

Social Security

ONE SIZE DOES NOT FIT ALL

STRATEGIES FOR CLAIMING BENEFITS



When and how to claim Social Security are important decisions for your retirement plan. Learn what to consider and potential ways to maximize your benefits.

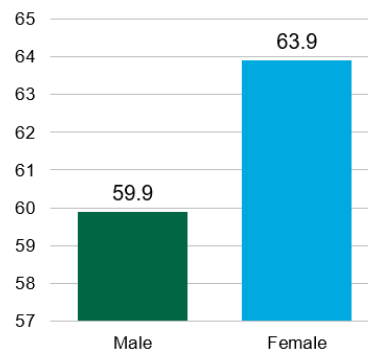
Social Security Basics

What Is Social Security?

Congress established Social Security in 1935 as a “retirement” program, but it also provides disability and survivor benefits.

At the time, life expectancy was much lower than today (due to infant mortality). Still, Congress never intended it to provide for a 20- or 30-year retirement common for retirees today.

Life Expectancy in 1935



Sources: Social Security Administration, History, July 2023. Mortality Trends in the United States, 1900-2018, CDC and National Center for Health Sciences, 2020.

Who Can Claim, How to Calculate

1

Have 40 credits to qualify

40 credits =
~10 years of working and
paying taxes

1 credit =
\$1,730 in wages or self-
employment income

2

Use Average Indexed
Monthly Earnings (AIME)
over 35 years to calculate
your Primary Insurance
Amount (PIA)

PIA =
90% of the first \$1,174 of
AIME
+ 32% of AIME over \$1,174
through \$7,078
+ 15% of AIME over \$7,078

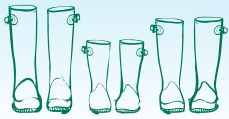
3

Factor in your
spouse's benefits

Spousal benefits are
based on the primary
worker's benefit

Sources: Social Security Credits. Social Security Administration, March 2024. Benefit Calculation Examples for Workers Retiring in 2024, ssa.gov, March 2024.

You earn social security credits while working and paying taxes. Most individuals need 40 credits (essentially 10 years of work) to qualify. For 2024, you earn one credit for each \$1,730 in wages or self-employment income.

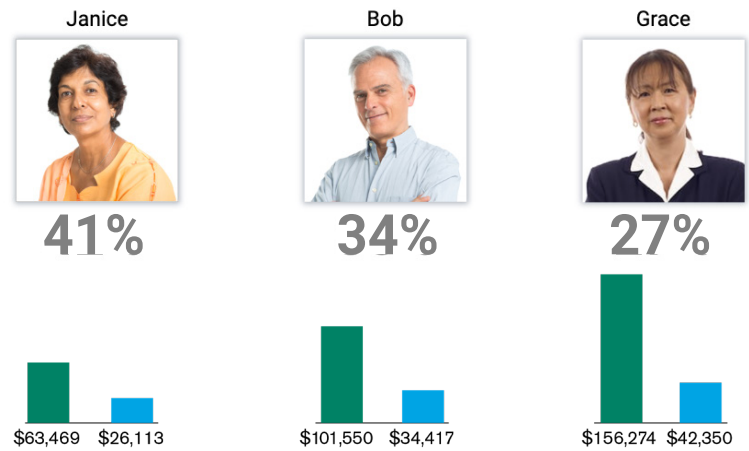


Income and Benefit Differences

Social Security replaces a larger share of earnings for lower earners. Higher earners receive larger checks, but it represents a smaller fraction of what they had been making.

This chart shows how Social Security benefits compare to a retiree’s past earnings for a “medium,” “high,” and “steady maximum” earner.

Blue bars show what benefits a person retiring at full retirement age (age 67 for a person born in 1960) in 2024 would get. Green bars represent the retiree’s average lifetime earnings while working.



Source: Replacement Rates for Hypothetical Retired Workers, www.ssa.gov, March 2023

It Comes With Raises, Most Years

Social Security has had automatic annual cost-of-living adjustments (COLAs) almost every year.


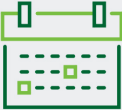
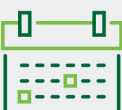
- Average COLA since 2000 – 2.59%
- COLA increase for 2024 – 3.2%

Sources: Social Security Fact Sheet 2024 Social Security Changes: Cost-of-Living Adjustment, March 2024 and Social Security Cost-of-Living Adjustments, March 2024.

