REDW Stanley **expertise.**

mastering the social security maze

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You've seen the billboards and flyers and heard the ads—you're leaving over $100,000 in Social Security benefits on the table. Do you need to claim "your money" before it's too late? Is this kind of thing even legal?

IT'S LEGAL AND IT'S COMPLICATED

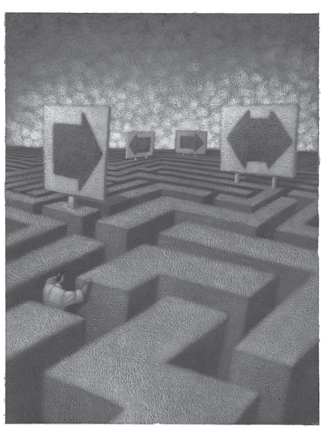
Yes, it is legal and part of the law. Late in 2015 Congress passed the Bipartisan Budget Reconciliation Act, making major changes to how Social Security retirement benefits are claimed. Now, some couples find themselves in a situation where two different sets of rules apply in their household.

To begin with, the vast majority of Social Security recipients have claimed their benefits early. In fact, most have claimed their benefits prior to reaching their full retirement age (currently age 66). The strategies you may have seen or heard about are primarily centered around the benefits that can be claimed in a household with two workers.

The law entitles each married worker's spouse to additional Social Security spousal benefits, giving any household with two workers the potential of claiming four separate retirement benefits. In some cases, as many as three benefits may be received at the same time.

THE DUAL INCOME HOUSEHOLD

Multiple Social Security retirement benefits are not just found in a "traditional" dual income household; they have been extended by law to include same-sex marriages as well. Additionally, multiple benefits can be available to divorced individuals, provided their marriage lasted for at least 10 years. Finally, widows and widowers who have their own work records are also entitled to multiple retirement benefits and can choose between survivor benefits and retirement benefits based on their own work record.



FIRST THERE'S THE MATTER OF TIMING

A married couple with both claimants the same age has the ability to claim benefits with 81 possible claiming age combinations. The first could claim at age 62 and the second at age 70, or the first could claim at age 66 and the second at age 65, etc. However, Social Security benefits are calculated on a month by month basis between the ages of 62 and 70. Therefore, a same-aged couple will have over 11,300 possible age combinations to consider for claiming their retirement benefits. It's no wonder computer programs are needed to try and find the optimal time to claim benefits!

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BUT THERE'S MORE

An insured individual born on or before January 1, 1954 who reaches **full retirement age** (FRA) without having previously claimed a retirement benefit may elect to claim spousal benefits only. At FRA an individual would restrict or limit their claim to spousal benefits in order to delay receipt of their own retirement benefit. Between the ages of 66 and 70, individuals who postpone their retirement benefits will receive an 8% increase in their ultimate retirement benefit (based on their age 66 benefit) for each year that they wait. This means one insured individual can collect a spousal benefit while their own retirement benefit accrues the 32% increase during the period of delay.

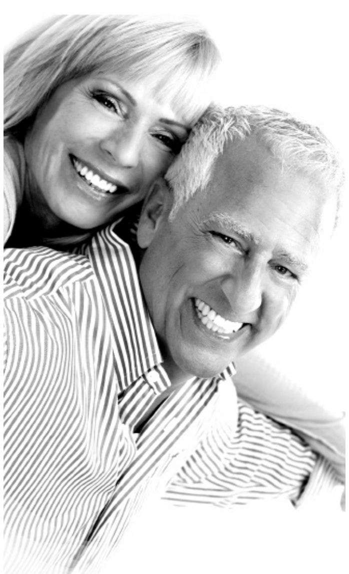
Not only will the person who delays receipt of their primary retirement benefit receive larger retirement benefits, but survivor benefits are frequently higher as well. When a couple looks to calculate the optimal time to claim benefits, the situation becomes extremely complicated when they need to factor in the possibility of one or both of them being able to claim survivor benefits.

TAXES CAN HAVE A SUBSTANTIAL IMPACT

Because Social Security benefits are tax preferred at a minimum, it is important to try and design a plan for income in retirement that not only optimizes the Social Security claiming strategy, but an individual's income taxes as well.

Depending on how retirement income and investments are structured, it is possible for two separate couples with the same household income to pay significantly different amounts in income taxes. In some cases, an optimized retirement income plan can reduce income taxes by as much as 90%.

Social Security recipients actually face the highest marginal income tax rates in the United States. When mandatory retirement plan distributions begin to show up at age 70½ , each dollar of additional income can be taxed at a rate as high as 55%. Frequently, taxpayers that are in a 15% income tax bracket find themselves paying 28%, 46.3% or 55.5% of their required distribution in Federal income taxes. State income taxes are added on top of those rates.



DON'T LET THIS HAPPEN TO YOU

The Social Security claiming decision can be one of the most important financial decisions families make in a lifetime. The planning department at REDW Stanley Financial Advisors LLC can help you analyze your claiming options prior to making your election. Additionally, we stand ready to assist you with structuring your investments to optimize your income in retirement.

CONTACT REDW STANLEY if you would like to discuss your own situation in greater depth.