

# Social Security Optimization

“Make Social Security the  
Cornerstone of your Retirement Plan”

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“

**The fear of dying has been replaced  
by the fear of living too long**

”

– John Zidan

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Driven to do more.  **ATHENE**



# OASDI

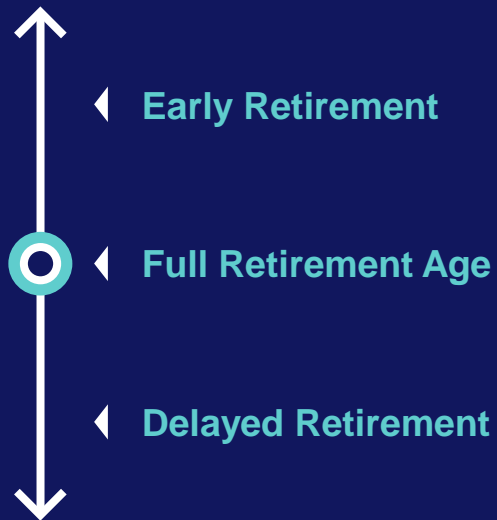
Old Age Survivor and Disability Insurance Program



An individual must be **fully insured**.

Most workers need 40 credits,  
or **about 10 years of work**.

Once fully insured,  
workers have  
**three options:**

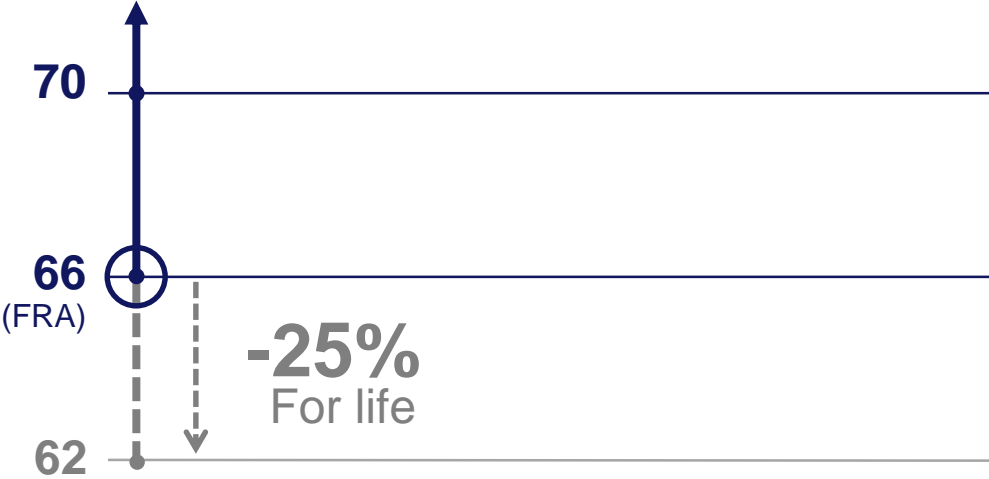


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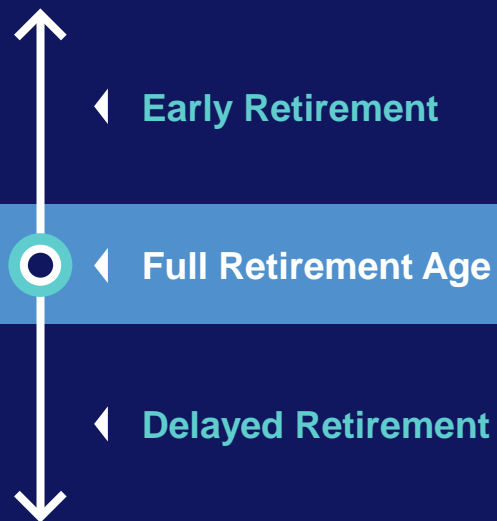
Once fully insured,  
workers have  
**three options:**