When to Claim

Consider Your Full Retirement Age (FRA)

Full retirement age is when you are eligible to receive your full monthly benefit amount. Originally established as age 65, it has increased in the 1983 amendments and can be from age 65 to 67. Regardless of your full retirement age, benefits can still be paid at age 62. The Medicare eligibility age is still 65.

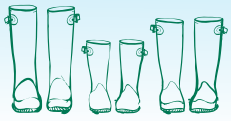
Year of Birth	Full Retirement Age (FRA)
1943–1954	 Age 66
1955-1959	 Age 66 +2 months for every year after 1954
1960 & After	 Age 67

If born on January 1st, use the previous year.

If born on the 1st of the month, your benefit—and full retirement age—are calculated as if your birthday was in the previous month.

Source: Starting Your Retirement Benefits Early, ssa.gov, March 2024.





Plan Early

When to Start?

- Consider your options as part of your retirement income planning
- Consider the pros and cons of filing earlier or later

When You're Ready
File **four months** before
you turn age 62 (first eligible)
or you retire.



Beware of the drawbacks of the six-month lump sum offer

Taking the lump sum could have you filing before your FRA, which could lower your benefit amount.

Retirement Does Not Equal Social Security



70%

Age 62

100%

Full Retirement
Age (FRA)

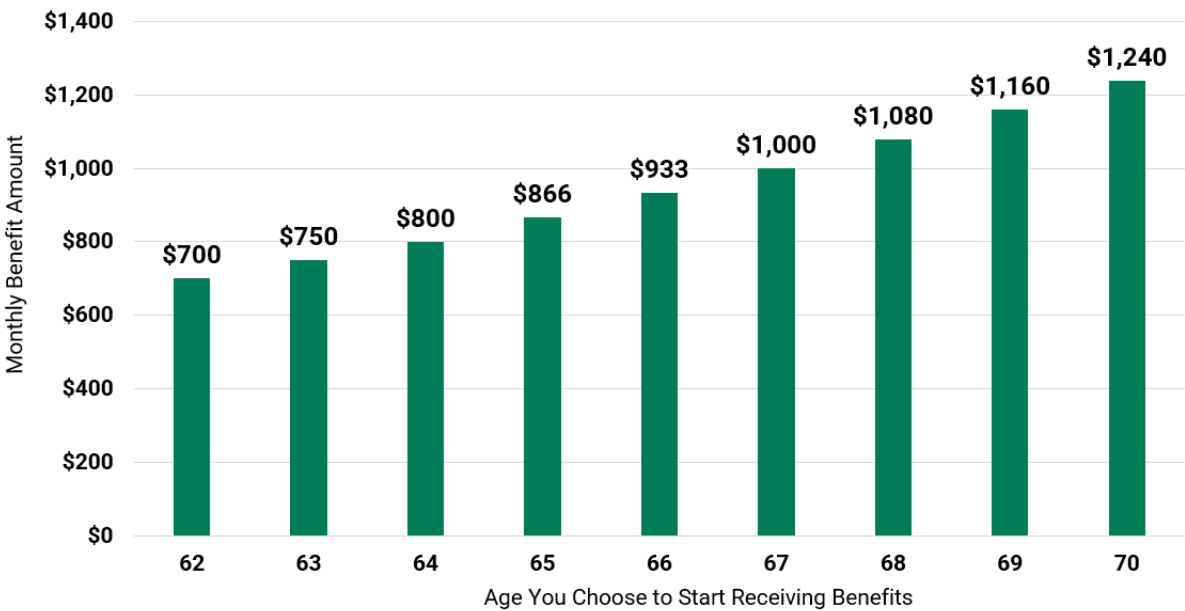
124%

Age 70

Sources: 2024 Social
Security Retirement
Benefits, January 2024.

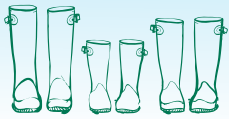
Assumes a benefit of \$1,000 and that Full Retirement Age is 67. Increased benefits for delaying Social Security max out at age 70.

Benefit Comparison by Age



Sources: When to Start
Receiving Retirement
Benefits" SSA Publication
No. 05-10147, EN-05-
10147, January 2023.





