

Social Security: The Choice of a Lifetime

Sound Credit Union & CUSO Financial Services

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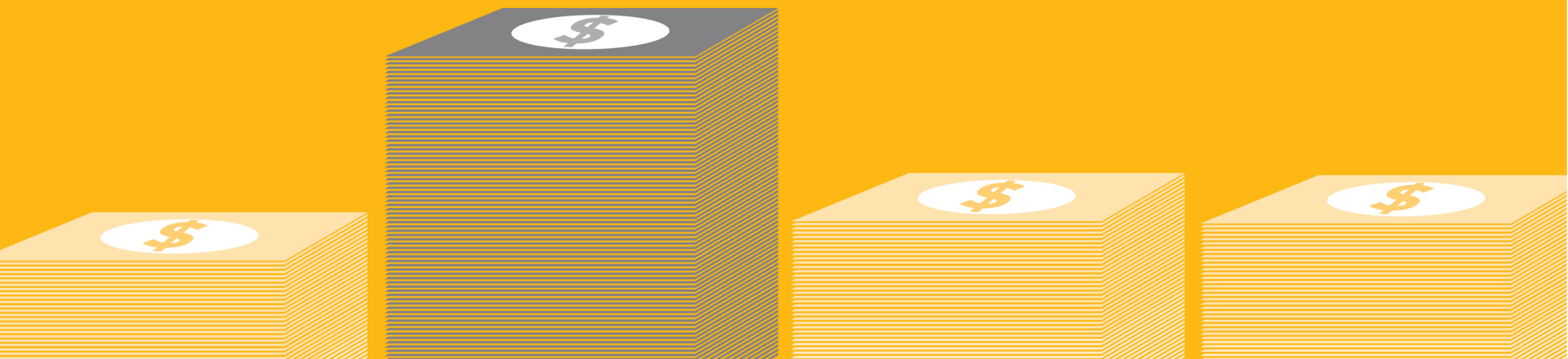
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NATIONWIDE RETIREMENT INSTITUTE®

Social Security

The choice of a lifetime



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that understands
America's workers

A history of

GIVING



**back to
communities
across the country**



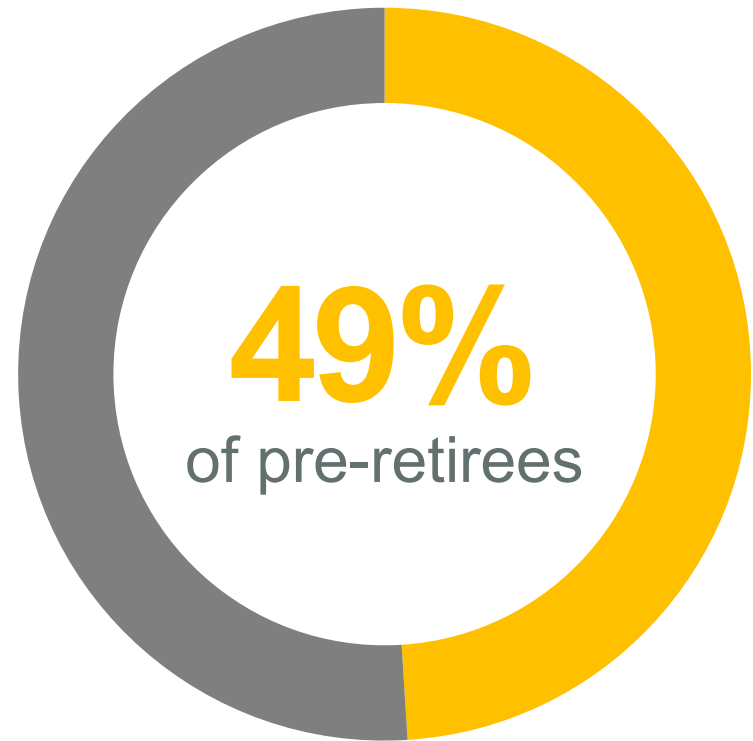
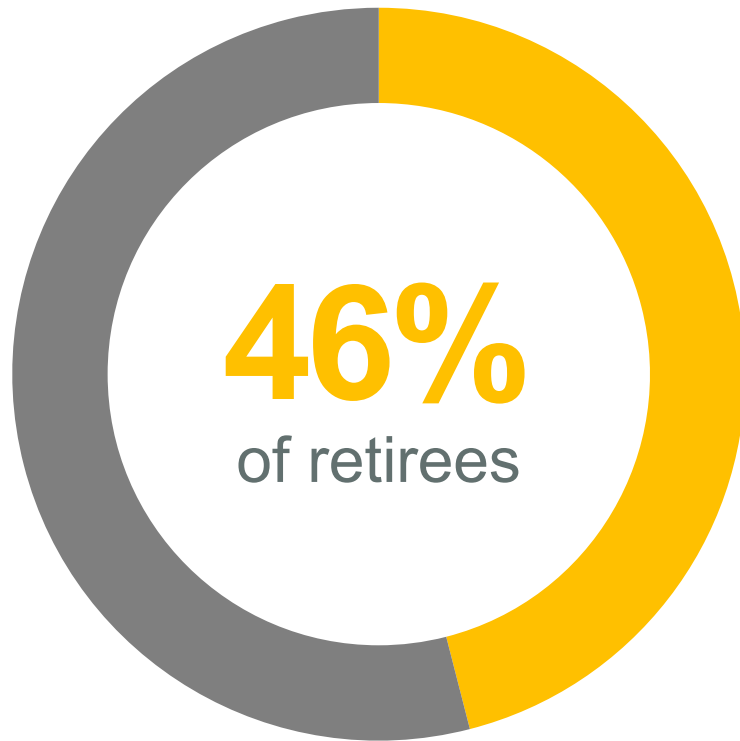
Committed



