

The Value of Social Security In Estate Planning



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Biggest Retirement Fears Among Baby Boomers

- Outliving Your Money
- Cost of Health Care
- Social Security Going Broke



Retirement Spending



TOTAL "BASIC" EXPENSES = \$33,057

Source: U.S. Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, 2014

A Closer Look At Today's Retirement Trends

- Claiming Social Security Benefits Early
- American's Are Not Saving Enough
- Increased Life Expectancy

Claiming Benefits Early

- **Question:** "When should I start my Social Security benefits?"
- **Answer:** "As soon as I can."
- **Fact:** 66% of beneficiaries receive permanently reduced benefits.

U.S. News & World Report, June 2015	MEN	WOMEN
Age 62	42%	48%
Age 66	34%	27%
Age 70	2%	4%

Early Benefits Can Be Costly

When You Start Benefits Has A Lifetime Impact



Early @ 62	Full @ 66	Max. @ 70
75%	100%	132%
\$1,500	\$2,000	\$2,640

Meet Mike and Carol

- Mike turned 62 last December, and he retired from his job this summer.
- Mike wants to start Social Security right now at \$1,575 per month.
- Carol turned 62 in January 2016. She also wants to start her Social Security right now at \$1,175 per month.
- Mike plans to live to 85 and Carol plans to live to 90.
- If they live to those precise ages, they will collect about:



\$834,900 in total benefits

Mike and Carol Have Other Options



- Carol decides to file for her retirement right now in the amount of \$1,175 per month.
- Mike waits until he is 66 (FRA) in order to file a "Restricted Application" for only the spousal benefit.
- In December 2019, Mike begins receiving \$750 per month as a husband on Carol's record.
- In December 2023, Mike switches to his maximum Social Security retirement in the amount of \$2,640.
- If Mike lives to age 85 and Carol lives to age 90, they will collect:

\$985,965 in total benefits.

Saving For Retirement?


18 Years
Length of the
average retirement.**

**Statistic Brain, 2016


\$9,556
Annual income generated over the 18 years of retirement
from a median savings of \$172,000 — yep, that's annual,
not monthly.

Happy 65th Birthday!

- 10,000 Baby Boomers reaching age 65 every day*
- One person turns 65 every 8 seconds.**
- 4 million Americans per year are turning 65**
- One in five Americans will be 65 by the year 2025**
- One in three people age 65 will reach the age of 90***



*Pew Research Center
**Caring Across America
***Social Security Administration

When Should Someone Start Benefits?

Depends on a lot of factors:

- Marital Status
- Age
- Life Expectancy
- Total assets available
- The need for income
- Desired standard of living
- Planning to continue work
- Survivor needs



The best strategy considers
all of these factors.

Avoid Costly Traps



- The “Restricted Application” went away.
- Just apply at age 70
- “Social Security isn’t that complicated.”
- Go to Social Security for advice
- DIY - Softwares and Calculators

The Restricted Application Still Possible Until January 2024

	Married Couples		Divorced, Married 10 Years, Not Remarried		Widower(s)	
	File and Suspend	Restricted Application	File and Suspend	Restricted Application	File and Suspend	Restricted Application
File and Suspend Dates Age 68 or older on April 30, 2016* (Born April 30, 1950* or earlier)	Able to file and suspend prior to April 30, 2016*, must have reached FRA		Not applicable		New rules do not apply to widower(s) benefits; can choose when to begin own or widower(s) benefits and later switch	
Restricted Application Dates Age 62 or older in 2015 (born January 1, 1954 or earlier)	File and Suspend not an option	Can file a Restricted Application at FRA	Not applicable	Can file a Restricted Application at FRA if all other requirements for divorced spouse benefits are met.	New rules do not apply to widower(s) benefits; can choose when to begin own or widower(s) benefits and later switch	
Younger than age 62 in 2015 (born January 2, 1954 or later)	File and Suspend not an option	Restricted Application not an option		Restricted Application not an option		

Just Apply At Age 70

- Even without “File and Suspend” there are still too many options
- Consider all the factors (marital status, age, etc.)
- Requires analysis of the options and tradeoffs
- Best option is normally between 62 and 70
- Extremely individualized situations

Social Security Is Not That Complicated

- Bankrate Retirement Blog: 567 ways to claim benefits
- CNBC June 2015 Article - "Social Security Puzzle: Married Couples Can Claim 8,000 Ways"
- Financial Advisor Magazine, Sept. 2016 ~ 2,728 rules governing benefits
- Single, divorced, widowed
- Non-covered pensions
- Annual Earnings Test
- Taxes on benefits
- Increasing Full Retirement Age (FRA)



Go To SSA Office For Advice

- SSA employees do not provide advice (claiming strategies, tradeoffs, breakeven points)
- Number of visitors is a hinderance to getting the necessary answers
- Get conflicting answers



Softwares & Calculators

- Is the software thorough enough?
 - Lifetime income from Social Security can easily exceed one million dollars for a couple
 - Best advice considers every option, not just a few
- Using a free tool
 - Does it allow changing the life expectancy, starting points, earnings in later years? Many free tools only provide benefit amounts.
 - Price is what you pay, quality is what you get, or don't get.
- Software and Calculators results need to be interpreted by an expert.

Benefit Boosters

5 ways to increase Social Security even after you have started:

- Withdrawal or "Do Over"
- Voluntary Suspension
- Go back to work
- Add spousal benefits later
- Remember to switch later



Summary

- When you claim benefits matters.
- The rules are complicated and voluminous.
- There are many combinations to claim benefits.
- Avoid "traps" by knowing all your options.
- Still possible to take advantage of grandfathering rules.
- It is possible to increase benefits even after you start them.
- Give your Social Security benefits the attention they deserve.
- Seek expert advice.

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