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Making the Most of Social Security

Retirement Income-Enhancing Strategies

Contents

This material was written and prepared by Broadridge Advisor Solutions.

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Introduction

Income That Will Last a Lifetime

One of the greatest concerns of retirees and near-retirees is the fear of outliving their assets. Although traditional pensions once provided a steady income for many retirees, the number of companies offering such plans has declined dramatically.

Social Security offers benefits similar to a pension, plus a lot more. Not only does it provide a guaranteed income stream, but it also offers longevity protection, spousal protection, and even some inflation protection. Yet the ultimate value of Social Security benefits is often overlooked.

For example, did you know that if you delay claiming benefits past full retirement age, you could increase your payments by as much as 8% a year? It would be difficult to find a risk-free investment that currently offers that kind of payout.

Whether you're single, married, divorced, or widowed, there are strategies that might increase the monthly and lifetime benefits you receive from Social Security. It is important to understand the claiming options that may be available to you — and to avoid costly mistakes that could reduce the Social Security income that you, and possibly your spouse, receive.

Financial Challenges

Only 21% of workers are very confident that they will have enough money to live comfortably in retirement.

Source:
2024 Retirement Confidence Survey, Employee Benefit Research Institute

History Behind America's Retirement Safety Net

The Old-Age, Survivors, and Disability Insurance (OASDI) program — the official name of Social Security — was created as part of Franklin Delano Roosevelt's New Deal legislation during the Great Depression. It was signed into law in 1935 and is now the federal government's largest single program.

Social Security benefits were intended as a supplement for retirees, not as a sole means of support. But over time, many retirees — as well as some disabled individuals and families of deceased workers — have become very dependent on their monthly Social Security payments.

Who Is Eligible for Social Security Benefits?

Workers who have accumulated a minimum of 40 work credits, which is 40 fiscal quarters or about 10 years of work, are entitled to receive Social Security retirement benefits.

The benefit you receive is based on an average of the highest 35 years of earnings in which you paid Social Security payroll taxes. If you worked fewer years, worked part time, or had long periods in which you were unemployed, the years in which you had low or zero earnings will be averaged into the calculation and could affect your benefits.

The spouse of an eligible worker can collect spousal benefits or survivor benefits regardless of whether he or she has worked or not.

Even the unmarried, former spouse of an eligible worker may be entitled to Social Security benefits based on the ex's work record if they were married for at least 10 years.

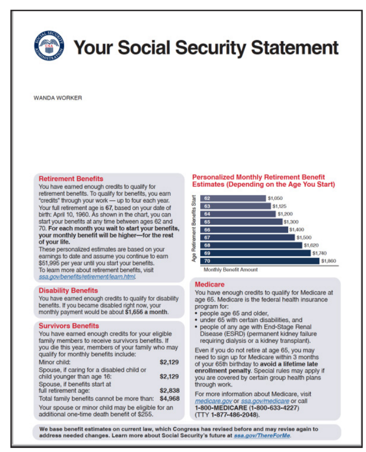
By the Numbers

In 2023, there were 67 million Social Security beneficiaries, 79% of whom were retired workers and dependents, and 9% of whom were survivors of deceased workers.

Source: Social Security Administration, 2024 (data as of December 2023)

Your Social Security Statement

To determine the potential benefits you might receive, you should look at your Social Security Statement.


Your Social Security Statement

WANDA WORKER

Retirement Benefits
You have earned enough credits to qualify for retirement benefits. To qualify for benefits, you earn "credits" through your work — up to four each year. Your full retirement age is **67**, based on your date of birth: April 10, 1960. As shown in the chart, you can start your benefits at any time between ages 62 and 70. **For each month you wait to start your benefits, your monthly benefit will be higher—for the rest of your life.**
These personalized estimates are based on your earnings to date and assume you continue to earn $51,995 per year until you start your benefits.
To learn more about retirement benefits, visit ssa.gov/benefits/retirement/learn.html.

Personalized Monthly Retirement Benefit Estimates (Depending on the Age You Start)

Age Retirement Benefits Start	Monthly Benefit Amount
62	$1,050
63	$1,125
64	$1,200
65	$1,300
66	$1,400
67	$1,500
68	$1,620
69	$1,740
70	$1,860

Disability Benefits
You have earned enough credits to qualify for disability benefits. If you became disabled right now, your monthly payment would be about **$1,656 a month.**

Survivors Benefits
You have earned enough credits for your eligible family members to receive survivors benefits. If you die this year, members of your family who may qualify for monthly benefits include:

Minor child:	**$2,129**
Spouse, if caring for a disabled child or child younger than age 16:	**$2,129**
Spouse, if benefits start at full retirement age:	**$2,838**
Total family benefits cannot be more than:	**$4,968**

Your spouse or minor child may be eligible for an additional one-time death benefit of $255.

