



Sample

Prepared by:  
Lauren Laferla  
llaferla@covisum.com

Prepared for:  
Steven Sanchez and Sophia Sanchez  
Tuesday, July 21, 2020



## SOCIAL SECURITY CALCULATION ASSUMPTIONS

	Client	Spouse
Name	Steven	Sophia
Date of Birth	1/2/1954	1/15/1955

Assumed Inflation	2.6%
Real Rate of Return	1.4%

Income Need	\$6,500
Survivor Need	\$3,000

## ESTIMATED MONTHLY BENEFITS

Age	62	63	64	65	66	67	68	69	70
Steven	-	-	-	-	\$2,540	\$2,814	\$3,101	\$3,401	\$3,715
Sophia	-	-	-	\$1,456	\$1,546	\$1,711	\$1,887	\$2,071	\$2,263

## WHY ARE THE ESTIMATED BENEFITS DIFFERENT FROM MY SOCIAL SECURITY STATEMENT?

Your Social Security statement makes certain assumptions that differ from the assumptions we make in preparing your analysis.

First, Social Security assumes that the average wages will not increase in the future. Average wage statistics are used to index your past earnings to equal today's dollars, and to adjust formulas in the benefit calculation. We assume that the average wage will increase at the same pace as inflation, and we adjust your earnings as well as the formulas for future election years based on this assumption.

Second, your Social Security Statement does not include Cost-of-Living Adjustment (COLA). Historically, cost of living adjustments have occurred regularly, and a recent Social Security Trustees report (<https://www.ssa.gov/oact/tr/2019/>) assumes long term COLA to be between 1.8% and 3.8% per year with the most likely average being 2.7% per year. The benefit amounts above include COLA based on the 2.60 % inflation assumption per year that you entered.

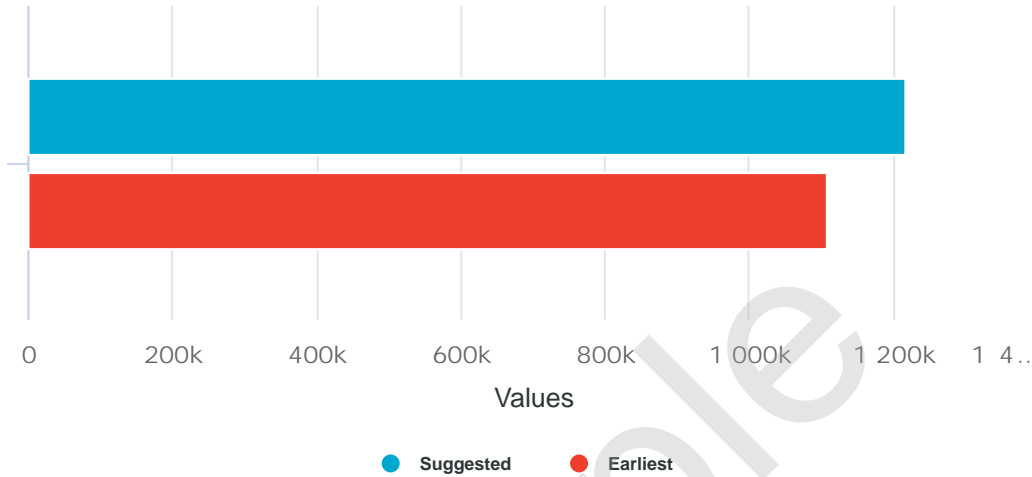
The raw dollar amount of your future benefit is of interest to most of our clients, and as a result, we present that information above and through this report when potential benefit amounts are referenced. As a result, the monthly benefit amounts above and through the remainder of this report represent your benefits in future dollars. We have taken substantial care to utilize the lifetime values of different benefit elections in today's dollars, using a real rate of return of 1.4%. Lifetime benefit values throughout this report represent the present value of benefits based on the estimated cash flows on the respective strategy cashflow tables. Cashflow tables are annual cash flows. "Strategy" in this report is used to denote a set of Social Security claiming ages and techniques, not an investment strategy.