to America's
workers

Today's agenda

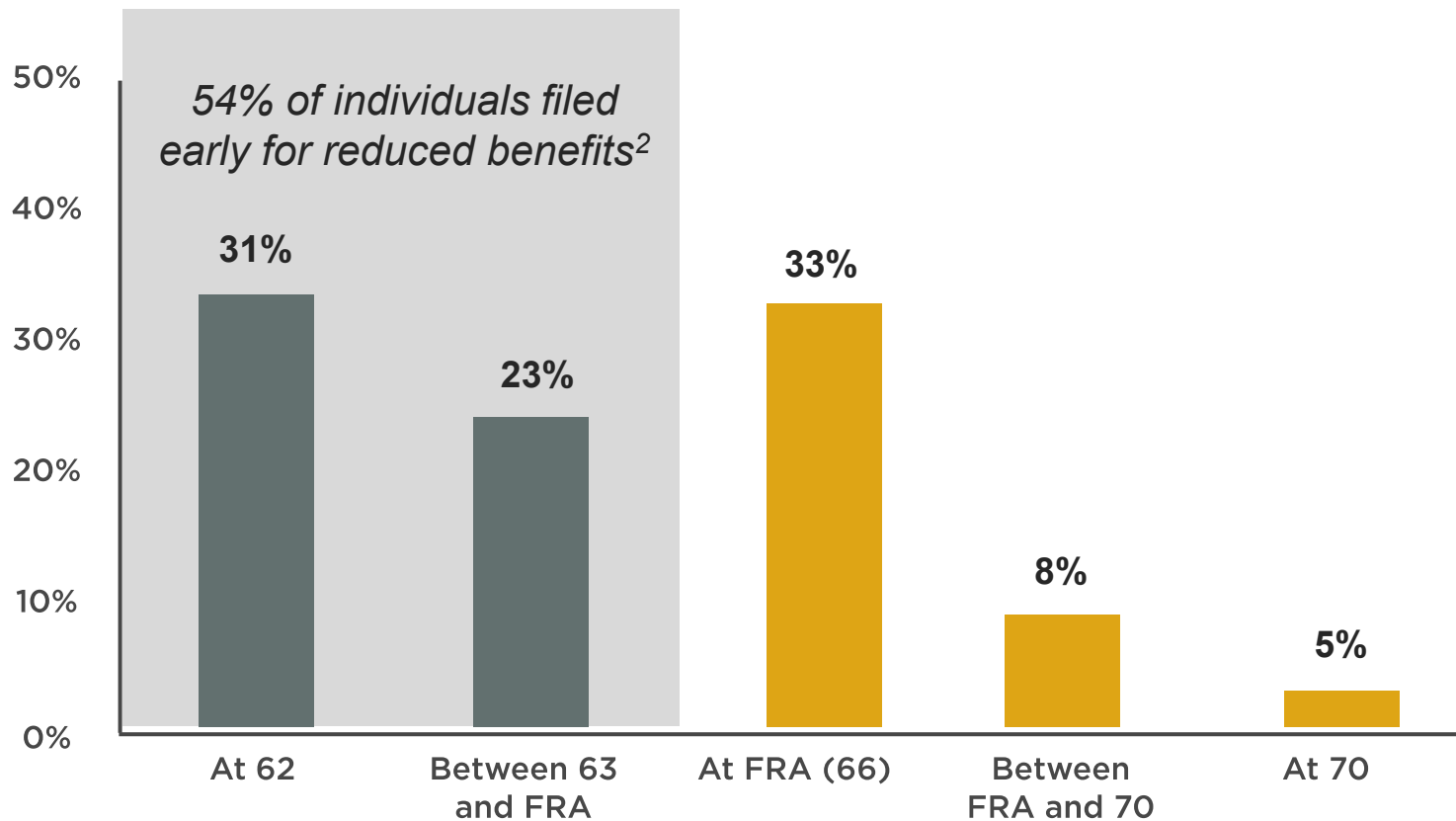
- Social Security – the choice of a lifetime
- Social Security basics
- Managing the discussion



underestimate their life
expectancy by 5 years or more.

Most file at the earliest possible time

New Social Security claimants in a calendar year¹



¹ Source: SS Supplement 2018. Table 6.B5, Social Security Administration, 2017 calendar year. ² FRA = Full retirement age. For this data, FRA is 66.

Jim and Linda's Options

Meet Jim and Linda, a married couple

Jim is 66 and Linda is 61

\$2,539

Jim's SS benefit at FRA

\$1,694

Linda's SS benefit at FRA

This example is hypothetical and for illustrative purposes only.

Figures as shown represent future-value and assume average life expectancy of 85 for men and 88 for women and 2.5% annual cost-of-living adjustments (COLA).

* Represents results if Jim files today and Linda files when she's 62.



Another Option for Jim and Linda

Meet Jim and Linda, a married couple

Jim is 66 and Linda is 61

\$2,539

Jim's SS benefit at FRA

\$1,694

Linda's SS benefit at FRA

This example is hypothetical and for illustrative purposes only.

Figures as shown represent future-value and assume average life expectancy of 85 for men and 88 for women and 2.5% annual cost-of-living adjustments (COLA).

* Represents results if Jim files today and Linda files when she's 62.



Another Option for A Single Person

Meet Jim, a single person in retirement

Jim is 61

\$2,600

Jim's SS benefit at FRA (66 years and 6 months)

This example is hypothetical and for illustrative purposes only.

Figures as shown represent future-value and assume average life expectancy of 85 for men and 2.5% annual cost-of-living adjustments (COLA).

\$133,098

Cumulative
benefit
lost by filing
early

\$199,182

Cumulative
benefit
lost by filing
early

Cumulative
benefit if
Jim files
at 62

\$699,882

Cumulative
benefit
if Jim
files at FRA

\$ 832,980

Cumulative
benefit
if Jim
files at 70

\$ 899,064

Comparing options

Married Couple

Jim files standard application for benefits at 70; Linda files standard application at 68

Cumulative benefits: \$1,619,708

Jim files standard at 69; Linda files standard at 68

Cumulative benefits: \$1,583,901 2.21% less in benefits

Jim and Linda both file standard at their FRA
(66 and 2 months for Jim and 66 and 10 months for Linda)

Cumulative benefits: \$1,441,359 11.01 % less in benefits

Jim files standard now; Linda files standard at 62 and 1 month

Cumulative benefits: \$1,387,005 14.37% less in benefits

Figures as shown represent future-value and assume average life expectancy of 85 for men and 88 for women, and 2.5% annual cost-of-living adjustments (COLA).

Comparing options

Single person

Jim files early at 62

Cumulative benefits: \$699,882

Jim files at age 67 (FRA)

Cumulative benefits: \$832,980

19.01% increase in benefits

Jim files at 70

Cumulative benefits: \$899,064

25.45% increase in benefits

Will Social Security be there for you?

Based on combined trust fund reserves and current assumptions⁶:

- Full benefits payable to at least 2034
- With no legislative changes, Social Security would pay 79% of benefits afterward

Proposals to address Social Security solvency

Link COLAs to different inflation indexes

- May increase solvency without significant effect on most Americans
- Current retirees will see smaller annual benefit increases

Increase FRA beyond 67

- Expected to impact workers age 45 and younger to allow time to plan for retiring later

Proposals to address Social Security solvency

Increase or eliminate wage cap

- Raises amount of earned income subject to Social Security taxes
- The 2021 cap is \$142,800

Increase payroll taxes

- Currently set at 12.4% split evenly between workers and employers

Average life expectancy and beyond



	AGE 65	AGE 65
50% chance of reaching age	87	89
25% chance of reaching age	93	96

For married couples, there is a 50% chance one spouse will reach age 93

Source: 2018 LIMRA Retirement Income Reference Book..