Medicare
You have enough credits to qualify for Medicare at age 65. Medicare is the federal health insurance program for:
- people age 65 and older,
- under 65 with certain disabilities, and
- people of any age with End-Stage Renal Disease (ESRD) (permanent kidney failure requiring dialysis or a kidney transplant).

Even if you do not retire at age 65, you may need to sign up for Medicare within 3 months of your 65th birthday to **avoid a lifetime late enrollment penalty.** Special rules may apply if you are covered by certain group health plans through work.
For more information about Medicare, visit medicare.gov or ssa.gov/medicare or call **1-800-MEDICARE (1-800-633-4227)** (TTY **1-877-486-2048**).

We base benefit estimates on current law, which Congress has revised before and may revise again to address needed changes. Learn more about Social Security's future at ssa.gov/ThereForMe.

Your Statement summarizes your annual earnings that were subject to payroll taxes, shows how much you and your employer(s) paid in Social Security and Medicare taxes, and estimates your retirement benefits based on up to nine different claiming ages, including age 62, full retirement age, and age 70. It also includes some facts about the Social Security and Medicare programs and what they might mean to you.

At any age, you can view your Statement online by creating your own personal account on the Social Security website at **ssa.gov/myaccount/**.

Even after you start receiving benefits, an online personal account can be helpful. You can access your account to download Social Security and Medicare benefit information, update your address, and change your direct deposit data.

Understanding COLAs

Because Social Security benefits are indexed for inflation, your monthly benefit could increase as the cost of living rises from year to year. This helps maintain the purchasing power of your benefits. Thanks to these cost-of-living adjustments (COLAs), some people refer to Social Security as an inflation-protected asset.

Since 1975, the annual COLA has averaged about 3.71%. Social Security beneficiaries have received a COLA almost every year since 1975, but there was no COLA for 2010, 2011, or 2016 because inflation was too low to trigger an increase.

After factoring in the 2025 COLA, the average monthly benefit for all retired workers is $1,976.

Source: Social Security Administration, 2024

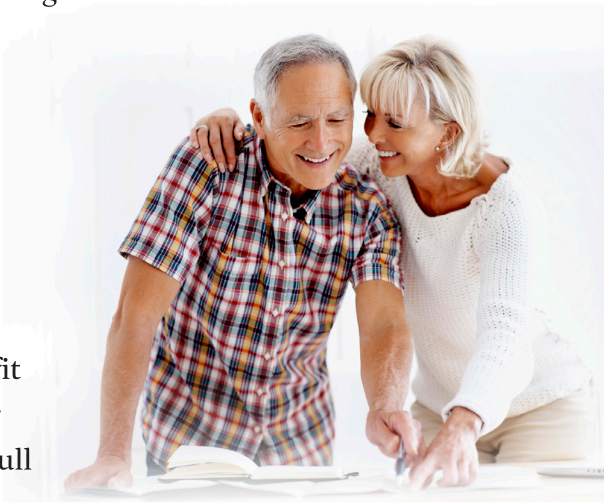
Year	COLA
2014	1.5%
2015	1.7%
2016	0%
2017	0.3%
2018	2.0%
2019	2.8%
2020	1.6%
2021	1.3%
2022	5.9%
2023	8.7%
2024	3.2%
2025	2.5%

What Determines the COLA?

Under the current system, the automatic COLA is equal to the percentage increase (if any) in the average Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year in which a COLA became effective to the third quarter of the current year.

When Can You Claim Social Security Retirement Benefits?

Benefits are based on how much you earned during your working career and the age when you start claiming them.



Age 62. This is the earliest age you can claim Social Security retirement benefits. *(Surviving spouses, however, can claim survivor benefits as early as age 60.)* If you claim benefits at age 62, your worker benefit will be permanently reduced by up to 30% of the full benefit amount.

Full retirement age: 66 and 2 months to 67. At full retirement age (FRA), you are entitled to 100% of the full benefit — this is often referred to as the primary insurance amount, or PIA. For each month you wait to claim benefits after reaching full retirement age, you earn delayed retirement credits, and your benefit would increase by about 8% a year.

Age 70. You can receive your maximum retirement benefit by waiting until age 70 to claim benefits. At that time, your benefit would be up to 132% of your primary insurance amount. There is no advantage to waiting longer than age 70 to claim retirement benefits.

How Does Filing Early or Later Affect the Monthly Benefit?