Possible Reasons to Wait to File

- Increased benefit (for life)
- Still working and building your nest egg
- Health is good
- The COLA on top of an increased benefit means even more
- Spousal considerations

Possible Reasons to File Early

- Retire early, but not by choice
- Health issues
- Claiming spousal benefits
- Working part-time and need more

Can I Get a Do-Over?

	Before December 2010	After December 2010
Do-Over Option	Collect benefits at 62, and repay benefits at any time up to age 70 to restart at the higher amount	Withdrawal decision must be made within 12 months of the original election and each individual is only granted one withdrawal per lifetime

Source: *Withdrawing Your Social Security Retirement Application*, ssa.gov, July 2023.

How to Maximize

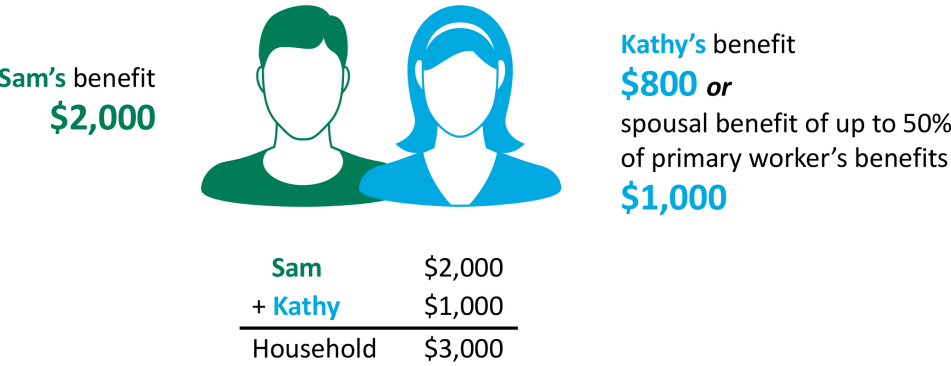
Start With Your Individual Benefits

For every way to plan, start with the benefits you have earned. Then consider other situations such as being married, divorced or if you are a survivor.

What does “single” mean when filing Social Security?

- Never married
- Never widowed
- Divorced but not married at least 10 years

Spousal Options Can Boost Benefits



Sources: *Do You Qualify for Social Security Spouse's Benefits?* Social Security Administration, August 2023.

- Must have been married for at least 12 months
- Can't apply for spousal benefit until spouse has filed for Social Security





Possible Strategy: When Incomes Have Large Differences

Kathy

PIA = **\$800**. Full retirement age = 67



Files for reduced individual benefit of \$560 per month

Age 62

FRA

Collects spousal benefit of \$200, bringing monthly benefit to \$760

Age 70

Switches to survivor benefit of \$2,480 per month

Sam's Death



Begins receiving individual benefit of \$2,480 per month

Sam

PIA = **\$2,000**. Full retirement age = 67

Results may differ depending on each individual's earnings history.

Source: Open Social Security calculator, opensocialsecurity.com, May 2024.

In this scenario, Kathy begins an income stream at age 62, while allowing Sam to maximize his individual benefit.

Filing for spousal benefits at full retirement age (FRA) increases Kathy's monthly benefit by \$200 and allows her to maximize her survivor benefit if Sam dies first.

Are There Special Considerations for Her?

Social Security still has an unequal impact on women, because statistically.

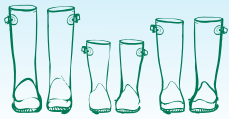
- Women earn less
- Women live longer

This was written in a Social Security Bulletin in 1972. It's still true today. Possible strategies:

- Make the most of a spouse's salary differences
- Take advantage of spousal benefits—even after a divorce
- Use survivor benefits
- Plan for retirement as a couple