**Receiving  
benefits early**

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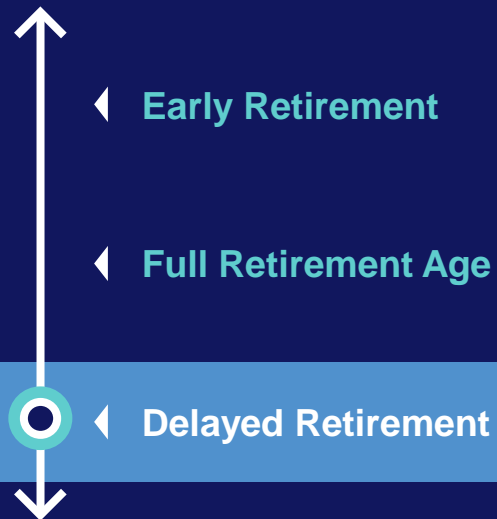
Once fully insured,  
workers have  
**three options:**



An individual's FRA is based on  
the year in which he/she was born:

<b>Year Born</b>	<b>Full Retirement Age</b>
<b>1937 or earlier</b> (*add 2 months to each year after 1937 until 1943)	<b>65</b>
<b>1943 – 1954</b> (*add 2 months to each year after 1954 until 1960)	<b>66</b>
<b>1960 and later</b>	<b>67</b>

