



How to Maximize Your Social Security Benefits



Provided to you by:

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Written by Financial Educators

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I would like to thank you for requesting a free copy of our book.

Whether planning on retiring soon, retired or would like information on rolling over a 401(k), TSP, 457, IRA, 403b or an outdated annuity that has been losing money currently in the market with ZERO guarantees for protection!!

It is important that you have a basic understanding of your options in order to make intelligent and educated decision by letting me help you achieve your goal.

To RETIRE HAPPY, it's my mission to answer questions and help you in the transition to protection and upside growth!

I or my executive manager Ron Paperno, will be reaching out to you in a few days to see how we can be of service.

Very truly yours,

Ray Manalus

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SAFE LIQUIDITY PROTECTION

How to Maximize Your Social Security Benefits

All of the information in this booklet is based on the data at the government's social security web site www.ssa.gov effective for 2016, unless otherwise stated. But rather than repeat the rules, we show you how to USE the rules in plain English to maximize what you have coming to you. Figures change annually, so consult the government's web site for 2015 and later.¹ We answer five questions for you:

1. Can you do anything to potentially increase your social security check before you retire?
2. At what age is it best to start social security?
3. How can married couples help maximize the joint benefits?
4. What methods are available to reduce or avoid tax on your social security benefits?
5. How can you earn money and still collect social security benefits?

Coming Up on Retirement

You may have a simple question like, "What can I do now to get the biggest check?" The answer is not much but you do have some possibilities if married (explained later). Your social security benefit is based on your 35 highest years of income. So even if you have a couple of "break-the-bank" years of earnings just before you retire, it won't have much impact on your social security check for two reasons:

- (a) Each of the 35 years gets an equal weighting so two years out of 35 (2/35) could only impact what would be for example, a \$1,300 monthly check by \$74.
- (b) High earning years have a minimal impact because of the 420 months in the calculation (12 months x 35 years.) The first \$856 you earned in a month counts six times as much as the monthly earnings **over** \$5,157.² And annual earnings over \$118,500 will not help you at all (for 2016, increasing each year thereafter).

If you are single, the only option to increase the size of your social security benefit is to delay your starting date as explained in the next section. (However, if you are divorced or widowed, you may be able to collect on the earnings record of your deceased or ex-spouse as early as age 60.)

When Should You Start Your Social Security--Age 62, 65, 70?

This is a really straightforward question and if the math were the only factor, here's the straight- forward answer: wait at least until "full retirement age." Following is the table of full retirement ages and the reductions for starting social security payments early.

¹This booklet will be republished each year with the government's figures that apply.

²Social Security web site 12/24/15 <http://www.ssa.gov/oact/cola/piaformula.html>

No matter what your full retirement age is, you may start receiving benefits as early as age 62.

Note: If you were born on January 1st of any year you should refer to the previous year in the chart below.

Year of Birth	Full Retirement Age	Age 62 Reduction Months	Monthly % Reduction	Total % Reduction ¹	Monthly % Reduction (spouse ²)	Total % Reduction (spouse ²)
1937 or earlier	65	36	.555	20.00	.694	62.50
1938	65 and 2 months	38	.548	20.83	.679	62.92
1939	65 and 4 months	40	.541	21.67	.667	63.34
1940	65 and 6 months	42	.535	22.50	.655	63.75
1941	65 and 8 months	44	.530	23.33	.644	64.17
1942	65 and 10 months	46	.525	24.17	.634	64.58
1943--1954	66	48	.520	25.00	.625	65.00
1955	66 and 2 months	50	.516	25.84	.617	65.42
1956	66 and 4 months	52	.512	26.66	.609	65.84
1957	66 and 6 months	54	.509	27.50	.602	66.25
1958	66 and 8 months	56	.505	28.33	.595	66.67
1959	66 and 10 months	58	.502	29.17	.589	67.08
1960 and later	67	60	.500	30.00	.583	67.50

So let's take this hypothetical example:

You were born in 1952 and turned age 62 in 2014. Your full retirement age is 66. You are projected to receive \$1,500 monthly at that time. However, you could start your benefits at age 62 and receive \$1,125 (25% reduction). So do you wait and get \$1,500 monthly at age 66 or take \$1,125 now at age 62?

Some people argue that if they start benefits at age 62, they will get a smaller monthly amount but they could invest it. Hypothetically, if you could invest the funds at 5% guaranteed and that you view yourself as having average life expectancy, you would still not come out ahead by starting payments at age 62. (This calculation can be

done using any financial calculator or spreadsheet with a present value function and the above assumptions.)