Social Security

— The basics —

What does Social Security offer?

Old Age, Survivors and Disability Insurance (OASDI)

Guaranteed
lifetime income



Survivor benefits

Indexed to
inflation



Preferential
tax treatment

Social Security Act of 1935

- Designed to help older Americans living in poverty during the Great Depression
- Never meant to be sole source of retirement income

Ida May Fuller

First recipient of a monthly Social Security check (1940)

Primary Insurance Amount (PIA)

- Amount received each month if benefits start at full retirement age (FRA)
- Based on lifetime Social Security earnings adjusted for inflation
 - Average indexed monthly earnings (AIME) over highest 35 years of earnings
 - Benefit reflects a percentage of average monthly earnings
 - High-wage earners receive a smaller percentage than low-wage earners
 - Maximum PIA for 2021 is \$3,148
- Social Security statements available on mySocialSecurity
(Sign up at ssa.gov/myaccount.)
-

Social Security statement

- Available at ssa.gov/myaccount
 - Create an online profile
 - Paper statements mailed every five years to those between 25 - 60, and annually to those 60+ if you have not signed up online

Yes
*Re

Earnings

[illegible]

Estimated taxes paid for Social Security:

Estimated taxes paid for Medicare:

You paid:	\$15,375
Your employers paid:	\$15,375

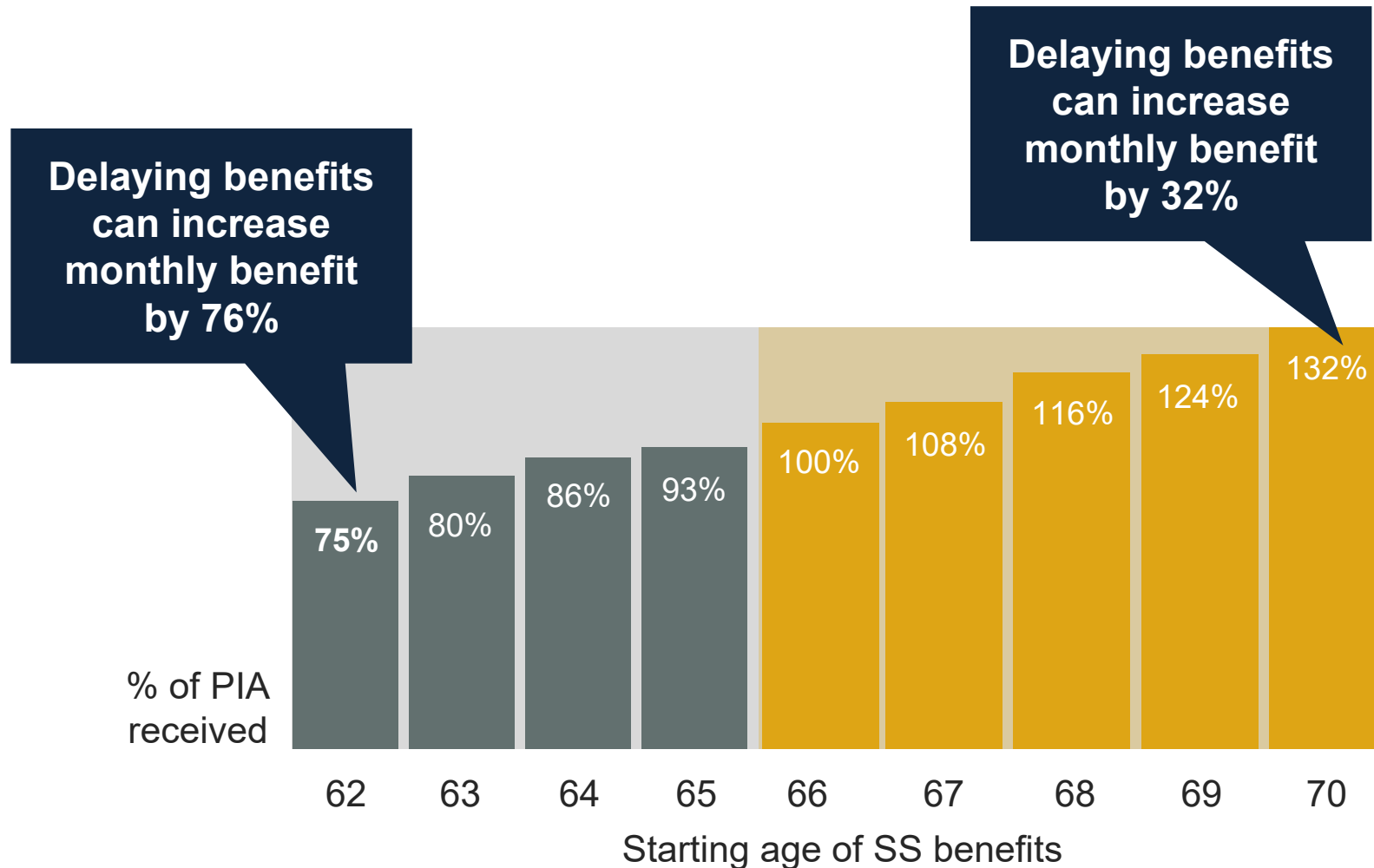
Full Retirement Age

Early				FRA		Delay		
62	63	64	65	66	67	68	69	70

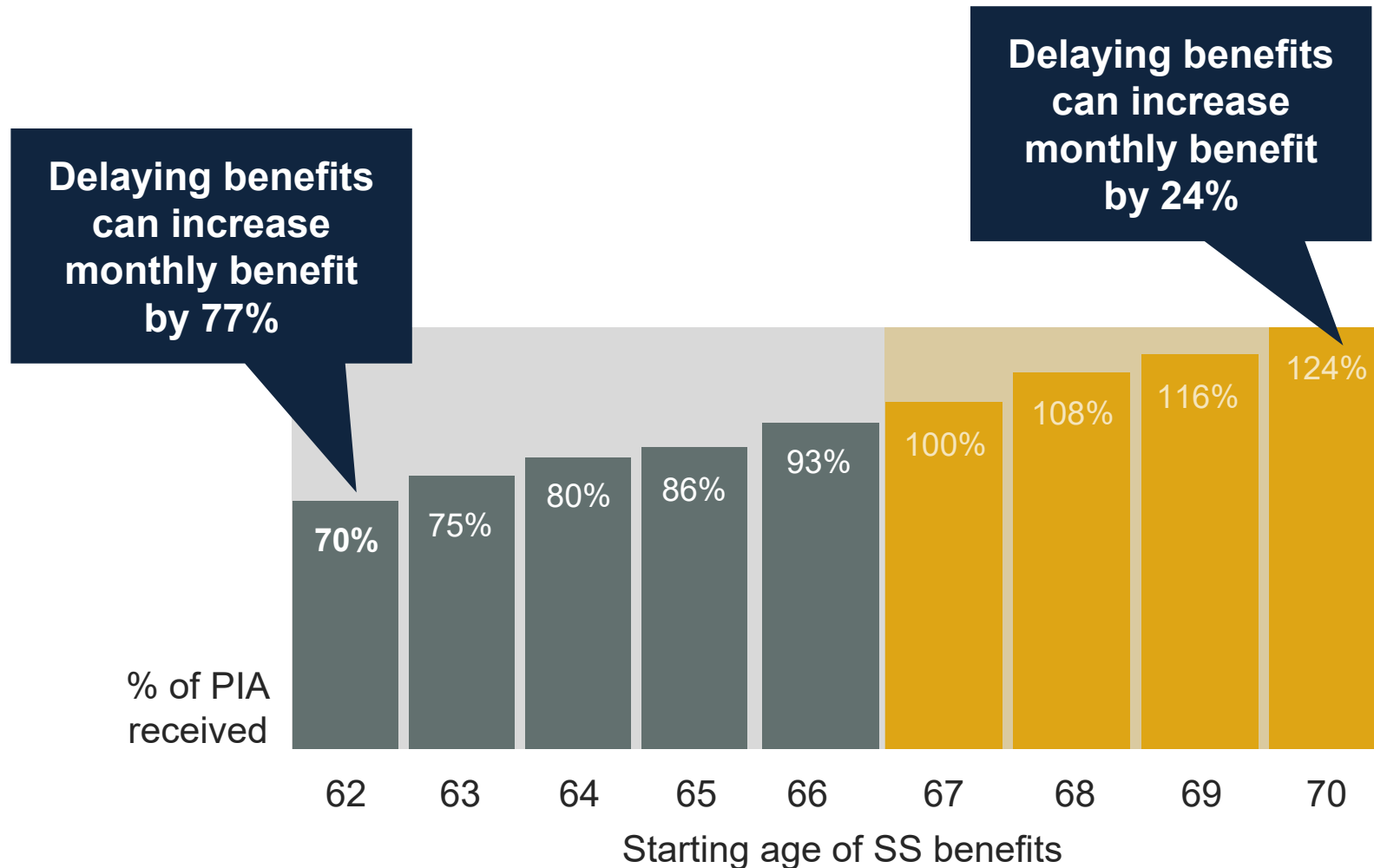
Eligible for 100% of benefits

Birth Year	FRA
1943 - 1954	66
1955	66 + 2 mos.
1956	66 + 4 mos.
1957	66 + 6 mos.
1958	66 + 8 mos.
1959	66 + 10 mos.
1960 - later	67

Early and delayed filing affects monthly benefit



Early and delayed filing affects monthly benefit



Social Security filing options

Prior to FRA and for some after FRA

Deemed Filing

File for all eligible benefits, benefits can be reduced if filing prior to FRA.

At or Beyond Full Retirement Age

File Restricted*

Allows you to begin spousal, divorce or survivor¹ benefits

*Spousal and divorce only available to those born on or before Jan 1, 1954

Filing rules for different situations



Surviving spouses



Spouses



Divorced spouses



Dependent children



Disabled individuals

Spousal filing rules



Eligibility

- Eligible at 62
- Married for at least one year