Many people automatically associate age 65 with retirement. But "full retirement age," when you are entitled to receive 100% of your primary insurance amount, now ranges from 66 and 2 months to 67 for those born after 1954.

You can see here how full retirement age is changing based on year of birth, and how claiming Social Security retirement benefits early at age 62, at full retirement age, or at age 70 would affect your monthly payouts.

Did You Know?

In 2023, only about 9% of men and 10% of women delayed claiming Social Security benefits to age 70.

Source: Social Security Administration, 2024

Year of birth	Full retirement age (FRA)	Age 62 benefit	FRA benefit	Age 70 benefit
1955	66 and 2 months	74.17%	100%	130.67%
1956	66 and 4 months	73.33%	100%	129.33%
1957	66 and 6 months	72.50%	100%	128.00%
1958	66 and 8 months	71.67%	100%	126.67%
1959	66 and 10 months	70.83%	100%	125.33%
1960 & later	67	70.00%	100%	124.00%

If you claim benefits at age 62, the amount you receive each month would be permanently reduced by up to 30% of the full retirement age amount, depending on the year you were born.

By electing to start retirement benefits at your full retirement age, you would be entitled to 100% of your primary insurance amount.

By waiting to claim past full retirement age, you earn delayed retirement credits. For each month you wait *after* reaching full retirement age, your monthly benefit would continue to increase until you reach age 70, when you would be entitled to receive up to 132% of your primary insurance amount.

Note: If you're receiving Social Security retirement benefits, your unmarried children who are under age 18 (or up to age 19 if they are full-time students who have not graduated from high school) may be eligible to collect Social Security dependent benefits based on your earnings record.

How Claiming Age Affects Monthly and Annual Benefits

Todd was born in 1961. His full retirement age is 67, when he is entitled to a $2,000 primary insurance amount.

Marian was born in 1962. Her full retirement age is also 67, when she is entitled to a $2,400 primary insurance amount.

The table below illustrates in dollar terms how their monthly and annual benefits would change based on claiming Social Security at different ages.

	Claiming age	Benefit percentage	Monthly benefit	Annual benefit
Todd	62	70%	$1,400	$16,800
	67 (FRA)	100%	$2,000	$24,000
	70	124%	$2,480	$29,760
Marian	62	70%	$1,680	$20,160
	67 (FRA)	100%	$2,400	$28,800
	70	124%	$2,976	$35,712

These hypothetical examples are based on Social Security Administration rules and are used for illustrative purposes only. Actual benefits and results will vary.

When and How to Apply

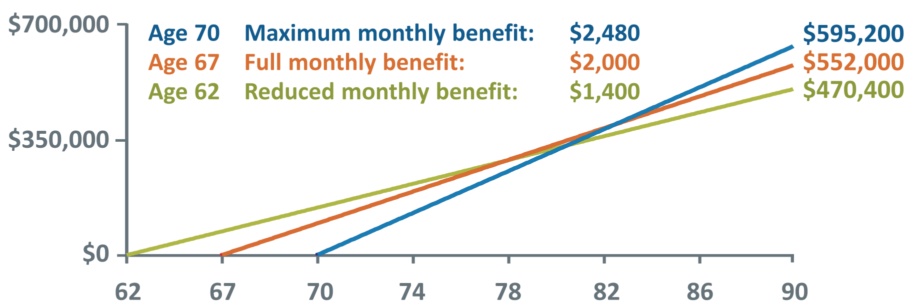
The Social Security Administration suggests that you apply for benefits three months before you want benefits to begin. You can apply online, over the phone, or in person at your local Social Security office.

How Claiming Age Affects Lifetime Benefits

Your decision on when to file for Social Security should be based on a combination of factors, including your health, life expectancy, work situation, retirement goals, and other sources of income.

If you delay filing for Social Security, you might increase not only your monthly benefits but also your *lifetime* benefits, depending on how long you live.

This graph shows the potential impact on lifetime benefits for someone with a $2,000 PIA who lives to age 90, based on claiming Social Security at age 62, full retirement age (67), or age 70.



Assumes a $2,000 primary insurance amount at age 67. This hypothetical example is based on Social Security Administration rules and is used for illustrative purposes only. Actual benefits and results will vary.