## SOCIAL SECURITY STRATEGY COMPARISON

The expected lifetime family benefit using the suggested strategy is: \$1,215,561.

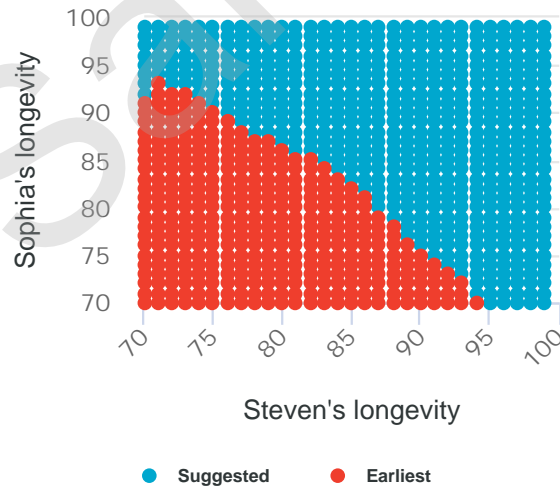
The expected lifetime family benefit for the earliest available combination is: \$1,106,485.

Strategy Comparison



This graph represents present value of lifetime family benefits. The preceding chart and comparisons assume that Steven dies at age 90 and Sophia dies at age 95.

Break Even Chart



This graph illustrates which of the outlined strategies provides the best outcome at any given set of whole year death age combinations. Break even points occur at combinations where the strategy offering the best outcome changes. The suggested strategy was determined by assuming Steven dies at age 90 and Sophia dies at age 95.

# STRATEGY DETAIL: SUGGESTED SOCIAL SECURITY STRATEGY

## OCTOBER 2023

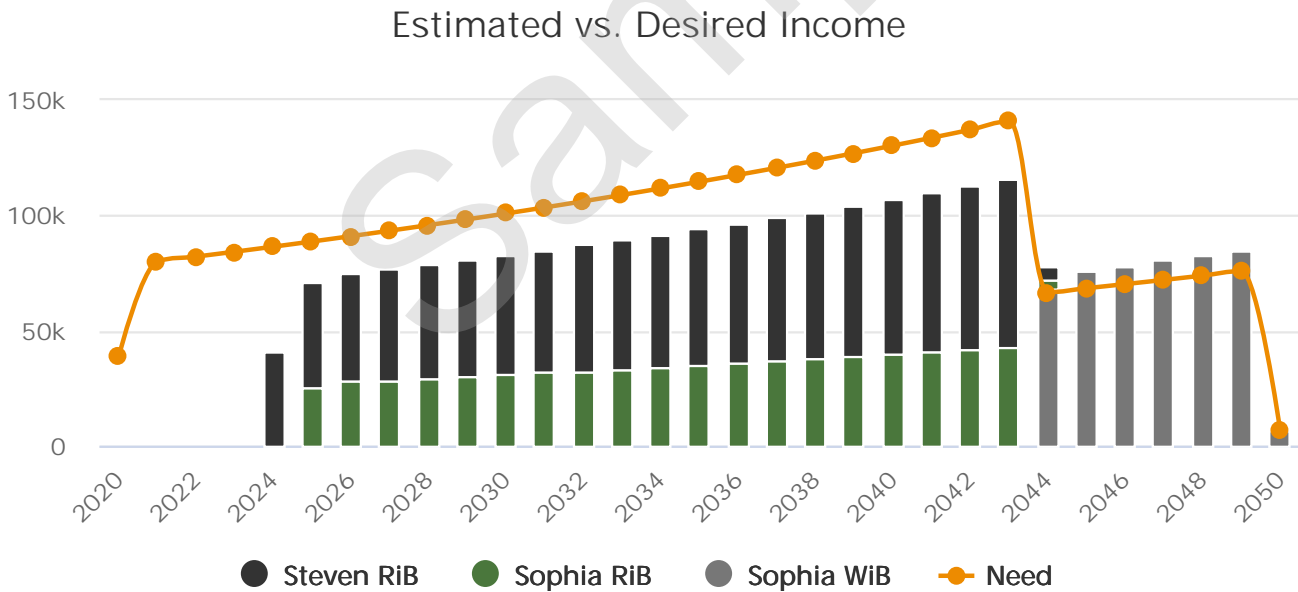
- Steven files a standard application for benefits requesting a month of election of January 2024 at 70. Steven's first check would be received in February 2024 for approximately \$3,715.