- One spouse must file for the other to claim benefits



Benefits

- **Up to 50%** of spouse's PIA

For surviving spouses



Eligibility

- Married for at least 9 months
- Benefits can be taken as early as age 60*
- Currently widowed or remarried after age 60



Benefits

- Up to spouse's PIA including delayed retirement credits earned
- Survivor benefits can be received independent of individual benefits

* Filing from 60 and up to FRA will permanently reduce monthly survivor benefits, but not impact the survivor's own benefits

For divorced spouses



Eligibility

- Married for at least 10 years
- Currently unmarried
- Ex-spouse does not have to file beyond two years after divorce



Benefits

- Spousal, then survivor benefits
- No impact on ex-spouse's benefit
- Not subject to the family maximum

For dependent children



Eligibility

- Dependent under age 18
- Disabled dependents if disability occurred before age 22



Benefits

- 50% of parent's PIA
- 75% of deceased's PIA

For disabled individuals



Eligibility

- Qualifying medical condition
- Recent work test (individual)
- Duration of work test (individual)



Benefits

- Individual benefit
- Spousal benefit
- Survivor benefit
- Dependent children benefit

How working impacts Social Security

If under FRA for the full year

- \$1 withheld for every \$2 above annual limit

(\$18,960 or \$1,580/month)

In the year of FRA (Up to FRA month)

- \$1 withheld for every \$3 above annual limit

(\$50,520 or \$4,210/month)

At FRA and beyond

- No limit on earnings
- Withheld earnings are returned

Example – filing before FRA



Jim: 64 years old
FRA: 66 years old
Monthly benefit: \$1,700 (\$20,400 annually)
Annual salary: \$50,000

The earnings test:

$$\begin{array}{r}
 \$50,000 \\
 - \$18,960 \\
 \hline
 \$31,040 \div 2 = \$15,520 \text{ withheld}
 \end{array}$$

Benefits paid												Total:
										\$1,700	\$1,700	\$3,400
Benefits withheld												
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700	\$1,700			\$17,000

- Despite needing \$220 in October to reach the full annual withholding of \$15,520, the full monthly benefit of \$1,700 is withheld
- The additional \$1,480 that was withheld is paid back the following year

Example – filing in the year of FRA



Linda: 65 years old

FRA: 66 years 2 months old

Monthly benefit: \$2,000 (\$24,000 annually)

