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# Smart strategies for claiming Social Security benefits



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- One of largest investment firms in the United States\*
- Represented by approximately 15,000 Financial Advisors and 3,900 licensed bankers across the U.S.

## About Wells Fargo & Company

- Recognized for strength, integrity, and client satisfaction since 1852
- Ranked 22nd on *Fortune's* 2015 list of the "World's Most Admired Companies"
- Named 11 consecutive years on *Barron's* "World's Most Respected Companies" (2005-2015)

\* All statistics include Wells Fargo Clearing Services, LLC, (including its predecessor firms) and Wells Fargo Advisors Financial Network, LLC, as of December 31, 2015.

# Why you should have this conversation

- If you're married, have you and your spouse agreed on retirement dates?
- Have you discussed the Social Security claiming strategies available to you as a couple?
- Have you considered the full spectrum of your retirement income possibilities?



*Now is the time to initiate these important conversations!*

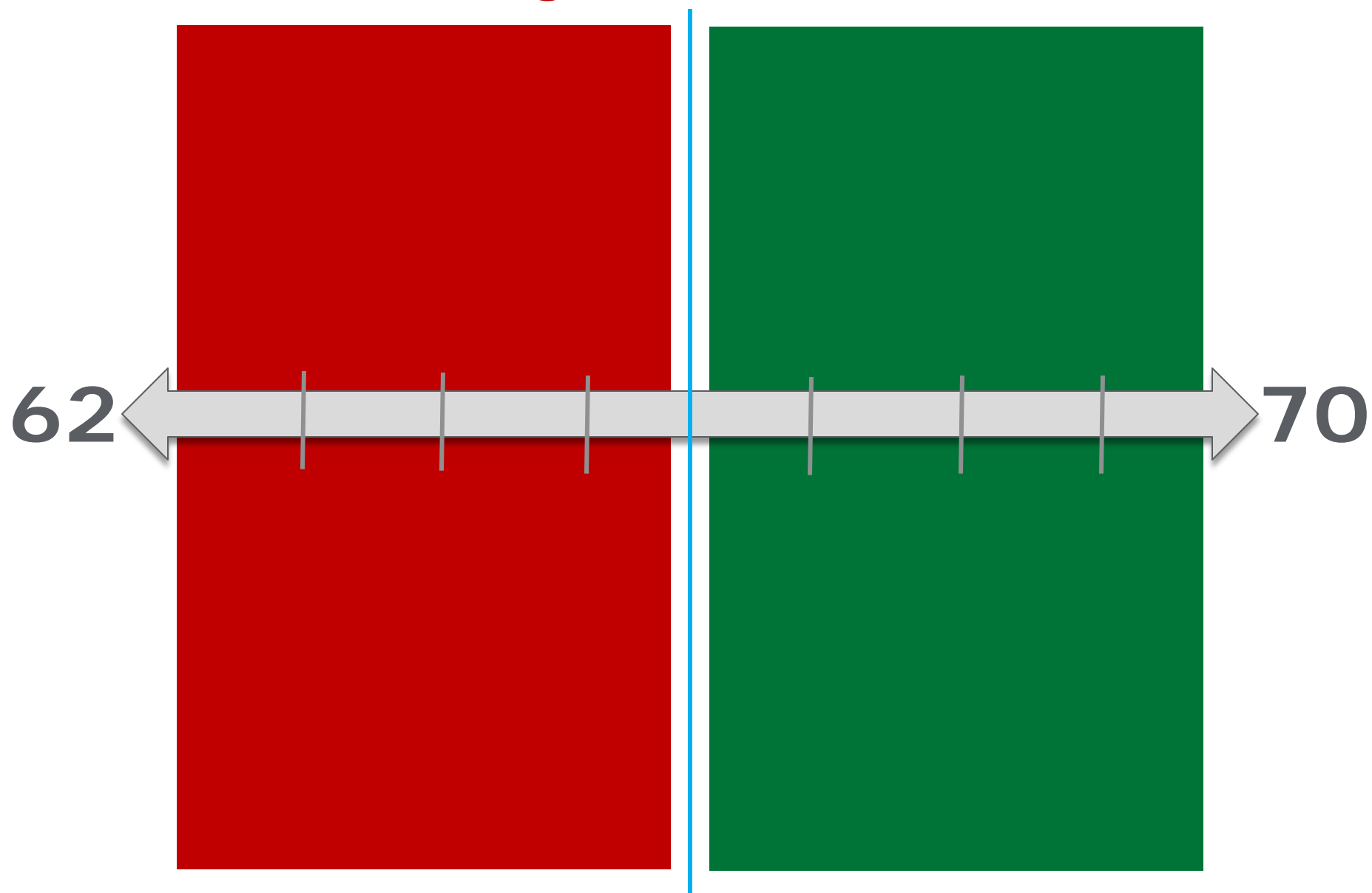


# Full retirement age (FRA)

Birth year	Full retirement age
1943-54	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 or later	67