Spousal Benefit

Married individuals are eligible to receive a Social Security benefit based on their own earnings history or a spousal benefit based on the spouse's primary insurance amount (PIA). To qualify for a spousal benefit:

- **You must be age 62 or older**
- **You must have been married for at least one year to an eligible worker**
- **Your spouse must first file for Social Security benefits**

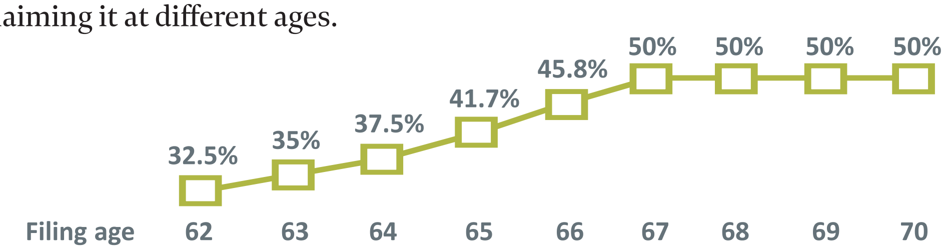
The maximum spousal benefit, if claimed at your full retirement age, is equal to one-half of your spouse's PIA. If you elect to receive a spousal benefit *before* you reach full retirement age, you will receive a permanently reduced benefit, unless a qualifying child is being cared for.

Example: If your spouse's PIA is $2,000, the maximum spousal benefit would be 50% of that, or $1,000, if you claimed it at your full retirement age. If you claimed the spousal benefit at age 62, it would be reduced to 32.5% of your spouse's PIA, or $650.

Did You Know?

If you are eligible for spousal benefits as a divorced spouse, it won't affect the benefits that your former spouse receives, even if he or she has remarried.

Here's how the spousal benefit (based on the primary worker's PIA) is affected by claiming it at different ages.



***Assumes a full retirement age of 67.** The percentages for the spousal benefit are based on the primary worker's full benefit amount.

The Impact of Divorce

In some cases, a divorced spouse may be able to collect spousal benefits based on a former spouse's work history. To utilize this strategy:

- **You must have been married for at least 10 years**
- **You have attained the minimum age required**
- **You are unmarried**
- **Your own worker benefit would be lower than what you would receive from former spouse's benefit**

If your former spouse is eligible for but has not applied for Social Security, you can still claim spousal benefits if you've been divorced for at least two years; the normal waiting period doesn't apply if your ex is already receiving benefits.

Survivor Benefit

- **Reduced survivor benefit is available at age 60**
- **Full survivor benefit is available if claimed at full retirement age**
- **If you remarry before age 60, you will forfeit survivor benefit *(while you are married)***

Widows and widowers have dual entitlements under Social Security — benefits based on their own earnings history or survivor benefits based on the deceased spouse's earnings record.

To claim a survivor benefit, you must have been married for at least nine months *(or for at least 10 years if you are a surviving divorced spouse)*. However, if you remarry before reaching age 60, you will forfeit your late spouse's Social Security benefit. Remarriage after you reach age 60 will not affect your eligibility for a survivor benefit based on your deceased spouse's work record.

Unlike spousal benefits, survivor benefits reflect any delayed retirement credits; so the more the deceased paid into the program, the higher the survivor benefit would be. You are eligible for a reduced survivor benefit as early as age 60 or for a full survivor benefit (100% of the deceased's benefit amount) if you claim it at full retirement age. Surviving disabled spouses and those with young children may have additional options.

If your spouse dies, you could claim a survivor benefit once you're eligible and later switch to a benefit based on your own work record. Or you could claim a benefit based on your own work record and later switch to a survivor benefit at full retirement age if it would be higher. Consider comparing the two approaches to determine which one might enhance your lifetime benefits.

Workers don't have to live until full retirement age in order for their survivors to be eligible for Social Security benefits. If a worker dies at age 28 or younger, for example, only six credits are needed for the widow/widower to receive a survivor benefit. But even then, the date of birth of the widow/widower determines when he or she will be eligible for a survivor benefit, unless the surviving spouse is the parent of the deceased's child who is under the age of 16 or disabled. The deceased's child might also be entitled to receive 75% of the worker's full benefit amount.

Higher Chance of Widowhood

About 18% of men and 45% of women who live to age 75 are widowed.

Source:
U.S. Census Bureau, 2024 (2023 data)

Maximizing Lifetime and Survivor Benefits

There are thousands of different combinations for how a married couple can claim Social Security. This hypothetical example illustrates the potential impact on one married couple's monthly and lifetime Social Security benefits — including the benefits a surviving spouse could receive — based on claiming Social Security at different ages. Because women tend to live longer than men, the impact on a wife's survivor benefit could be significant if the husband is the higher earner and he predeceases her.

Living into Your 90s

About one out of every three 65-year-olds today will live to at least age 90, and one out of seven will live to at least age 95.