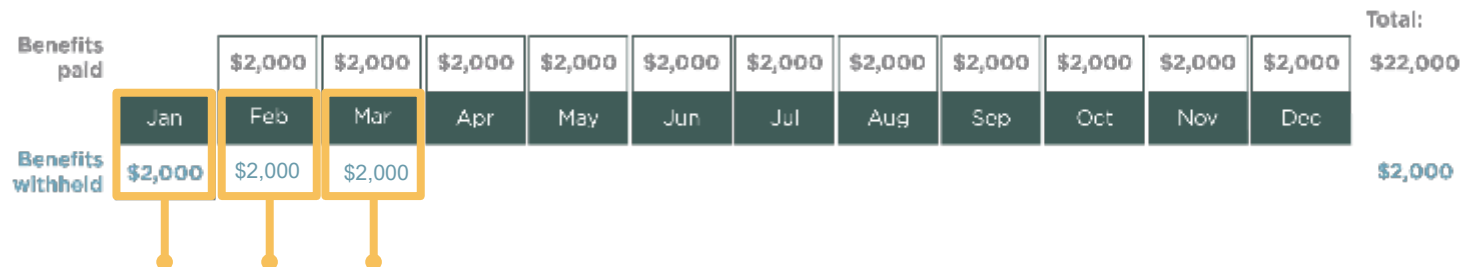
Annual salary: \$84,000 (\$7,000 monthly)

The earnings test:

\$63,000

— \$50,520

\$12,480 ÷ 3 = \$4160 withheld



- Despite needing to withhold \$2000 in January through early March to reach the full annual withholding, the full monthly benefit of \$2,000 is withheld through March
- The additional \$1840 that was withheld is paid back the following year

For same-sex couples

- On June 26, 2015, the Supreme Court issued a decision in *Obergefell v. Hodges*, holding that same-sex couples have a constitutional right to marry in all states
- Same-sex couples now recognizes same-sex couples' marriages in all states, and some non-marital legal relationships
- More information at socialsecurity.gov/people/same-sex-couples

For government employees

Windfall elimination provision (WEP)

- Reduces individual benefit to prevent higher benefits on top of pension income
- Changes formula used to calculate PIA and reductions
 - As little as 40% of first \$960 instead of 90%¹
 - Reduction cannot be more than ½ of pension amount
 - Maximum PIA reduction for WEP is \$480.00¹

¹ Social Security Administration (2018).

Effect on spousal or survivor's benefit

Government Pension Offset (GPO)

- Reduces a government employee's Social Security spousal or survivor's benefits
- Benefits are reduced by 2/3 of their government pension
- If government pension is large enough, spousal or survivor's benefit may be eliminated

How GPO reduces benefits

Spouse 1

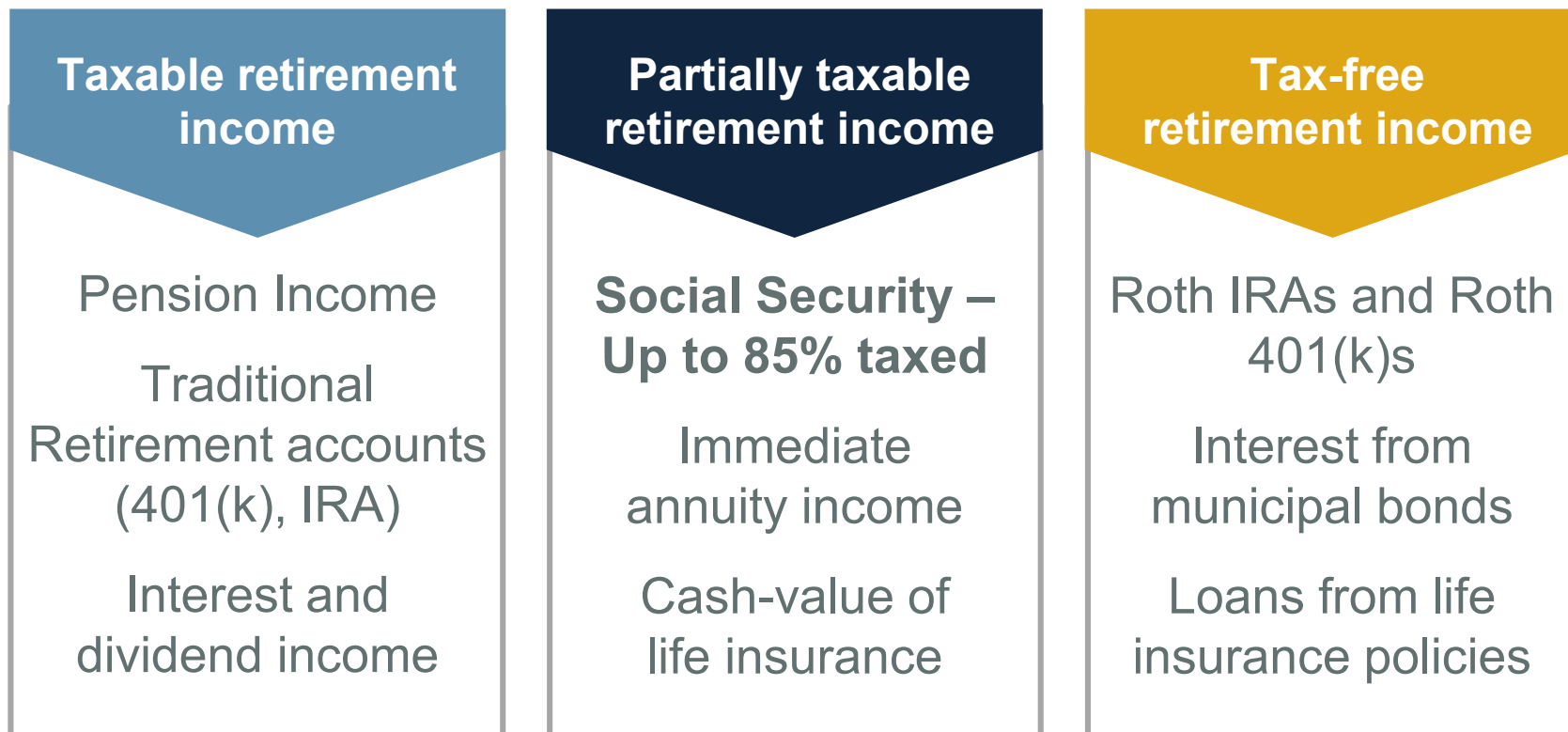
- Worked in government throughout career
- Receiving \$3,000 monthly pension
- GPO = \$2,000 (2/3 of \$3,000)

Spouse 2

- Worked in private sector
- Paid FICA taxes
- PIA: \$2,500/month

	Spouse 1 benefit before GPO (if GPO didn't apply)	Spouse 1 benefit after GPO (reduction of \$2,000)
Spousal benefit	\$1,250 per month	\$0
Survivor benefit	\$2,500 per month	\$500

Concern: Taxation



Please note that Nationwide does not provide legal, tax, or accounting advice. You should consult with your accounting or tax professional for guidance regarding your specific financial situation.