Because there is more to life than your life expectancy and discount rate, here are the other factors to consider:

Issue	This would argue to...
If you think you can earn more than 6% annually, for sure	Take the money now
If people in your family tend to outlive the average life expectancy	Take the money later
If you need the money to live on now and have no other sources	Take the money now
If you are married and your spouse is also dependent on the payments	Takes a lot more figuring - call us on this one
Your tax bracket will be lower later	Take the money later
Will you have earned income prior to your full retirement age forcing you to forfeit some of your social security benefit?	Take the money later
If you are divorced and your spouse is deceased and you can get benefits based on your ex-spouses earnings, take it now and let you own benefit grow	Take the money later

Once you start to consider several of these factors at once, you may get a headache. Unfortunately, there is no blanket answer as to when to begin social security payments to maximize the benefit. This is an issue a retirement advisor can calculate for you taking into account your entire financial and personal situation.

How Do I Get the Most for My Spouse?

Let's look at an example; Margaret just turned 62 (before 1/1/16) and her husband is 64. Margaret has not worked for the past 10 years and worked 20 of the last 35 years. If she retires now, she's entitled to a monthly payment of \$400 (after the 25 percent reduction for starting benefits retirement at the age of 62). When Margaret's husband retires at the age of 66, in two years, his monthly Social Security benefit will be \$1,350. Margaret could claim her social security today and receive her \$400 per month, based on her own earnings. Then when her husband retires and begins benefits, she could receive a benefit based on his work record. This will come to \$472.50, or 35% of her husband's benefit (see prior table). You may have heard that spouses get 50% of the higher-earning spouses benefit-but that's ONLY if they wait until their own full retirement age to start collecting benefits.

³Life expectancies as per IRS Publication 590, table 1.

Decisions for Spouses

<p>Start my own benefits at age 62</p>	<p>You can take reduced benefits on your wage record before full retirement age. If you do, your benefit will always be reduced--even if you take reduced benefits on your own record and then take spouse's benefits when the higher earning spouse retires. (See previous table showing reduction in spousal benefits).</p>
<p>Start my own benefits at full retirement age</p>	<p>If you are the higher earning spouse, you always will qualify for benefits under your own earnings record and then the decision is when to start benefits as discussed in the previous section.</p>
<p>Start benefits at age 62 based on my spouses social security earnings</p>	<p>You cannot receive spouse's benefits until your spouse files for and receives retirement benefits. If you choose to receive a reduced benefit before full retirement age, you are not entitled to the full spouse's benefit rate upon reaching full retirement age. A reduced benefit rate is payable for as long as you remain entitled to spouse's benefits.</p>
<p>Start benefits at full retirement age based on my spouses social security earnings</p>	<p>If you stopped working for several years or had low earnings, the spouse's benefit may be higher. At full retirement age, a spouse receives 50 percent of what the higher-earning spouse is entitled to at full retirement age. At death of the higher earning spouse, you receive that deceased spouse's full benefit.</p>

How Do I Reduce/Avoid Income Tax On My Social Security Benefits?

The basic rule is that social security benefits are taxable if your "modified adjusted gross income" (defined as your adjusted gross income from your income tax return plus 50% of social security benefits plus tax-exempt interest plus exclusions per IRS publication 915) exceeds the following limits:

Percent of social security income taxed	Single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of the year	Married people

0%	Less than \$25,000	Less than \$34,000
Up to 50%	\$25,001-\$34,000	\$34,001 to \$44,000
Up to 85%	More than \$34,000	More than \$44,000

Therefore, if you can engineer your includable income below these limits, you may be able to reduce or eliminate taxes on social security income. This may be possible using annuities. While this is not a recommendation to buy annuities, just because they can help reduce the tax on your social security income, the table below illustrates how this is possible in some circumstances.

Using Fixed Annuities to Reduce Tax on Social Security Benefits

Hypothetical Illustration--Not Indicative Of Any Specific Product

	Scenario #1 Interest from CDs	Scenario #2 Interest from Tax-Free Bonds	Scenario #3 Fixed Annuity Interest (Not Distributed)
Interest	\$10,000	\$10,000	\$10,000
Pension	\$25,000	\$25,000	\$25,000
Social Security Income	\$20,000	\$20,000	\$20,000
Total Income	\$55,000	\$55,000	\$45,000
Social Security subject to Tax	\$6,850	\$6,850	\$1,500
Adjusted Gross Income	\$41,850	\$31,850	\$26,500
Total Federal Tax	\$2,265	\$1,125	\$590

Annuities are long-term investments and are guaranteed by the claims-paying ability of the issuer as are tax-free bonds, while CDs are FDIC-insured. Annuities and tax-free bonds cashed in prior to maturity may result in gains or loss and withdrawals from annuities prior to term may incur surrender charges. Withdrawals from CDs prior to term may incur early withdrawal penalties. Purchases or redemptions of tax-free bonds or annuities may incur commissions or charges. Withdrawals from annuities are taxed as ordinary income and withdrawals prior to age 59½ are subject to a 10% penalty. Tax-free bonds used for certain private use purposes may be subject to alternative minimum tax. This comparison does not include State income tax, which might change the results. Federal tax calculation per 2016 rates published at www.irs.gov, married filing joint, \$12,600 standard deduction and \$8,100 of personal exemptions.