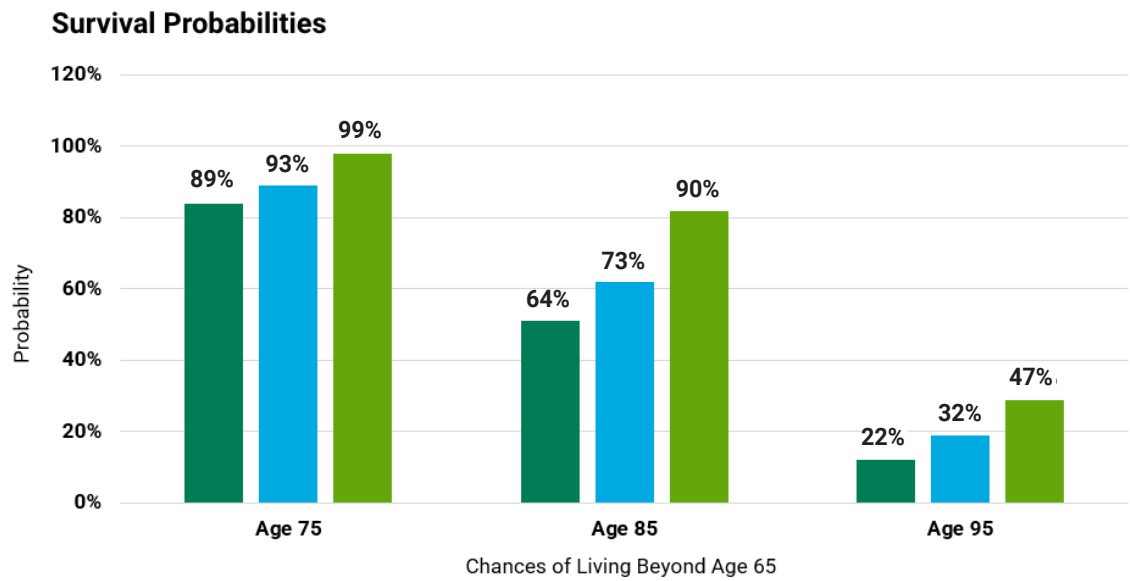
Sources: Women and Social Security 1972 Bulletin, September 1972. Social Security: What Every Woman Should Know, Social Security Administration, October 2022.





Couples Should Consider Longevity

An individual's survival probabilities depend on factors such as family history, lifestyle and existing medical conditions. The probabilities shown reflect public mortality tables developed with certain populations in mind and based on averages in large populations. Numbers assume both people are in excellent health.



Either

Source: American Academy of Actuaries and Society of Actuaries Longevity Illustrator, www.longevityillustrator.org/, (accessed March 2024).

Ex-Spouses and Family

Former spouses and family members may be eligible for Social Security benefits.

Former Spouses



If age 62 or older, unmarried, and if the marriage lasted 10+ years

If divorced for at least 2 years and both ex-spouses are at least age 62, the ex-spouse can receive benefits even if their former spouse hasn't filed.

Children



Children up to age 18 (or 19 if full-time high school student)

Disabled children—even if 18 or older

Source: SSA Publication No. 05-10024-Understanding the Benefits, January 2024.

What to Consider if You Are Divorced

- Different rules apply depending on your birth year (applies to current & ex-spouses)
 - Before 1954
 - After 1954
- If you've been divorced more than two years
- If your former spouse is deceased

Source: SSA Publication No. 05-10024, Understanding the Benefits, January 2024.





Survivor Benefits Are Unique

Survivor benefits are unique from other retirement benefits because clients are able to take them as early as age 60. This allows clients to collect survivor benefits while their individual benefits continue to grow.

Kathy

PIA = **\$2,000**. Full retirement age = 67



Begins survivor benefit of \$1,430 per month

Age 60

FRA

Switches to individual benefit of \$2,480 per month

Age 70



Sam (Deceased)

PIA = **\$2,000**. Full retirement age = 67

In this example, Sam is 6 years older than Kathy and he would have been eligible to receive full benefits. Kathy can begin survivor benefits at age 60 [at 71.5% of the deceased spouse's Primary Insurance Amount (PIA)]. Surviving spouse's collect a reduced survivor benefit at age 60 according to current Social Security guidelines. Then, Kathy switches to the individual benefit at age 70 (which is 124% of PIA).

Survivor benefits are similar, except the survivor receives either the deceased spouse's benefit or their own benefit, whichever is higher.

- Surviving spouse is age 60 (50 if disabled)
- Must be married at least 9 months prior to death, unless an accidental death

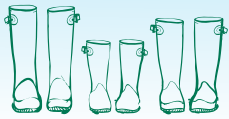
Results may differ depending on each individual's earnings history. Source: SSA Publication No. 05-10024, Understanding the Benefits, January 2024.