Concern: Taxation

	Reduced benefits	Maximum benefits	
Target pre-tax income	\$90,000	\$90,000	
Social Security benefits	\$30,690	\$54,014	Delayed filing increases Social Security by 76%
Traditional retirement income	\$59,310	\$35,986	
Provisional income	\$74,655	\$62,993	
Total taxable income AGI + income after Social Security income test	\$85,397	\$58,130	Taxable income decreases by 32%

This example is hypothetical and for illustrative purposes only

— Managing the —

Social Security discussion

Simplifying Social Security decisions

Nationwide's Social Security 360 Analyzer[®] tool

- Identifies optimal filing methods and allows you to adjust parameters to compare different strategies
- Provides instructions on how to file
- Helps you integrate Social Security into your comprehensive retirement income plan

Social Security Assessment

This report is provided for informational purposes only and should not be construed as investment, tax, or legal advice or a solicitation to buy or sell any specific securities product. You should work closely with your financial professional to develop a plan that incorporates your investment objectives, goals, risk tolerance and time horizons based on your specific situation. This report relies upon the accuracy of the data you provide and is an estimate of the Social Security benefit you may receive which will differ from the actual benefit amount you receive at the time of application with the Social Security Administration. The information provided is based on current laws which are subject to change at any time. This report has not been reviewed or endorsed by any government agency.

Social Security Assessment



Make an informed Social Security decision

*Your personalized Social Security report, powered by Social Security
Timing® — Compare your options and choose for your future*

Mr Jim & Mrs Linda

Prepared by the Nationwide Retirement Institute

Tuesday, January 12, 2021

Report Number 652888

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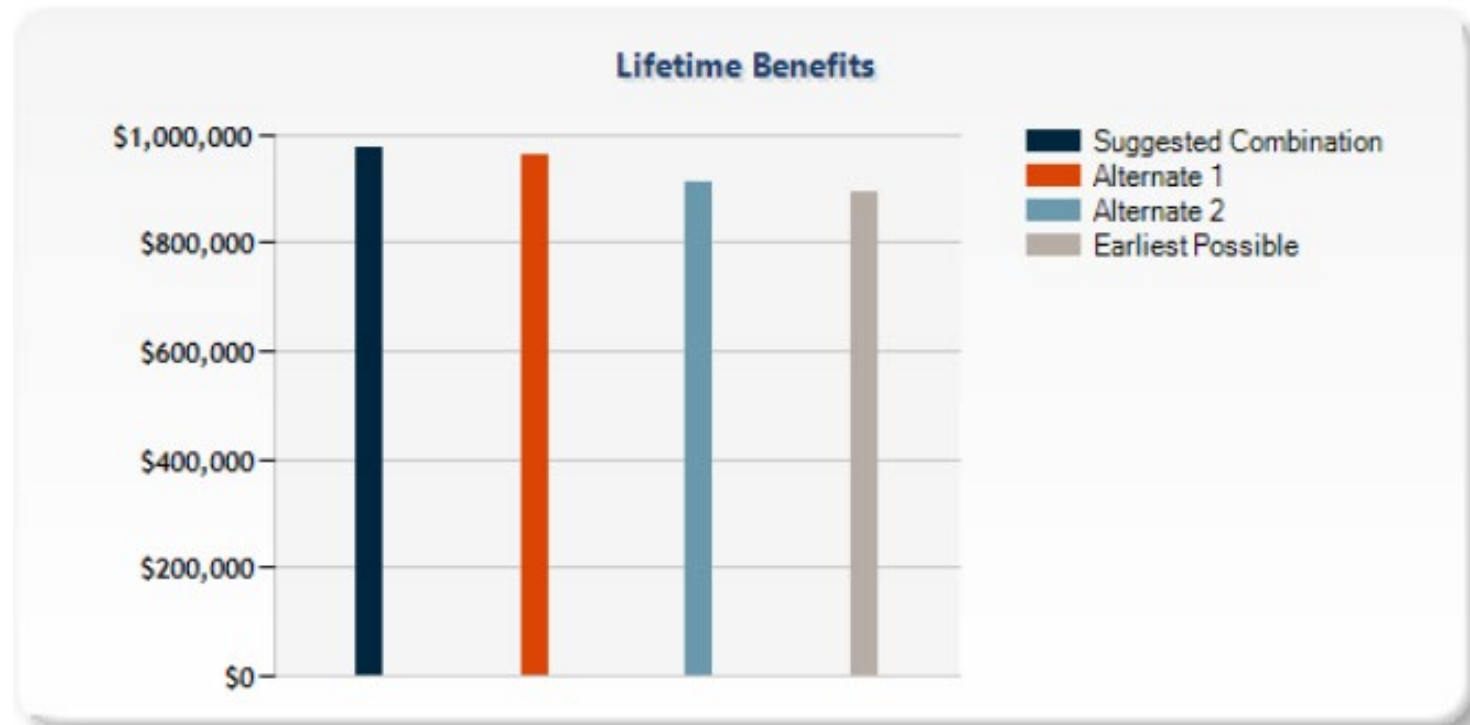
The information collected on this Social Security Report will be kept confidential and used to provide an overview of a client's potential Social Security benefit. Please keep in mind that the results of this report are for hypothetical purposes only and are not guaranteed.