You can see from the above table that if our hypothetical couple, Mr. and Mrs. Smith, move money from CDs to municipal bonds to fixed annuities, the amount of their social security income subject to tax changes, as does their total federal tax. Their lowest tax situation is with the deferred annuity. If they need to withdraw the interest from the annuity, this solution won't help them, as they come out ahead only if they allow the interest to reinvest.

Earn All You Want and Still Collect your Full Social Security

Because of a prior rule, some people still think there are limits on how much you can

earn and still collect all of the social security to which you are entitled. That is still true for people who opt to take social security before full retirement age (age 66 for those retiring now). However, those working after full retirement age can have unlimited amounts of earned income and still collect their full social security benefit. Here's the rule and then let's look at an example.

Rule: If you are under full retirement age when you start getting your Social Security payments, \$1 in benefits will be deducted for each \$2 you earn above \$15,720 (for 2016)⁴. In the calendar year you attain full retirement age, \$1 in benefits will be deducted for each \$3 you earn above \$41,880 (for 2016) up to the month of full retirement age attainment.

Hypothetical example:

Mrs. Smith, age 62 in March of 2016 decides to retire from employment and start her reduced social security benefits at the rate of \$12,000 annually (\$1,000 per month). She also decides to start a business. By age 63, her business is earning a net profit of \$20,000 annually. She will need to give up \$2,140 ($\$20,000 - \$15,720 / 2$) of her annual social security for this reason: During those months before you reach full retirement age (age 66 for someone born in 1953 like Mrs. Smith), your social security benefits are reduced \$1 for each \$2 you earn over \$15,720 (for 2016).

Mrs. Smith keeps working at her business and by 2019, the year she reaches full retirement age, her business is earning \$50,000 annually. For January and February of 2019 (assuming rates don't change), she must give up \$451 of social security (\$1 for every \$3 her business earns over \$41,880 in the year she reaches full retirement age, prorated for 2 months) and once March 2019 arrives and she becomes 66, she can earn unlimited amounts from her business and will never give up any social security income.

For the test above, earnings include bonuses, commissions and vacation pay, but don't include pensions, annuities, investment income, interest, veterans or other government or military retirement benefits.

Best of Both Worlds - File and Suspend

The benefit below is restricted as follows:

1. The lower-earning spouse will have needed to turn age 62 before 2016.
2. The higher-earning spouse will need to file and suspend before April 30, 2016
3. The higher earning spouse must be age 66 before April 30, 2016

If all 3 conditions are not met, then the file and suspend strategy will no longer be available. The new replacement rule after 4/30/16: the lower-earning spouse can only

file and receive spousal benefits if the higher-earning spouse is also receiving benefits.

File and Suspend Before 4/30/16

In order for your spouse to get benefits based on your social security account, you are required to file for benefits. However, you may not want benefits now because by waiting, you can collect more later. There may be a way to have your cake and eat it too (if the above three conditions are met by 4/30/16)!

If you have reached full retirement age (see earlier table) then you can file for benefits but tell the Social Security Administration to hold up on the payments. Now that you have filed, your spouse can file for their spousal benefit.

Now, you can earn delayed credits up to age 70 so you can get a larger check later while your spouse enjoys up to half of your benefits today.

⁴Social Security Administration <http://www.socialsecurity.gov/news/press/factsheets/colafacts2015.pdf>

About Ray Manalus



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He is a Sr. Retirement Advisor who controls and reviews Pensions, 401K, 403b, 457b, indexed Annuities, IRA, IUL. Licenses held; NV 827045, CA 0152444, UT 533413, AZ 1131631, WA 910363, GA 3147684, TX 2208850.

As a Broker and Sr. Field Underwriter he is a Retirement Manager, Agency Manager, and CFO Financial Services. Ray, a CPA has a background with Price Waterhouse Coopers, is an IRS Enrolled Tax Professional Preparer Since 2013. PTIN: P01786577 current through 2020.

As an Index Universal Life Agent Ray has the distinction of #1 top sales producer for 2014, 2015, 2016 and 2017. Offices in Las Vegas, NV and Sparks NV

About Manalus Agency

**Phone today with questions or to see if we can help you.
There is no charge for an initial meeting.**

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