed retirement credit

I Can't Work and Receive Social Security Benefits

Social Security Misconception #5

Can I still work and receive benefits?

- Electing benefits prior to FRA
 - Benefits will be reduced \$1 for every \$2 over \$22,340
- Electing benefits in the year you reach FRA, but prior to FRA
 - Benefits will be reduced \$1 for every \$3 over \$59,520
- Electing benefits at FRA or later
 - No earned income limit

A Government Pension Does Not Impact My Social Security Benefit

Social Security Misconception #6

Windfall Elimination Provision

- You worked at a government job and did not pay taxes into the Social Security system and
- You worked at a job where you qualified for Social Security benefits

Your worker benefits may be reduced by 50% of your pension

Government Pension Offset

Spouse or widow's benefit may be reduced by as much as $\frac{2}{3}$ s of their government pension benefit

Social Security Benefits Are Not Taxable

Social Security Misconception #7

Are My Benefits Taxable?

Provisional income is a measure used by the IRS to determine whether or not recipients of Social Security are required to pay taxes on their Social Security benefits.

Social Security Taxation

If provisional income exceeds certain limits, then Social Security benefits could be considered as taxable income.

Benefits Taxable as Ordinary Income	Single	Married Filing Jointly
0% if income is	Under \$25,000	Under \$32,000
Up to 50% if income is	\$25,000 - \$34,000	\$32,000 - \$44,000
Up to 85% if income is	Over \$34,000	Over \$44,000

Provisional Income Assets

- Savings Accounts
- Stocks
- Pensions
- Real Estate
- Corporate Bonds
- Money Markets
- Certificates of Deposit
- Mutual Funds
- IRAs
- Annuities
- Treasury Bonds
- Municipal Bonds

NOT Provisional Income Assets

- Roth IRAs
- Roth 401(k)
- Life Insurance

If I Am Married, I Get the Same Benefit as My Spouse

Social Security Misconception #8

Spousal Benefit

- 50% of the spouse's PIA at FRA
- or
- Your own worker benefit

Can you qualify for spousal benefits before your spouse elects to take benefits?

I Am Divorced, So I Can't Receive Spousal Benefits

Social Security Misconception #9

Divorced Spousal Benefit

You can still get a spousal benefit if:

Your marriage
lasted 10
years

You are 62 or
older

You are still
single



If you have been divorced for 2 years you can elect spousal benefits, even if your ex-spouse has not started benefits

Widows Get Both Benefit Checks

Social Security Misconception #10

Widow's Benefits



Blackout Period – benefits can begin as early as age 60 (unless they have dependents)



Widows will be subject to the earnings limit if they file before reaching FRA.



Widows still have optimization strategies available

What happens
when the first
spouse passes
away...

The smaller check goes away

Life insurance can replace the lost check

Purchase of life insurance is subject to meeting underwriting requirements. Premiums are based on age and health of proposed insured. There is no guarantee an individual will be insurable. If premiums are not paid the policy could lapse. All guarantees are based on the financial strength and claims paying ability of the issuer.

Permanent life insurance to replace the lost check...

- *What is your lowest check?*

\$1,000

- *How long do you want to protect your spouse's income stream in retirement?*

10, 20, 30 years

Is there a way to help determine the best options for electing my benefits?

Your Suggested Social Security Strategy

Darren

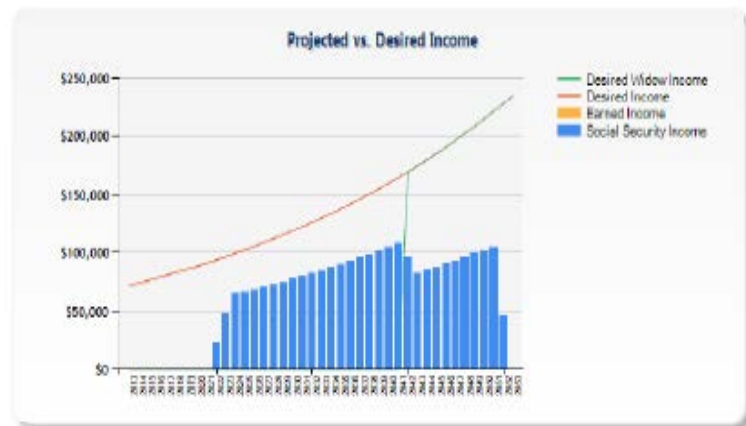
- File a standard application for benefits at age 70 years. Your approximate benefit on your own earnings record would be \$3,711

Cathy

- File a standard application for benefits at age 66 years 6 months. Your approximate monthly benefit would be \$1,448.

The expected lifetime family benefit using this strategy is: **\$818,211**

Using the Suggested Election Ages

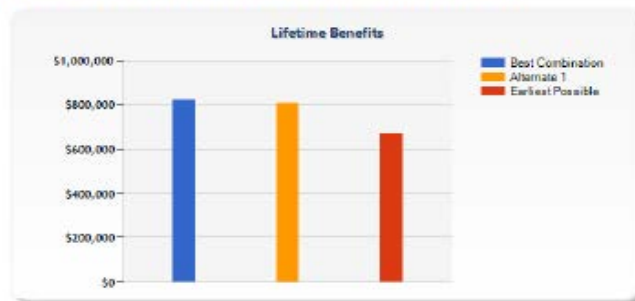


The preceding charts demonstrate future value cashflows using the assumptions outlined on the assumptions page of this report, and do not include taxes or any other source of income. The desired income line is generated based on user input and inflated for future value using the same inflation assumptions.

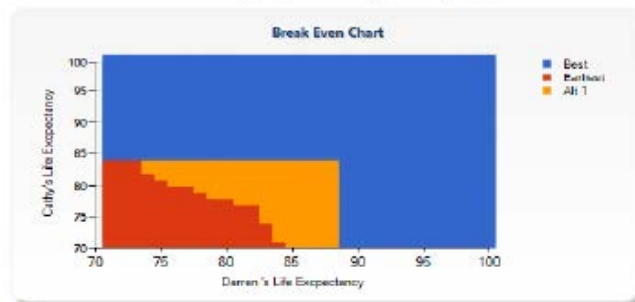
Strategy Comparison

The expected lifetime family benefit using the **best** strategy is: **\$818,211**

- The expected lifetime family benefit for the **first alternate** available combination is: **\$805,870**
- The expected lifetime family benefit for the **earliest** available combination is: **\$667,387**



Graph represents present value of Lifetime Family Benefits. The preceding chart and comparisons assume that Darren dies at age 90 years and Cathy dies at age 95 years.



Graph illustrates which of the outlined strategies provides the best outcome at any given set of whole year death age combinations. The best strategy was determined by assuming Darren dies at 90 years and Cathy dies at 95 years.

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