What to Know About Survivor Benefits

- Who is eligible?
 - A widow(er) age 60 or older (age 50 or older if they are disabled) who has not remarried
 - A widow(er) of any age who is caring for the deceased's child (or children) under age 16 or disabled
 - An unmarried child of the deceased who is younger than age 18 (or up to age 19 if a full-time student in an elementary or secondary school), or 18 or older with a disability that began before age 22
 - A stepchild, grandchild, step-grandchild, or adopted child, under certain circumstances
 - Parents, age 62 or older, who were dependent on the deceased for at least half of their income and whose own Social Security benefit would not be larger than that of the deceased offspring
 - A surviving divorced spouse, if they meet other eligibility requirements
- Age of the deceased person
- If deceased person claimed early or at FRA and beyond

Source: SSA Publication No. 05-10024, Understanding the Benefits, January 2024.





Working While Claiming

Earnings Test

AGE	EARNINGS LIMIT	BENEFIT REDUCTION
Before FRA	\$22,320	For every \$2 over this limit, \$1 is withheld from your benefit.
Year You Reach FRA	\$59,520	For every \$3 over this limit, \$1 is withheld until the month you reach FRA.

Source Social Security What Happens if I Work and Get Social Security Benefits? ssa.gov, March 2024.

Taxes and Your Benefits

On the 1040 tax return, combined income means: modified adjusted gross income (MAGI) + nontaxable interest income + ½ of your social security benefits = combined income.

Percent You May Have to Add to Taxable Income	Single Filer / Qualifying Widow(er)	Joint Filers
Up to 50% if “combined” income is between...	\$25,000 and \$34,000	\$32,000 and \$44,000
Up to 85% if “combined” income exceeds...	\$34,000	\$44,000

Combined Income:
Modified Adjusted Gross Income (MAGI)
+ nontaxable interest income
+ ½ of your social security benefits
= combined income

Source: Social Security Income Taxes and Your Social Security Benefits, ssa.gov, March 2024.

Your Retirement

What to Consider

- Social Security is a primary source of guaranteed income
- Can help leave your investments untouched
- Critical for your retirement budget
- Retirement does not equal Social Security
- One size does not fit all
- The emotional impact of retirement spending





Your Next Steps

Learn More



Filing for Benefits – How

www.socialsecurity.gov

Make an in-person or telephone appointment:
1-800-772-1213



Online Calculators Can Help

Additional information regarding Social Security benefits can be found at <https://www.ssa.gov>. A variety of information and calculators are available through a number of websites to help you understand your benefits and project monthly benefit amounts including those at <https://www.ssa.gov/benefits/calculators/>.

Filing for Benefits – When

Up to 4 months before you retire or attain age 62. If over age 62, review your benefit options to determine when to start.

Summary

The Basics

- Social Security benefits can be an integral part an overall retirement planning strategy

When Is the Best Time to Begin Taking Social Security?

- Evaluate Social Security and how to integrate benefits into a financial plan for retirement years, including when to begin
- Consider options to maximize benefits while reducing potential tax liability

How to Maximize

- Understand eligibility and how benefits are determined
- Understand how working in retirement may affect benefits



Additional Resources Available on AmericanCentury.com

[5 Questions About Social Security Answered](#)

[Should You Take Social Security Early?](#)

[Social Security Benefits: How the 2024 COLA Could Affect You](#)

[Social Security: Managing Taxes on Benefits](#)

[Income Tax and Social Security Updates Help Ease Inflation Pain](#)





Your Checklist

A good place to start is to complete an assessment of your situation. Let's look at the types of information that will be useful to help determine our retirement plan.

This checklist can help you answer the following questions:

☐ What is/are your current age(s)?

☐ Will you continue working in retirement?

☐ Are you considering delaying Social Security benefits past Full Retirement Age?

☐ Are you planning for survivor benefits?

☐ Do you have any health concerns or concerns about a shorter life expectancy?

☐ Do you/your spouse have:

☐ Sufficient financial resources *outside of Social Security* to meet your income needs?

☐ A **401(k) plan** with current or previous employer?

☐ Assets in **IRA** accounts?

☐ Any fixed or variable **annuities**?

☐ **Other assets**?

What Now?

Speak to a Financial Consultant

877-660-3153

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