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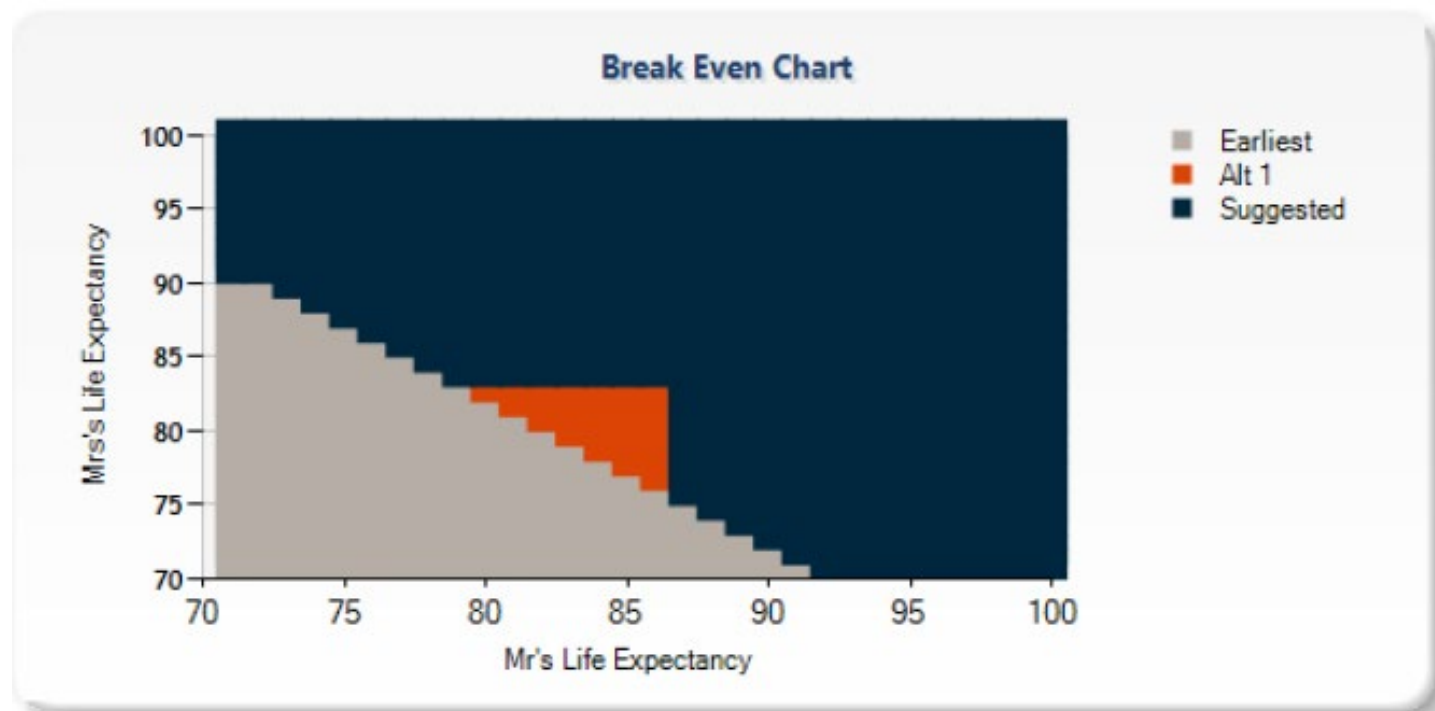
Compare filing strategies

The client's Social Security report shows cumulative benefits of an optimization strategy vs. early filing and alternative filing strategies



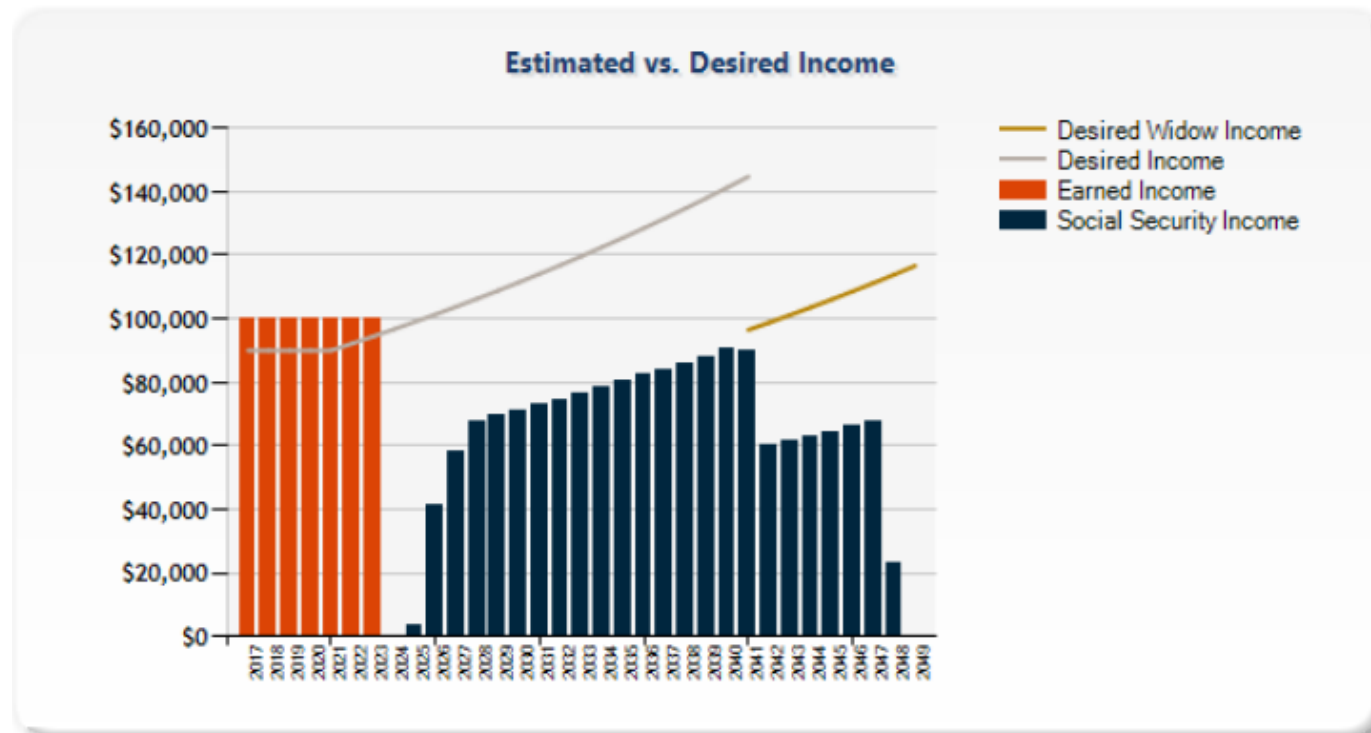
Analyze break-even points

Illustrates which of the outlined strategies provides the best outcome at any given set of mortality assumptions for Social Security claimants



Identify income gaps

The report illustrates annual Social Security cash flow for the suggested filing strategy vs. projected retirement income needs.



Optimal Social Security strategy example

The expected lifetime family benefit using the strategy example is:

\$974,259

Note that this illustration is for educational purposes only.

