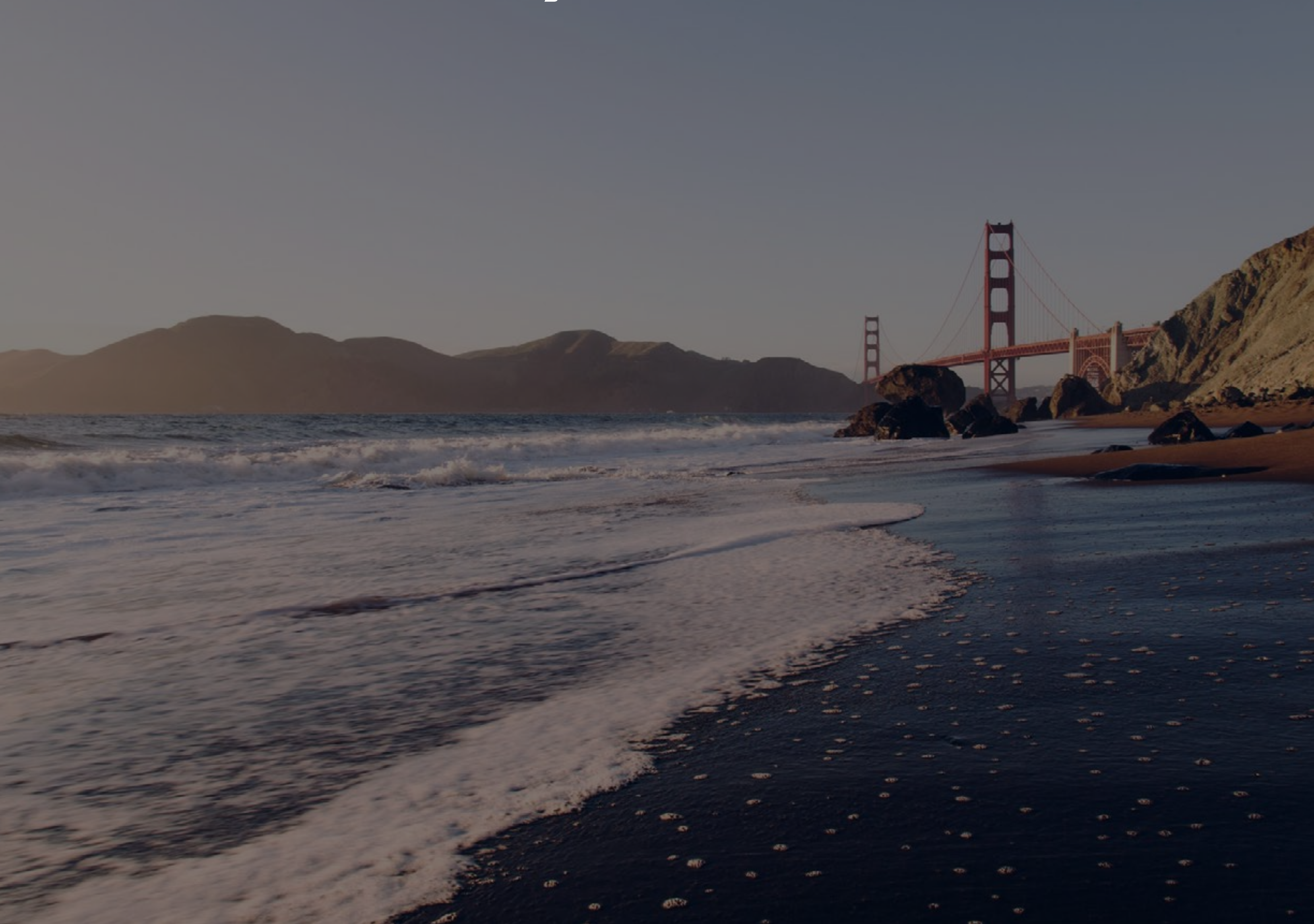
THAYER PARTNERS

Social Security Review

Case Study



Introduction

Social Security is an important government program that provides those who have contributed to it with a steady and guaranteed source of income in retirement. With each paycheck, American workers pay a small contribution to Social Security throughout their career. This money is used to fund the Social Security program which provides pay to retirees.

It is, overall, one of the best safety nets Americans have in retirement, providing steady, reliable income. For many retirees, even those with investment portfolios worth $1,000,000, Social Security will be half or more of their income in retirement.

Unfortunately, however, it is also a massively complicated program, filled with special rules that address many different scenarios. Worse yet, the Social Security Administration's (SSA) staff members are actually forbidden from giving you specific advice; they're limited to only telling you the rules, not how to take advantage of them.

Without the help of a trained expert to help you review your strategy for collecting your Social Security income, you can easily miss out on the best way to collect your money, potentially missing out on $100,000 in income or more.

Why is it So Important to Review Your Collection Strategy with an Expert?

There's a lot of advice out there about how you can maximize your Social Security income. Some of this advice is good, some of it is bad. The thing that causes trouble for a lot of people is that there are over 70,000 ways to collect Social Security income, and what works for someone else might not work for you.

For example, a common piece of advice that a lot of financial advisors give out as generic advice is to hold off on collecting Social Security for as long as possible, until you turn 70. Why? Because, each year you put off collecting your benefits, your monthly income from the program grows by about 8%.

Sounds like great advice, right?