## OCTOBER 2024

- Sophia files a standard application for benefits requesting a month of election of January 2025 at 70. Sophia's first check would be received in February 2025 for approximately \$2,263.

The expected lifetime family benefit using this strategy is: **\$1,215,561.**

## USING THE SUGGESTED ELECTION AGES



The preceding charts demonstrate future value cash flows using the assumptions outlined on the assumptions page of this report, and do not include taxes or any other source of income. The desired income line is generated based on user input and inflated for future value using the same inflation assumptions.

## STRATEGY DETAIL: SUGGESTED SOCIAL SECURITY STRATEGY ESTIMATED CASH FLOWS

**Steven:**

Combined Benefit Breakdown Net Present Value

Retirement	Spousal	Widow
\$1,152,534	\$0	\$0

**Sophia:**

Combined Benefit Breakdown Net Present Value

Retirement	Spousal	Widow
\$657,906	\$0	\$477,877

## SUGGESTED STRATEGY: EXPECTED CASH FLOW FUTURE VALUES

Year	Steven		Sophia		
	Age	RiB	Age	RiB	Widow
2014	60	-	59	-	-
2015	61	-	60	-	-
2016	62	-	61	-	-
2017	63	-	62	-	-
2018	64	-	63	-	-
2019	65	-	64	-	-
2020	66	-	65	-	-
2021	67	-	66	-	-
2022	68	-	67	-	-
2023	69	-	68	-	-
2024	70	\$40,865	69	-	-
2025	71	\$45,732	70	\$24,893	-
2026	72	\$46,920	71	\$27,864	-
2027	73	\$48,144	72	\$28,584	-
2028	74	\$49,392	73	\$29,328	-
2029	75	\$50,676	74	\$30,096	-
2030	76	\$51,996	75	\$30,876	-
2031	77	\$53,340	76	\$31,680	-
2032	78	\$54,732	77	\$32,508	-
2033	79	\$56,148	78	\$33,348	-
2034	80	\$57,612	79	\$34,212	-
2035	81	\$59,112	80	\$35,100	-

## SUGGESTED STRATEGY: EXPECTED CASH FLOW FUTURE VALUES

	Steven		Sophia		
Year	Age	RiB	Age	RiB	Widow
2036	82	\$60,648	81	\$36,012	-
2037	83	\$62,220	82	\$36,948	-
2038	84	\$63,840	83	\$37,908	-
2039	85	\$65,496	84	\$38,892	-
2040	86	\$67,200	85	\$39,912	-
2041	87	\$68,940	86	\$40,944	-
2042	88	\$70,740	87	\$42,012	-
2043	89	\$72,576	88	\$43,104	-
2044	90	\$6,205	89	\$3,685	\$68,255
2045	91	-	90	-	\$76,404
2046	92	-	91	-	\$78,384
2047	93	-	92	-	\$80,424
2048	94	-	93	-	\$82,512
2049	95	-	94	-	\$84,660
2050	96	-	95	-	\$7,238