Jim

- File a standard application for benefits at age 70 years. Your approximate monthly benefit would be \$3,347

Linda

- File a standard application for benefits at age 68 years. Your approximate monthly benefit would be \$2,016


Cash flow analysis helps identify income gaps

Estimated Cashflows for your Optimal Social Security Strategy

Mr					Mrs									
Combined Benefit Breakdown Net Present Value					Combined Benefit Breakdown Net Present Value									
Retirement Spousal Widow					Retirement Spousal Widow									
Year	Age	Retirement	Spousal	Widow	Year	Age	Retirement	Spousal	Widow	Year	Age	Retirement	Spousal	Widow
2034	79	\$49,704	\$0	\$0	75	\$28,560	\$0	\$0	\$0	2034	79	\$49,704	\$0	\$0
2035	80	\$50,904	\$0	\$0	76	\$29,244	\$0	\$0	\$0	2035	80	\$50,904	\$0	\$0
2036	81	\$52,128	\$0	\$0	77	\$29,952	\$0	\$0	\$0	2036	81	\$52,128	\$0	\$0
2037	82	\$53,376	\$0	\$0	78	\$30,660	\$0	\$0	\$0	2037	82	\$53,376	\$0	\$0
2038	83	\$54,648	\$0	\$0	79	\$31,404	\$0	\$0	\$0	2038	83	\$54,648	\$0	\$0
2039	84	\$55,968	\$0	\$0	80	\$32,148	\$0	\$0	\$0	2039	84	\$55,968	\$0	\$0
2040	85	\$57,300	\$0	\$0	81	\$32,928	\$0	\$0	\$0	2040	85	\$57,300	\$0	\$0
2041	86	\$53,790	\$0	\$0	82	\$30,910	\$0	\$4,889	\$89,589	2041	86	\$53,790	\$0	\$0
2042	87	\$0	\$0	\$0	83	\$0	\$0	\$60,084	\$60,084	2042	87	\$0	\$0	\$0
2043	88	\$0	\$0	\$0	84	\$0	\$0	\$61,524	\$61,524	2043	88	\$0	\$0	\$0
2044	89	\$0	\$0	\$0	85	\$0	\$0	\$63,000	\$63,000	2044	89	\$0	\$0	\$0
2045	90	\$0	\$0	\$0	86	\$0	\$0	\$64,512	\$64,512	2045	90	\$0	\$0	\$0
2046	91	\$0	\$0	\$0	87	\$0	\$0	\$66,060	\$66,060	2046	91	\$0	\$0	\$0
2047	92	\$0	\$0	\$0	88	\$0	\$0	\$67,644	\$67,644	2047	92	\$0	\$0	\$0
2048	93	\$0	\$0	\$0	89	\$0	\$0	\$23,088	\$23,088	2048	93	\$0	\$0	\$0
		\$789,125	\$0	\$0		\$419,782	\$0	\$410,801	\$1,619,708			\$700,000	\$3,475,331	(\$1,155,623)

After Jim passes away, Linda begins her survivor benefit.

Helps gather relevant client information to prepare a filing strategy comparison

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Social Security 360 Analyzer™ Fact Finder

First Name: _____

Home Phone No.: _____

Employer Name: _____ Title: _____ Employment Status: _____ Social Security Number: _____	Plan Number: _____ Plan Type: _____ Plan: _____ Address: _____ City/State/Zip: _____
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Before you begin: If you are doing this form for a Social Security beneficiary, please check the box below.

☐ Yes, I am doing this form for a Social Security beneficiary. ☐ No, I am doing this form for myself.

Answer the questions below and enter the numbers in the boxes. Then, after a warning message at the top of the screen, when you click on the "Calculate" button, the results will appear on the next screen. To continue the next screen, click on the "Calculate" button.

About you

First Name

First Name (Last, First, Middle): _____

Gender: ☐ Male ☐ Female

What is your current marital status? ☐ Married ☐ Single ☐ Divorced ☐ Widowed ☐ Other _____

Are you currently employed? ☐ Yes ☐ No ☐ Don't know/decline to answer

If you are currently employed, what is your employer's name? _____

Last Name

Last Name (Last, First, Middle): _____

City of Birth: _____

State of Birth: _____

What is your current address? _____

What is your current city and state? _____

What is your current zip code? _____

Comments or Non-profit Organization Donations

Do you have a current non-profit organization in which you do not pay and a non-profit organization in which you do not pay? ☐ Yes ☐ No ☐ Don't know/decline to answer

If you have a current non-profit organization in which you do not pay, what is the name of the non-profit organization? _____

If you have a current non-profit organization in which you do not pay, what is the address of the non-profit organization? _____

If you have a current non-profit organization in which you do not pay, what is the city and state of the non-profit organization? _____

If you have a current non-profit organization in which you do not pay, what is the zip code of the non-profit organization? _____

Your earnings

What is your gross salary? _____

What is your net salary? _____

What is your net salary after taxes? _____

What is your net salary after taxes and Social Security? _____

What is your net salary after taxes and Social Security? _____

What is your net salary after taxes and Social Security? _____

What is your net salary after taxes and Social Security? _____

What is your net salary after taxes and Social Security? _____

Your retirement income assumption

What is your desired monthly pension income? _____

What is your desired monthly pension income? _____

What is your desired monthly pension income? _____

What is your desired monthly pension income? _____

How many years of service do you have?

How many years of service do you have? _____

How many years of service do you have? _____

How many years of service do you have? _____

How many years of service do you have? _____

If the information entered is incorrect, please click on the "Back" button.

If the information entered is correct, please click on the "Calculate" button.

Social Security fact finder

About your spouse	
First name:	Last name:
Gender: <input type="checkbox"/> Male <input type="checkbox"/> Female	Date of birth (mm/dd/yy): ____/____/____
What I <i>Complete this form and return it</i>	
Have y <i>to the Retirement Institute Planning Team.</i>	
If si	
Gover <u>nriplanning@nationwide.com</u>	
Do you Fax: 1-855-256-4200	
If yes, i	
Wh	
Wh	
Your s Have questions? Call 1-877-245-0763.	
For this s	
Statement date: ____/____/____	Your estimated monthly benefits at full retirement age: \$____
At what age do you plan to stop working? _____	
If you're planning to work after 62, what is your anticipated annual employment income? \$_____	
At what age do you plan to stop working? _____	
If you're planning to work after 62, what is your anticipated annual employment income? \$_____	

The choice of a lifetime

- When and how you file for Social Security is an important decision
- Learn how to claim benefits for other family members and how to put the filing rules to work
- Consider your filing decision in the big picture of your overall retirement income plan

Three steps in Social Security planning

- Get a good understanding of the basics of Social Security
- Make an appointment to discuss your Social Security options
- Complete a Social Security fact finder in advance of the meeting

Questions? Contact us!

- Beau Kelley: bkelly.cfsinvest@soundcu.com
- Mitch Hamilton: mhamilton.cfsinvest@soundcu.com
- Andrew Lawrence: alawrence.cfsinvest@soundcu.com
- Mike Lin: mlin.cfsinvest@soundcu.com



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