Once fully insured,  
workers have  
**three options:**

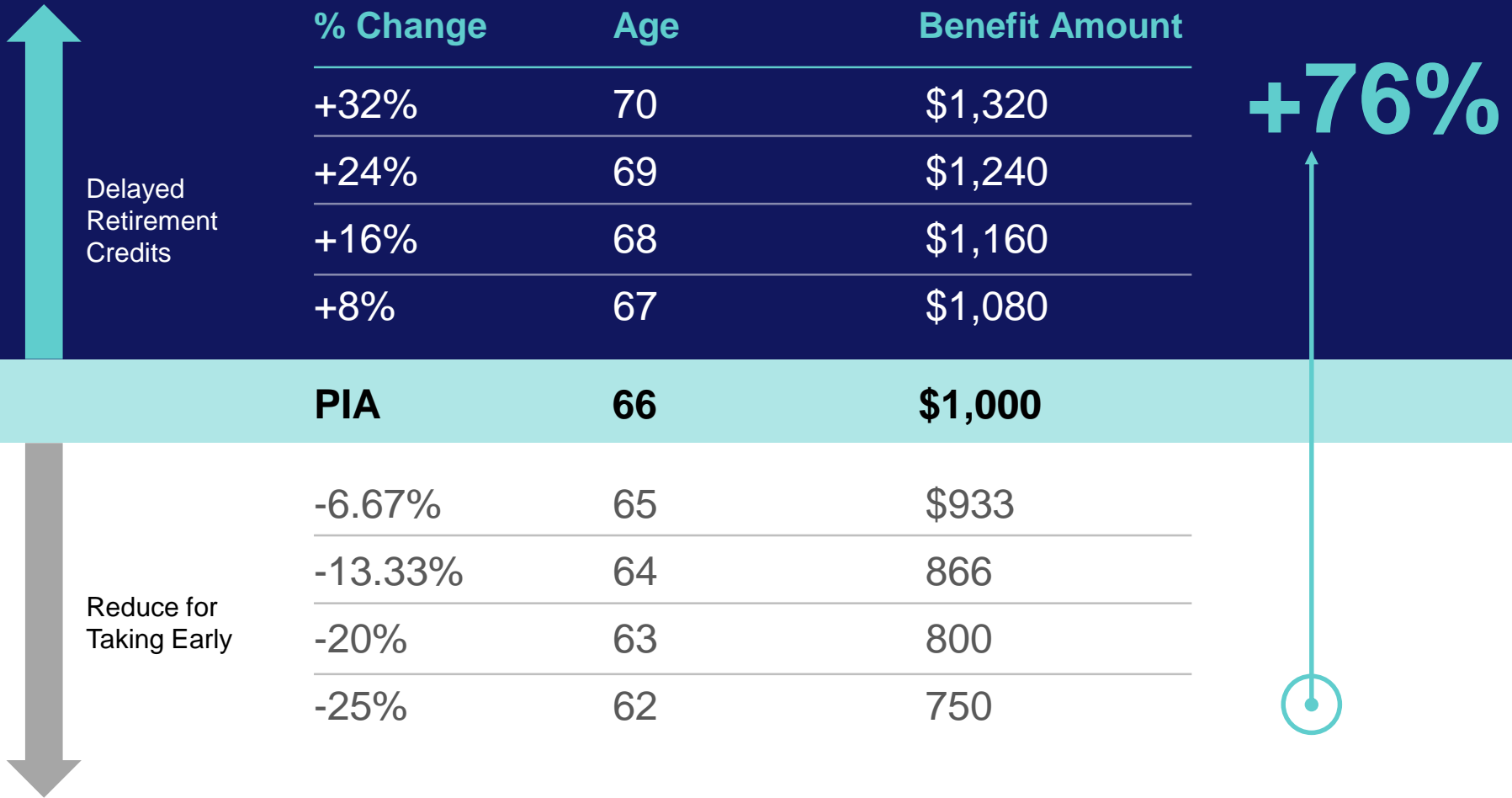


Benefits can be increased if an individual chooses not to receive them at FRA. By opting to wait, an individual will earn delayed retirement credits (DRC's) for each year beyond FRA, up to age 70:

Year Born	Delayed Retirement Credit
1939 - 1940	7.0%
1941 - 1942	7.5%
1943 and later	8.0%

# PIA Red Zone

The lifespan of a \$1,000 Primary Insurance Amount (PIA) for a worker with an FRA of 66



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# Spousal Benefits

Social Security Optimization is most useful for married couples preparing to file for benefits.

This benefit applies only if one spouse has a PIA that is less than one-half of the other spouse's PIA at their FRA.



In addition to your own benefit, filers may also be eligible for an “extra” spousal benefit if they are married to a worker who is eligible and has filed for benefits.



Even if you don't qualify for your own benefit, you are entitled to a spousal benefit if your spouse is eligible and has filed for their own benefits.

# The Power of Social Security



Longevity



Taxes



Inflation



**Rests in its ability to combat the erosive effects  
over a 25 to 30-year retirement**

## The Power of Social Security Optimization

77%

of working households are  
**not on pace to meet savings targets\***

\*Retirement in America/Out of Reach for Most Americans?, National Institute on Retirement Security, September 17, 2018

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What makes  
**Social Security**  
the retirement  
cornerstone you've  
been looking for.

Benefits are\*:



Paid for life



Continued for the life  
of the surviving spouse



Inflation adjusted



Tax efficient



Backed by a  
government promise

\*SSA.GOV

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# The Power of Waiting



Age	Husband	Wife	Total Income
62	\$1,988	\$1,500	\$3,488
66	\$2,650	\$2,000	\$4,650
70	\$3,499	\$2,640	\$6,139

**Total income is guaranteed to increase by 76% (+\$2,651)**

...if a couple waits until age 70 to take Social Security benefits as compared to age 62

Hypothetical benefit amounts

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The power of waiting: **+** **\$2,651**  
per month

OR

**+** **\$31,812**  
a year

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Credible Process

**Safe withdrawal  
rate research**

**4%\***

\* This is a gross number and therefore does not account for any fees. The number could be less based upon several factors including fees, time horizon, portfolio construct and desired probability of success.

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# Historical Social Security Cost-Of-Living Adjustments

Since 1975, Social Security benefit increases, while not guaranteed, have been automatic.

Year	COLA %	Year	COLA %	Year	COLA %	Year	COLA %
1975	8.0	1989	4.7	2003	2.1	2017	2.0
1976	6.4	1990	5.4	2004	2.7	2018	2.8
1977	5.9	1991	3.7	2005	4.1	2019	1.6
1978	6.5	1992	3.0	2006	3.3		
1979	9.9	1993	2.6	2007	2.3		
1980	14.3	1994	2.8	2008	5.8		
1981	11.2	1995	2.6	2009	0.0		
1982	7.4	1996	2.9	2010	0.0		
1983	3.5	1997	2.1	2011	3.6		
1984	3.5	1998	1.3	2012	1.7		
1985	3.1	1999	2.5	2013	1.5		
1986	1.3	2000	3.5	2014	1.7		
1987	4.2	2001	2.6	2015	0.0		
1988	4.0	2002	1.4	2016	0.3		

**Historical average  
COLA\*\*= 3.68%**

\* The CPI-W is the Consumer Price Index for Urban Wage Earners and Clerical Workers and is calculated by the US Bureau of Labor Statistics. Social Security cost of living adjustments are equal to the given years CPI-W.