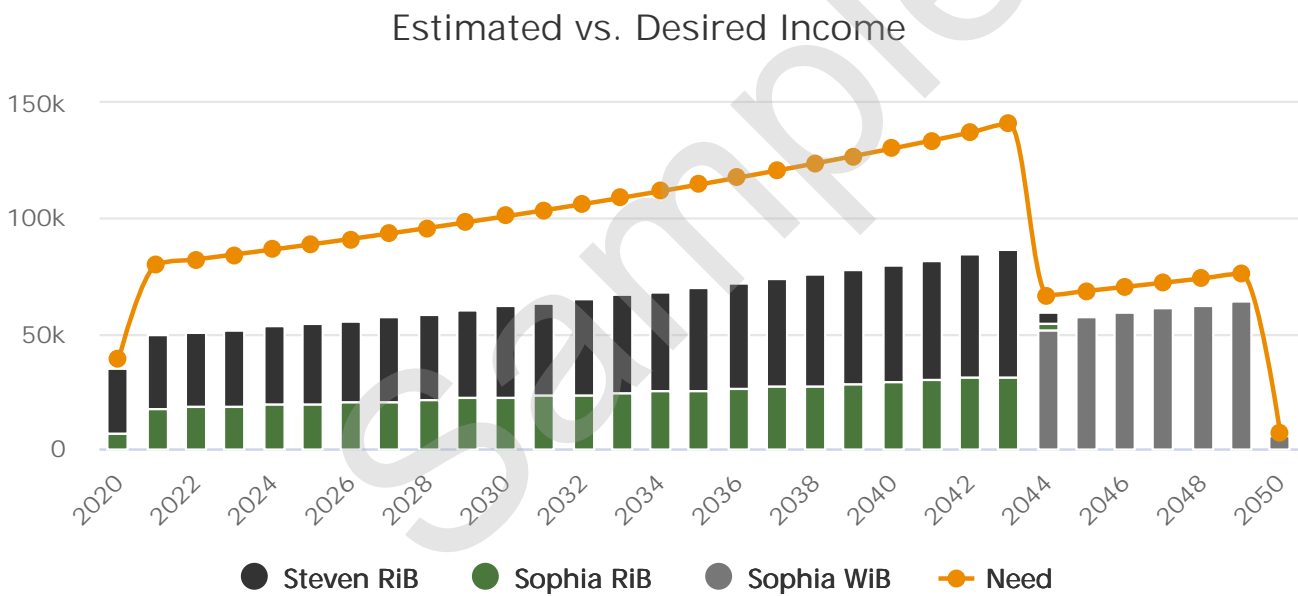
## STRATEGY DETAIL: EARLIEST SOCIAL SECURITY STRATEGY

### JULY 2020

- Steven files a standard application for benefits requesting a month of election of January 2020 at 66. Steven's first check would be received in February 2020 for approximately \$2,540. \*
- Sophia files a standard application for benefits requesting a month of election of July 2020 at 65 and 6 months. Sophia's first check would be received in August 2020 for approximately \$1,456.

The expected lifetime family benefit using this strategy is: **\$1,106,485.**

### USING THE EARLIEST ELECTION AGES



The preceding charts demonstrate future value cash flows using the assumptions outlined on the assumptions page of this report, and do not include taxes or any other source of income. The desired income line is generated based on user input and inflated for future value using the same inflation assumptions.



## STRATEGY DETAIL: EARLIEST SOCIAL SECURITY STRATEGY ESTIMATED CASH FLOWS

**Steven:**

Combined Benefit Breakdown Net Present Value

Retirement	Spousal	Widow
\$1,000,117	\$0	\$0

**Sophia:**

Combined Benefit Breakdown Net Present Value

Retirement	Spousal	Widow
\$564,579	\$0	\$362,006

## EARLIEST STRATEGY: EXPECTED CASH FLOW FUTURE VALUES

Year	Steven		Sophia		
	Age	RiB	Age	RiB	Widow
2014	60	-	59	-	-
2015	61	-	60	-	-
2016	62	-	61	-	-
2017	63	-	62	-	-
2018	64	-	63	-	-
2019	65	-	64	-	-
2020	66	\$27,940	65	\$7,280	-
2021	67	\$31,272	66	\$17,928	-
2022	68	\$32,076	67	\$18,384	-
2023	69	\$32,916	68	\$18,864	-
2024	70	\$33,768	69	\$19,356	-
2025	71	\$34,644	70	\$19,860	-
2026	72	\$35,544	71	\$20,376	-
2027	73	\$36,468	72	\$20,904	-
2028	74	\$37,416	73	\$21,444	-
2029	75	\$38,388	74	\$22,008	-
2030	76	\$39,384	75	\$22,584	-
2031	77	\$40,416	76	\$23,160	-
2032	78	\$41,460	77	\$23,772	-
2033	79	\$42,540	78	\$24,384	-
2034	80	\$43,644	79	\$25,020	-
2035	81	\$44,772	80	\$25,668	-