Source: Social Security Administration, 2024

Paul and Janet are both age 62 and have been married for 35 years. If they both wait until their full retirement age (67) to claim Social Security, Paul would receive $2,000 a month and Janet would receive $1,800 based on their individual earnings histories. If they claim benefits early at age 62, Paul would receive $1,400 and Janet would receive $1,260.

These different claiming scenarios show the impact on their combined monthly and lifetime benefits, assuming Paul dies at age 80 and Janet dies at age 90. Janet's monthly survivor benefit would be only $1,400 under Scenario 1 compared with $2,000 under Scenario 2 and $2,480 under Scenario 3 (annual amounts would be $16,800, $24,000, and $29,760, respectively). Although the couple's combined benefits at the time of Paul's death would be highest under Scenario 1, the third scenario would provide the highest combined lifetime benefits if Janet were to live to age 90.

Scenario 1 Both Janet and Paul claim benefits at age 62	Scenario 2 Janet claims at age 62, Paul waits until age 67	Scenario 3 Janet claims at age 62, Paul waits until age 70
Combined monthly benefits: Years 1+: $2,660	Combined monthly benefits: Years 1 to 5: $1,260 Years 6+: $3,260	Combined monthly benefits: Years 1 to 8: $1,260 Years 9+: $3,740
Paul dies at age 80		
Total benefits: $574,560	Total benefits: $569,040	Total benefits: $569,760
Monthly survivor benefit: $1,400	Monthly survivor benefit: $2,000	Monthly survivor benefit: $2,480
Janet dies at age 90		
Lifetime benefits: $742,560	Lifetime benefits: $809,040	Lifetime benefits: $867,360

Assumes a full retirement age of 67. This hypothetical example is based on Social Security Administration rules and is used for illustrative purposes only. Actual benefits and situations will vary.

Additional Filing Strategies

How to Receive Retroactive Benefits

If you postpone claiming Social Security retirement benefits past your full retirement age:

- **You can request a lump-sum payment for up to six months of retroactive benefits**

The tradeoff of this little-known opportunity is that it reduces your monthly benefit for the rest of your life. Your future benefit would be based on the lower monthly amount that would have been established at the earlier date.

Requesting retroactive benefits might be helpful if you face a change in health or other situation that makes it more important to claim an initial lump sum than to receive a higher monthly benefit going forward. Retroactive benefits are not available for any month before full retirement age.

Individuals who filed for and suspended benefits on or before April 29, 2016, can request a lump-sum payment of more than six months of retroactive benefits — equal to the benefits they would have received since the suspension date.

"Do Over" or "Reset" Strategy

If you regret taking a permanently reduced Social Security benefit before reaching full retirement age, you might consider a "do over":

- **Available only once in your lifetime**
- **Application to withdraw benefits must occur within 12 months of making original claim for benefits**
- **Must repay all benefits you and your spouse (or children) have received**

Anyone who received benefits based on your application must consent in writing to your withdrawal of benefits.

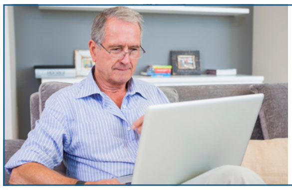
To reset your benefit, you need to fill out and file Social Security Form 521, *Request for Withdrawal of Application*, noting the reason why you want to withdraw the application for benefits. The Social Security Administration will respond and notify you of the amount of benefits that need to be repaid. You have only 60 days to cancel an approved withdrawal.

Once this process has been approved and completed, you will be able to reapply for Social Security benefits at some future date. If you wait until full retirement age to reapply, you would receive your "full" benefit amount, and if you wait until age 70, you could receive your maximum benefit.

This strategy may also be beneficial for a spouse, because he or she might be able to claim a survivor benefit in the future based on a higher amount.

"Start, Stop, Restart" Strategy

Another strategy you might consider if you regret claiming early Social Security benefits (before reaching full retirement age) might be called "start, stop, restart." This strategy would enable you to enhance your lifetime benefits.



In order to suspend benefits and restart them later, you must have reached full retirement age (or later).

Suspended benefit payments will start automatically for the month you reach age 70, unless you notify the Social Security Administration that you want them reinstated earlier.

Example: Assume that Mike lost his job and started claiming Social Security benefits at age 64 because he needed the income. A couple of years later he is working again and no longer needs Social Security benefits for current income, but he would like to increase the benefit that he could ultimately receive. Once he reaches his full retirement age (67), he could ask Social Security to suspend future benefits and have them restarted at a future date. Delayed retirement credits would accrue during the time when benefits have been suspended. If he suspends at age 67 and waits until age 70 to restart, his benefits could be 24% higher for the rest of his life.

This hypothetical example is used for illustrative purposes only. Actual situations will vary.