# The Power of Stacking

2019	1.6	70
2018	2.8	
2017	2.0	
2016	0.3	
<b>2015</b>	<b>0.0</b>	<b>66</b>
2014	1.7	
2013	1.5	
2012	1.7	
2011	3.6	62

**COLA ADJ PIA  
+ DRC's =**

**104%\***

\* Assumes you reached benchmark year in 2011 and age 70 in 2019. COLA figures used were actual COLA's declared by SSA in those years.

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# Provisional Income

## The Power of SSO

Retirement at age 66  
Annual income goal: \$85,000

Retirement Assets: \$800,000

### The Earlys

	Husband	Wife	Total
@70	\$3,499	\$2,640	\$6,139
@66	<b>\$2,650</b>	<b>\$2,000</b>	<b>\$4,650</b>
@62	\$1,988	\$1,500	\$3,488

**Annual combined SS income  
@ 66 \$55,800**

### The Lateres

	Husband	Wife	Total
@70	<b>\$3,499</b>	<b>\$2,640</b>	<b>\$6,139</b>
@66	\$2,650	\$2,000	\$4,650
@62	\$1,988	\$1,500	\$3,488

**Annual combined SS income  
@ 70 \$73,688**

\*Scenario assumes both couples have \$800,000 in retirement assets, with FRA of 66 and a household pre-tax income goal of \$85,000. Target pre-tax income goal, Social Security benefits and IRA distributions have been adjusted to account for a hypothetical annual COLA of 2.5%. Age 66 scenario assumes spouses elect to retire at age 66 and immediately file for Social Security benefits. Age 70 scenario assumes spouses elect to claim Social Security benefits at age 70. This couple would have higher taxable income while waiting for the delayed Social Security benefit to start.

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## The Power of SSO

Retirement at age 66  
Annual income goal: \$85,000

Retirement Assets: \$800,000

### The Earlys' Gap

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**\$29,200**

### The Laters' Gap

---

**\$11,312**

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Fully Funded

## The Power of SSO

Retirement at age 66  
Annual income goal: \$85,000

Retirement Assets: \$800,000

### The Early's

---

$$\text{\$29,200 gap} \div 2.40\%^* = \text{\$1,216,667}$$

\* This assumed safe withdrawal rate is net of fees and based on a probability of success greater than 90%

### The Later's

---

$$\text{\$12,522}^* \div 2.72\%^{**} = \text{\$460,368}$$

\*\* Assumes 2.5% COLA on the income gap and a shorter time horizon for the safe withdrawal rate as it is four years after the Early's plan begins

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## The Power of SSO

Retirement at age 66  
Annual income goal: \$85,000

Retirement Assets: \$800,000



To be fully funded, the Laters also need bridge capital to meet their income need to age 70.

Bridge Capital:	\$352,964*	+	Income Gap:	\$460,368	=	Total Required:	<b>\$813,332</b>
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## The Laters

$$\$12,522^* \div 2.72\%^{**} = \$460,368$$

\*\* Assumes 2.5% COLA on the income gap and a shorter time horizon for the safe withdrawal rate as it is four years after the Early's plan begins

\* Bridge Capital has been adjusted to account for an annual 2.5% COLA between ages 66 and 70

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Fully Funded

## The Power of SSO

Retirement at age 66  
Annual income goal: \$85,000

Retirement Assets: \$800,000

### To be fully funded...

#### The Earlyls

---

Capital required: **\$ 1,216,667**

#### The Laterls

---

Capital required: **\$ 813,332**

**Difference: \$ 403,335**

**33%**  
**less**

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# Plan More Heavily Weighted in Social Security