Well, for many, this is only half right. There are strategies for taking income from when you reach full retirement age (66 years old in most cases) until age 70 which allow your own Social Security benefit to continue to grow by 8% per year. Taking spousal benefits in this 3 or 4 year period or even collecting on your Ex are two good examples, but there are many more. Your age, your spouse's age, how much Social Security you have paid into the system, when you plan/want to retire, family longevity, and recent health scares all factor into a Social Security strategy.

This is why a canned Social Security collection strategy simply isn't good enough. There are just too many variables that could make a specific method of collecting Social Security income not work for you.

With this in mind, you might be wondering just how much of a difference a complete Social Security review might make for a retiree. How does a potential $50,000 to $150,000 sound? Because this is the difference a typical analysis yields. In the following sections of this paper, we'll provide some case studies that highlight how they benefitted from a few simple tweaks to their Social Security collection strategy.

CASE STUDY

Spousal Benefits

Not very long ago, I met with a married couple that had recently retired. The husband was 66 years old, while the wife was 65. The couple lived modestly, not incurring much in the way of expenses, so they were well within their means and didn't have an immediate need for the money that Social Security would bring in.

These seem like perfect candidates for the "wait to collect until you're both 70-years-old strategy," right? Well, when I was younger and less experienced, that's the solution I would have gone with too. However, there was another strategy that would provide the couple with more money during their retirement.

Using state of the art software and hard-earned experience in dealing with the Social Security Administration, my team showed the couple how the wife could collect $1,446 a month on her husband's Social Security right now or $17,352 per year extra income until the wife reached age 70. They would each still postpone collecting their primary SS income until age 70, the age where the 8% bonus has reached its maximum size.

Collecting on the spousal benefit has no impact on the income either the husband or the wife will get from their Social Security check, and they can both get the maximum at age 70.

Assuming the average life expectancy for each client (about 79 years of age, according to statistics from the World Bank), they could collectively receive an extra $80,000 of income during retirement using this collection strategy.

> *"… receive an extra $80,000 of income …"*

That's an extra $80,000 to pay for vacations, health care, bills, and many other expenses that they would not have had otherwise. Or, if they see this as found money, they could buy a life insurance policy on one of them and leave an education trust for their grandchildren.

CASE STUDY

Survivor Benefits

As unfortunate as it is, when you have a married couple reaching retirement age, one spouse may pass away before they both can reach retirement age.

This was the case for another client we helped a while ago. She and her husband were getting ready for retirement when the husband passed away. She reached retirement alone and wanted to know the best way to collect Social Security.

> *"... collect an extra $163,000 in retirement ..."*

After reviewing her Social Security statement, we were able to show her how to collect an extra $163,000 in retirement by recommending that she start collect survivor benefits right away. For her, the survivor benefits were worth $1,848 (or $22,176 per year), giving her some breathing room so she could suspend collecting on her own primary SS income until she reaches age 70, allowing those payments to increase to their maximum value of $2,764.

For a recently-widowed woman, that $163,000 can make an enormous difference, covering extra bills and even helping to cover the cost of assisted living if needed.

CASE STUDY

Divorce

Divorce is a common occurrence in the modern age. However, just because you've divorced your spouse doesn't necessarily mean that you lose all of the benefits that came with marriage.

For example, one of our clients was a woman who had divorced her ex-husband after 17 years of marriage almost 15 years ago. This client was preparing for her retirement and didn't realize she was eligible to claim a divorced spouse benefit based on her ex-husband's earnings record. Here is what our software showed her:

The client should file for her divorced spouse benefit when she reaches her full retirement age of 66. Her monthly income will be 50% of her ex-husband's Full Retirement Benefit, or $1,188. When she reaches age 70, she should switch to her own retirement benefit which has accrued delayed retirement credits and will be $2,356. Her cumulative lifetime benefit was estimated to be $481,104.

If she does not take advantage of her divorced spouse benefit and just claims her own retirement benefit at age 70 when she's earned the most in delayed retirement credits, her monthly Social Security income will still be $2,356. But she would miss out on $1,188 of divorced spouse benefits. That's $14,256 every year between her ages 66 and 70. Her lifetime cumulative Social Security income would be only $424,080.

Basically, by taking advantage of the spousal benefit available through her ex-husband's earnings record, this divorcee was able to add an extra $57,024 to her income in retirement.

> *"… add an extra $57,024 to her income …"*

Why You Should Review Your Social Security with an Expert

The previous case studies are just a small sample of how consulting an expert to tweak your Social Security collection strategy can help in specific situations.

Odds are, you're seeing a lot of information online about Social Security income collection strategies these days, including Social Security income "calculators" that purport to provide you with an ideal collection strategy.

However, as we mentioned previously, there are over 70,000 ways to collect Social Security. There are also so many variables that can affect your needs in retirement that no cookie-cutter plan or simplistic online calculator can provide you with a truly optimal strategy for collecting Social Security pay.

Since Social Security will likely account for half or more of your income in retirement if you're married and have a portfolio worth $1,000,000 or less, it's very important that you get the most you can out of this program.

Taking the time to consult an expert can add hundreds of dollars to your monthly income (adding up to thousands per year). In some cases, it can add over $150,000 in total to your retirement income (as highlighted in the widow case study). With the help of an expert, maximizing your Social Security income doesn't have to be a difficult or lengthy process, so make sure to get the help you need as soon as possible.

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