Medicare Trigger

You should also be aware that the act of filing for Social Security benefits at or after reaching full retirement age, even if immediately suspending them, triggers automatic enrollment in Medicare Part A. Because Part A is premium-free for most people, this might not be an issue. However, if you are enrolled in a high-deductible health plan (HDHP) and have a health savings account (HSA), you can no longer contribute to the HSA once you sign up for Medicare. If you file and suspend and are enrolled in Medicare Part B, you will be billed for future Part B premiums (Medicare premiums are normally deducted from benefit payments).

Factors That Could Affect Benefits

When calculating your future income needs in retirement, you might be factoring in your Social Security benefit based on the estimates in your Social Security Statement. But did you know there are factors that could reduce the actual payments you receive?

- **Taxes**
- **Retirement earnings test**
- **Medicare premiums**

"The question isn't at what age I want to retire, it's at what income."

— George Foreman

Source: www.quotegarden.com

Taxability of Benefits

If your income exceeds annual limits, your Social Security benefits will be taxed. Typically, this happens only if you have substantial income — including wages, dividends, interest, and other taxable income — in addition to your Social Security benefits.

If your "combined income" exceeds certain thresholds, you may owe federal income tax on up to 50% or 85% of your Social Security benefits.

Taxable portion of benefits	Combined income: Single filers	Combined income: Married joint filers
0%	$25,000 and under	$32,000 and under
Up to 50%	$25,000 to $34,000	$32,000 to $44,000
Up to 85%	Over $34,000	Over $44,000

The IRS defines "combined income" as your adjusted gross income plus any tax-exempt interest — which could be interest from municipal bonds and savings bonds — plus 50% of your Social Security benefits.*

In addition, some states tax Social Security benefits, some follow federal rules or have unique guidelines, and others may exempt Social Security benefits from taxation. *(If you are married and file a separate tax return, you will probably pay federal taxes on all your Social Security benefits.)*

Remember, too, that after you reach age 73, you must take annual required minimum distributions (RMDs) from traditional IRAs and most employer-sponsored retirement plans — whether you need the money or not — and these taxable distributions may increase your annual income.

RMDs are designed to ensure that taxes and distributions from tax-deferred plans are not deferred indefinitely.

*Interest paid on municipal bonds issued by your state or local government is typically free of federal income tax. If a bond was issued by a municipality outside the state in which you reside, the interest could be subject to state and local income taxes. If you sell a municipal bond at a profit, you could also incur capital gains taxes. The principal value of bonds may fluctuate with market conditions. Bonds redeemed prior to maturity may be worth more or less than their original cost. Some municipal bond interest could be subject to the federal alternative minimum tax.

Retirement Earnings Test

You can receive Social Security benefits and still earn wages from a job or self-employment, but if you do so prior to reaching full retirement age, your benefits could be reduced by the retirement earnings test (RET).

- **The RET applies only if you are working and receiving Social Security benefits prior to reaching full retirement age**
- **If this occurs, $1 in benefits is deducted for each $2 earned above the annual limit ($23,400 in 2025)**
- **In the calendar year in which you reach full retirement age, $1 in benefits is deducted for each $3 earned above a higher annual limit ($62,160 in 2025)**

These earnings limitations apply only to wages earned through employment and not to investment income such as interest or dividends. Starting in the month you reach full retirement age, there is no reduction in benefits if you continue working.

The Social Security Administration may withhold benefits as soon as it determines that your earnings are on track to surpass the annual limit. The estimated amount will typically be deducted from your monthly benefit in full, which could result in your not receiving any Social Security benefits for one or more months before benefits resume.

The RET is not considered a penalty because your benefit will be recalculated after you reach full retirement age, and you will receive credit for any benefits you did not receive because of your earnings.

Working After Leaving the Workforce

Although 75% of workers plan to work for pay in retirement, only 30% of retirees report that they have actually worked for pay during their retirement years.

Source: Employee Benefit Research Institute, 2024

Factors That Could Affect Benefits

Medicare Premiums

When you enroll in Medicare, your premiums could lower the Social Security payments you receive.

- **Medicare premiums are deducted automatically from monthly payments if you are receiving Social Security benefits**
- **Part B premiums are based on the adjusted gross income reported on your tax return from two years prior to the plan year**
- **Higher-income individuals pay higher Medicare premiums**

Although Part A hospital insurance is premium-free for most Americans, monthly premiums apply to Medicare Part B medical insurance, which helps cover physician services, inpatient and outpatient medical services, outpatient hospital care, and diagnostic tests.