	The Earlys	The Laters*	
Target Pre-tax Income	\$93,824	\$93,824	
SS Income	\$61,593	<b>\$81,302</b> ←	Guaranteed Social Security Income is 32% more
Traditional Retirement Account income	\$32,231	\$12,522	
Taxable SS Benefit	\$22,173	\$13,797	
Taxable Income (AGI + SS Income Test)	\$54,404	<b>\$26,319</b> ←	Total Taxable Income is 52% less

\*Target Pre-Tax Income Goal, Social Security Benefits and IRA Distributions Have Been Adjusted to Account for an Annual COLA of 2.5%

Scenario assumes both couples have \$800,000 in retirement assets, with FRA of 66 and a household pre-tax income goal of \$85,000. Target pre-tax income goal, Social Security benefits and IRA distributions have been adjusted to account for a hypothetical annual COLA of 2.5%. Age 66 scenario assumes spouses elect to retire at age 66 and immediately file for Social Security benefits. Age 70 scenario assumes spouses elect to claim Social Security benefits at age 70. This couple would have higher taxable income while waiting for the delayed Social Security benefit to start.

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## Provisional Income Formula:

**100%**

Modified Adjusted Gross  
Income\*

**+50%**

of Social Security Benefit

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**Provisional Income**

## Understanding the taxation of Social Security benefits

### Base Allowance or Tax Thresholds

Filing Status	Provisional Income	% of Benefits Subject to Tax
Single	< \$25,000	0%
Joint	< \$32,000	
Single	\$25,000 - \$34,000	Up to 50%
Joint	\$32,000 - \$44,000	
Single	> \$34,000	Up to 85%
Joint	> \$44,000	

- MAGI is your adjusted gross income as determined on Form 1040, increased by certain income that is tax-exempt or otherwise excludible from gross income and further increased by amounts that were otherwise deductible, such as interest on education loans, deductible qualified tuition and related expenses. IRS.GOV



# To Determine the Exact Taxable Amount of your Social Security benefits the IRS takes the lowest amount from the following three tests\*

## TEST 1

85% of the total Social Security benefits received

## TEST 2

50% of the total benefit amount over the first threshold (\$32,000) and under the second threshold (\$44,000) plus 85% of the total benefit amount exceeding the second threshold

## TEST 3

50% of the total benefits exceeding the first threshold (\$32,000) and 35% of the total benefits exceeding the second threshold (\$44,000)

\*IRS.GOV

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## The Earlys

Social Security income **\$61,593**  
and **\$32,231** from the IRA

Social Security income at 50% = **\$30,797**  
+IRA income at 100% = **\$32,231**

**Provisional income = \$63,028**

<b>A</b>	\$63,028	Provisional income
	- \$32,000	First threshold
	<hr/>	
	\$31,028	Amount over
	x 50%	
	<hr/>	
	<b>\$15,514</b>	Taxable

<b>B</b>	\$63,028	Provisional income
	- \$44,000	Second threshold
	<hr/>	
	\$19,028	Amount over
	x 35%	
	<hr/>	
	<b>\$6,660</b>	Taxable

**Total Taxable Social Security (A + B) = \$22,174**



## The Later

Social Security income **\$81,302**  
and **\$12,522** from the IRA

Social Security income at 50% = **\$40,651**  
+IRA income at 100% = **\$12,522**

**Provisional income = \$53,173**

<b>A</b>	\$53,173	Provisional income
	- \$32,000	First threshold
	\$21,173	Amount over
	x 50%	
	<b>\$10,587</b>	Taxable

<b>B</b>	\$53,173	Provisional income
	- \$44,000	Second threshold
	\$9,173	Amount over
	x 35%	
	<b>\$3,210</b>	Taxable

**Total Taxable Social Security (A + B) = \$13,797**

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## Plan More Heavily Weighted in Social Security...