## EARLIEST STRATEGY: EXPECTED CASH FLOW FUTURE VALUES

	Steven		Sophia		
Year	Age	RiB	Age	RiB	Widow
2036	82	\$45,936	81	\$26,340	-
2037	83	\$47,136	82	\$27,024	-
2038	84	\$48,360	83	\$27,720	-
2039	85	\$49,620	84	\$28,440	-
2040	86	\$50,904	85	\$29,184	-
2041	87	\$52,236	86	\$29,940	-
2042	88	\$53,592	87	\$30,720	-
2043	89	\$54,984	88	\$31,524	-
2044	90	\$4,701	89	\$2,695	\$51,711
2045	91	-	90	-	\$57,876
2046	92	-	91	-	\$59,376
2047	93	-	92	-	\$60,924
2048	94	-	93	-	\$62,508
2049	95	-	94	-	\$64,128
2050	96	-	95	-	\$5,483

## SPECIAL SOCIAL SECURITY CONCEPTS: MARRIED COUPLES

### **Social Security offers three distinct types of benefits for retired workers and/or their spouses:**

1. Retirement benefit, which is based on his or her own earnings record;
2. Auxiliary benefit, which provides a worker's spouse or children with a benefit once the worker has claimed his own benefit; and
3. Survivor benefit, which provides a surviving spouse or certain other dependents with a benefit after a worker's death.

After the passage of the Bipartisan Budget Act of 2015 (BBA), some previously available claiming strategies were modified or eliminated. This report incorporates those rules and evaluates the remaining available claiming strategies for your consideration. In general, strong claiming strategies for couples will work to intentionally maximize each of the three types of benefits.

**Retired Worker Benefit** – Retirement benefits may be available as early as age 62. Your benefit amount is calculated based on a formula that incorporates your highest 35 years of earnings. If you claim benefits at Full Retirement Age (FRA), which varies from 66 to 67 based on your year of birth, you will receive your full benefit, which is known as your Primary Insurance Amount (PIA). If you claim early, you will receive a reduced benefit and if you delay, your benefit will be increased by 8% per year (pro-rated by months) of delay up to age 70.

**Auxiliary Benefit** – The most common auxiliary benefit for a married couple is the spousal benefit. Spousal benefits are generally available to the spouse of a worker who has been married to the worker for at least one year. The worker must either be receiving a retirement benefit or have suspended a retirement benefit on or before April 29, 2016. The amount of the spousal benefit is 50% of the worker's PIA if claimed at FRA. Spousal benefits are reduced if claimed prior to FRA, but do not increase if delayed past FRA. When an individual is simultaneously entitled to both a spousal benefit and a retirement benefit, the spousal benefit is reduced by the greater of the retirement benefit or if a reduced retirement benefit is taken, the PIA.

**Survivor Benefit** – The survivor benefit is unique in that it is based both on when the deceased filed for benefits and when the surviving spouse claims benefits. For example, if a higher wage-earning spouse elects early, then dies, the spouse will be faced with a permanently reduced survivor benefit, regardless of when they claims. If the higher wage-earner delays claiming retirement benefits, the available survivor benefit is also increased.

**Restricted Application for Spousal Benefits** – Prior to the BBA, any program participant who had reached FRA and was eligible for both his own retirement benefit and a spousal benefit could “restrict the application” to only spousal benefits. By restricting the application to only spousal benefits, entitlement to retirement benefits was avoided. After claiming an unreduced spousal benefit only for a period of time, the participant could switch to the retirement benefit, which had been growing by 8% per year. After the BBA, this option is available only to people born on or before January 1, 1954.