Private plans offering Medicare Advantage (Part C), Medicare prescription drug coverage (Part D), and Medigap coverage have different ways to pay premiums that vary by provider, but might also include the option of having premiums withheld from your Social Security payments.

One common misconception about Medicare is that it will help pay for care in a nursing home. It's important to understand that Medicare does not pay for long-term custodial care.

Medicare does not cover 100% of all health-care costs. Out-of-pocket expenses may include premiums, deductibles, copays, and coinsurance. Costs vary depending on the coverage you choose and the medical services you use.

Medicare Costs

This table illustrates basic costs for the Original Medicare program for 2025.

Part A monthly premium (for those who pay a premium)*	**$285 or $518**
Part A deductible	**$1,676 for each benefit period**
Part B monthly premium (for lower-income beneficiaries)	**$185 standard premium** Those subject to hold harmless provision may pay less.
Part B monthly premium (for higher-income beneficiaries)**	**$259 to $628.90**
Part B annual deductible	**$257**

Note: Premiums and out-of-pocket costs for Medicare Part D vary by plan and individual situation.
***Part A premium only affects people who paid insufficient or no Medicare taxes while working.**
****Modified adjusted gross income above $106,000 (single filers) or $212,000 (joint filers).**

Source: Centers for Medicare & Medicaid Services, 2024

Could Tax-Free Income from a Roth IRA Help You Avoid Taxes?

Who Pays Taxes on Their Benefits?

About 48% of current beneficiaries pay taxes on their Social Security benefits.

Source: Social Security Administration, 2024

The higher your adjusted gross income, the more likely you are to be subject to higher Medicare premiums and taxes on your Social Security benefits. A Roth IRA is one strategy that might help you avoid this situation.

Although tax-exempt bond interest is included in the formula for taxability of Social Security benefits, that's not the case with tax-free income from a Roth IRA. Even though you don't receive an income tax deduction on any contributions made to a Roth IRA, qualified distributions — including any earnings — are tax-free. Thus, qualified distributions are not included in gross income and do not affect the taxability of your Social Security benefits, nor do they affect your income in determining the cost of Medicare premiums. And unlike the case with tax-deferred retirement plans such as 401(k)s and traditional IRAs, minimum distributions are not required from Roth IRAs and work-based Roth accounts.

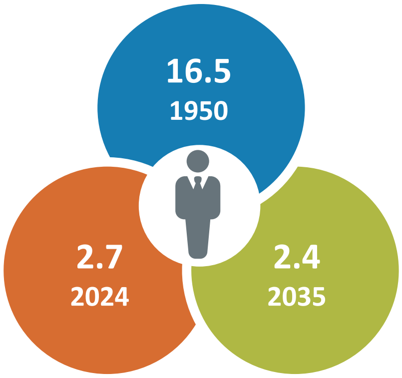
Contributions to a Roth IRA can be withdrawn at any time without penalty or taxes. To qualify for a tax-free and penalty-free withdrawal of earnings (and any assets converted to a Roth IRA), distributions must meet the five-year holding requirement and take place after age 59½ (with some IRS exceptions).

Uncertain Future of America's Retirement Safety Net

Social Security should have sufficient resources to pay 100% of scheduled benefits until 2034. Once the trust fund reserves are exhausted, payroll tax revenues may be sufficient to cover only about 83% of scheduled benefits initially, but the percentage will decline to 73% by 2098 (based on the current formula).

Although it is unlikely that Social Security will go away, this popular program faces an uncertain future. In 1950, as the baby boom was just beginning, there were 16.5 active workers for each Social Security beneficiary. In 2024, there were 2.7 workers per retiree. And it's projected that the ratio will fall to 2.4 workers for each beneficiary by 2035.

Active workers per beneficiary



Source: Social Security Administration, 2024

The program's projected shortfalls, combined with the federal government's budget deficits and growing national debt, suggest it is very likely that Social Security will undergo some major changes in the coming years.

The Decisions You Make Could Affect Your Retirement Lifestyle

In addition to evaluating when to claim Social Security to enhance your retirement income, there are many other important decisions to make when you leave the workforce that could play a significant role in how you spend your retirement years.

For example, consider whether there would be advantages to:

- **Transferring your employer plan assets to an IRA**
- **Converting tax-deferred assets to a Roth IRA**
- **Creating a "do-it-yourself pension" with an annuity**

Transferring some or all of the assets in your employer retirement plan to an IRA might help you maintain control and consolidate your retirement investment accounts, as well as maintain continued tax deferral. If you decide not to keep the assets you've accumulated in a former employer's plan, the easiest way to avoid the risks of a rollover is to use a trustee-to-trustee transfer (sometimes called a direct rollover).