	The Earlys	The Later*s	
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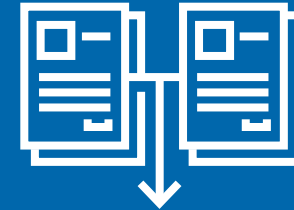
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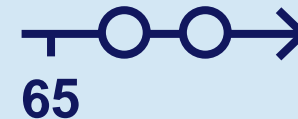
# Standard Deductions

2020

Married Filing Jointly



Both Spouses Over Age 65



**\$27,400\***

\*\$12,400 PER INDIVIDUAL + \$1,300 PER INDIVIDUAL OVER THE AGE OF 65 OR BLIND – IRS.GOV

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# The Power of SSO

	The Earlys	The Lateres
<b>Income goal guaranteed</b>	65%	<b>87%</b>
<b>Income adjusted for inflation without market exposure</b>	65%	<b>87%</b>
<b>Income goal considered taxable</b>	58%	<b>28%</b>
<b>Annual guaranteed survivor income*</b>	\$31,800	<b>\$41,988</b>

\*Assumes no COLA's and one spouse passes at the time they elect to begin benefits

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## Savings Rates or Planning Strategy?

77%

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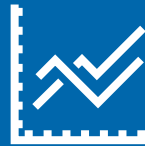
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# Athene Retirement Optimizer

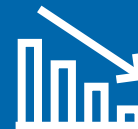
The powerful solution that...



**Automatically calculates scenarios** with only 5-7 items of information



**Immediately demonstrates the impact** various Social Security filing strategies may have on plan capital requirements.



**Shows clients how to further reduce capital requirements** by utilizing guaranteed lifetime income products.

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# Athene Retirement Optimizer



## Athene Retirement Optimizer

### Summary

Prepared for: John and Jane Sample

Prepared by: Tony Peckich

Date: 04/28/2019

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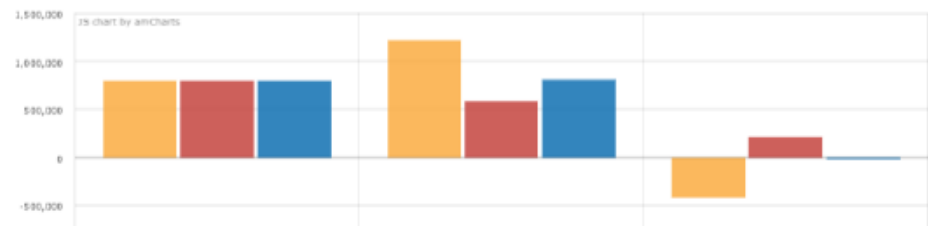
## COMPARISON

Results	Current Plan	SS Optimization	Alternative Plan
% of Income Goal Guaranteed for Life	66%	100%	87%
% of Guaranteed Income Adjusted for Inflation	66%	100%	87%
% of Income Considered Taxable	55%	30%	30%
<b>Guaranteed Survivor Benefit</b>	<b>\$31,800</b>	<b>\$54,498</b>	<b>\$41,976</b>
<b>Income Analysis</b>			
Annual Income Goal	\$85,000	\$85,000	\$85,000
Annual Household Social Security Benefits	\$55,800	\$73,656	\$73,656
Pension Benefits	\$0	\$0	\$0
Other Guaranteed Income	\$0	\$0	\$0
<b>Annual Income Gap</b>	<b>\$29,200</b>	<b>\$12,522*</b>	<b>\$12,522*</b>
<b>Plan Capital Requirement<sup>13</sup></b>			
Capital Available	\$800,000	\$800,000	\$800,000
Total Capital Required To Complete Plan	\$1,216,667	\$582,964	\$813,332
<b>Excess Capital</b>	<b>\$-416,667</b>	<b>\$217,036</b>	<b>\$-13,332</b>
<b>Future Value of Excess Capital **</b>			
Year 10	\$0	\$353,529	\$0
Year 20	\$0	\$575,862	\$0
Year 30	\$0	\$938,018	\$0

\* Inflation Adjusted

\*\* Based on assumed annual rate of return of 5.00%

### Plan Capital Requirements (000)



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# The Corporation for Social Security Claiming Strategies



# Thank you!

Andy Robertson, CSSCS  
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