Sample

## THE RETIREMENT EARNINGS TEST

### **How does work affect Social Security?**

You are able to work and receive Social Security retirement, spousal, or survivor's benefits. However, you may be subject to a reduction in benefits if you haven't attained full retirement age.

The Social Security Administration (SSA) will withhold benefits during the year in which you work assuming that you provide an estimate to the Social Security office about your expected earnings. If you do not report estimated earnings, the SSA will withhold your monthly payments in the following year until all benefits that should have been withheld are paid in full.

### **How much of my benefit will be withheld?**

In 2020, you are allowed to earn up to \$18,240 before benefits are withheld. For every \$2 you earn above the exempt amount, \$1 dollar will be withheld. This applies to all years leading up to the year in which you attain your full retirement age. During the year you attain full retirement age the exempt amount increases to \$48,600 and for every \$3 you earn over the exempt amount \$1 will be withheld.

Even though your benefits are withheld they are not completely lost. Once you reach full retirement age, your benefits will be increased to account for the number of months that you did not receive a benefit. For example, if your full retirement age is 66 and you filed for benefits at 62 you received a reduction in benefits for taking benefits 48 months early. If 12 payments are withheld due to the earnings test, your benefits will be adjusted at your full retirement age and it will be as if you elected at age 63, or 36 months early.

## WHAT IS CONSIDERED INCOME?

If you are employed by someone else, only wages are considered earned income for the purpose of the annual earnings test. For people who are self-employed, only net earnings count. It is important to note that employee contributions to pension or retirement plans are included in gross wages.

### **Income that is not counted as earnings include:**

- Government benefits
- Investment earnings
- Interest
- Pensions
- Annuities
- Capital gains

## SPECIAL RULE

For people who file for benefits mid-year and have already earned more than the exempt amount, the monthly earnings test is used. For any month during that first year that you earn under the monthly exempt amount, which is simply 1/12 of the annual exempt amount, you will receive your full benefit for that month, regardless of your earnings before you filed for benefits.

Sample

## SOCIAL SECURITY TIMING DISCLOSURES

This report is intended as a diagnostic tool to suggest potential election options that may be beneficial. The election options considered may not be exhaustive. While substantial effort has been taken to ensure the accuracy of all calculations, we provide no guarantees. Further, this report can not anticipate future changes to the Social Security System, formulae, or claiming rules.

**This report specifically excludes the following situations:**

1. This report does not account for disability years. If you have years in which you received Social Security Disability benefits, the result will be inaccurate.
2. This report may incorporate Social Security's Annual Earnings Test. It does not incorporate the Monthly Earnings Test.
3. This report does not incorporate children's benefits, dependent parent's benefits, or the family maximum calculation.
4. This report assumes that the surviving spouse will begin receiving the higher of his or her own benefit, or the deceased spouse's benefit at the time of the first death. Further, the calculation does not assume election of widow's benefits prior to age 70. As a result, if the date of death for either spouse is prior to the survivor's age 70, the results will be inaccurate.
5. This report does not treat Railroad or Military earnings separately. Workers who have 10+ years of Railroad earnings, or certain military service may experience inaccurate results.
6. We assume "Fully Insured" status. If you have not reached fully insured status for retirement benefits, the results will be inaccurate.

Election options also must be coordinated with your other retirement planning. The contents of this report when judged in the context of your overall financial plan may not be optimal for your circumstances, as it may cause unacceptable trade-offs with your other investment assets. Please seek the advice of your own tax, financial, and legal advisors before implementing any strategies contained in this report.

In this report, life expectancy assumptions may be manually entered, or based on Social Security mortality tables, available at [www.ssa.gov/OACT/STATS/table4c6.html](http://www.ssa.gov/OACT/STATS/table4c6.html). Report contents and calculations provided by Social Security Timing.