Distributions from traditional IRAs and most employer-sponsored retirement plans are taxed as ordinary income and may be subject to a 10% penalty if withdrawn prior to age 59½. Annual RMDs must start after you reach age 73.

Converting traditional IRA or employer plan assets to a Roth IRA might help you benefit from a source of tax-free income in retirement. Qualified distributions from a Roth IRA are not taxable and might help you avoid taxes on your Social Security benefits.

Tax-deferred assets converted to a Roth IRA are considered taxable income and must be reported on your income tax return for the year in which the conversion takes place.

By purchasing an annuity, you can turn some of your retirement savings into a reliable income stream, similar to a traditional pension. An annuity can help protect against the risk of living a long time because it provides an option for income that is guaranteed to last your entire lifetime.

Annuities are insurance-based contracts in which you trade current premiums for a future income stream. Annuities have contract limitations, exclusions, fees, expenses, termination provisions, possible surrender charges, and terms for keeping the annuity in force. Withdrawals prior to age 59½ may be subject to a 10% penalty. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

Longevity Risk

The probability that a 65-year-old will live to age 90 is 33% for a man and 44% for a woman.

Source:
Society of Actuaries, 2024

Figuring Out Your Net Cash Flow

How much discretionary income do you have available after your monthly obligations are met? Can you account for where the money goes? Some people are surprised at the amount they should be able to save and invest each month but don't. Analyze your cash flow for the current month. Because income and expenses can vary from month to month, you may wish to estimate your cash flow through all 12 months or take a 12-month average.

Monthly Income	
Wages, salary, tips	$
Alimony, child support	$
Dividends from stocks, mutual funds, etc.	$
Interest on savings accounts, bonds, CDs, etc.	$
Social Security benefits	$
Pensions	$
Other income	$
TOTAL MONTHLY INCOME	$

Monthly Expenses			
Mortgage payment or rent	$	Other transportation	$
Vacation home mortgage	$	Life insurance	$
Automobile loan(s)	$	Homeowners insurance	$
Personal loans	$	Automobile insurance	$
Charge accounts	$	Medical, dental, disability insurance	$
Federal income taxes	$	Unreimbursed medical, dental expenses	$
State income taxes	$	Entertainment/dining	$
FICA (Social Security)	$	Recreation/travel	$
Real estate taxes	$	Club dues	$
Other taxes	$	Hobbies	$
Utilities (electricity, heat, water, telephone, etc.)	$	Gifts	$
Household repairs and maintenance	$	Major home improvements and furnishings	$
Food	$	Professional services	$
Clothing/laundry	$	Charitable contributions	$
Education expenses	$	Other expenses	$
Child care	$		
Automobile expenses (gas, repairs, etc.)	$	**TOTAL MONTHLY EXPENSES**	$

NET CASH FLOW	
Total monthly income	$
Total monthly expenses	$
Discretionary monthly income *(Subtract your expenses from your income)*	$

How much of your discretionary monthly income are you investing or saving each month? $ ________________

Figuring Out Your Net Worth

How much are you worth? Just as corporations prepare a balance sheet to determine their current net worth, you may want to complete a personal balance sheet.

Tangible Assets	
Residence	$
Vacation home	$
Furnishings	$
Automobiles	$
Rental real estate	$
Art, jewelry, or other valuables	$

Equity Assets	
Qualified retirement funds	$
Stocks	$
Equity mutual funds	$
Variable life insurance (cash value)	$
Variable annuities	$
Limited partnerships	$
Business interests	$

Fixed-Principal Assets	
Fixed-interest annuities	$
Life insurance (cash value)	$
Other assets	$

Debt Assets	
U.S. government bonds and agency securities	$
Municipal bonds	$
Corporate bonds	$
Face amount certificates	$
Debt mutual funds	$

Cash and Cash Alternatives	
Checking accounts	$
Savings accounts	$
Money market funds	$
Certificates of deposit	$
Other cash reserve accounts	$
TOTAL ASSETS *(Add tangible, equity, fixed principal, debt assets, and cash)*	$

Liabilities	
Home mortgage	$
Other mortgage	$
Automobile loans	$
Bank loans	$
Personal loans	$
Charge-account debt	$
Other debts	$
TOTAL LIABILITIES	$

NET WORTH	
Total assets	$
Total liabilities	$
NET WORTH *(Subtract your liabilities from your assets)*	$

Set a goal for yourself.

What would you like your net worth to be in 5 years? $ ____________

What would you like it to be in 10 years? $ ____________

What to Bring

Please bring the following documents to your complimentary, no-obligation consultation:

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________

Your consultation is scheduled for:

____

Date Time

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