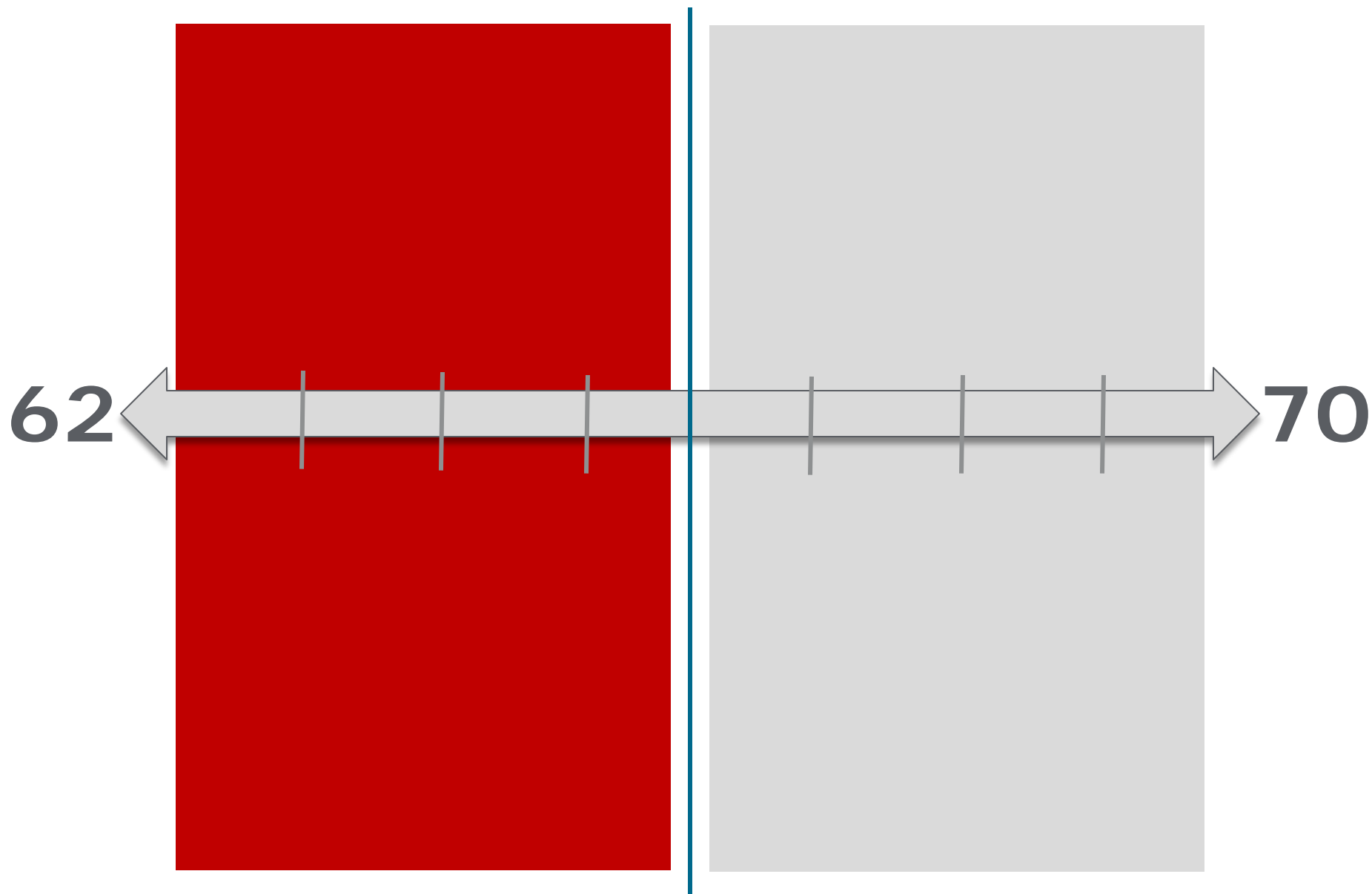


# Full retirement age





# Full retirement age







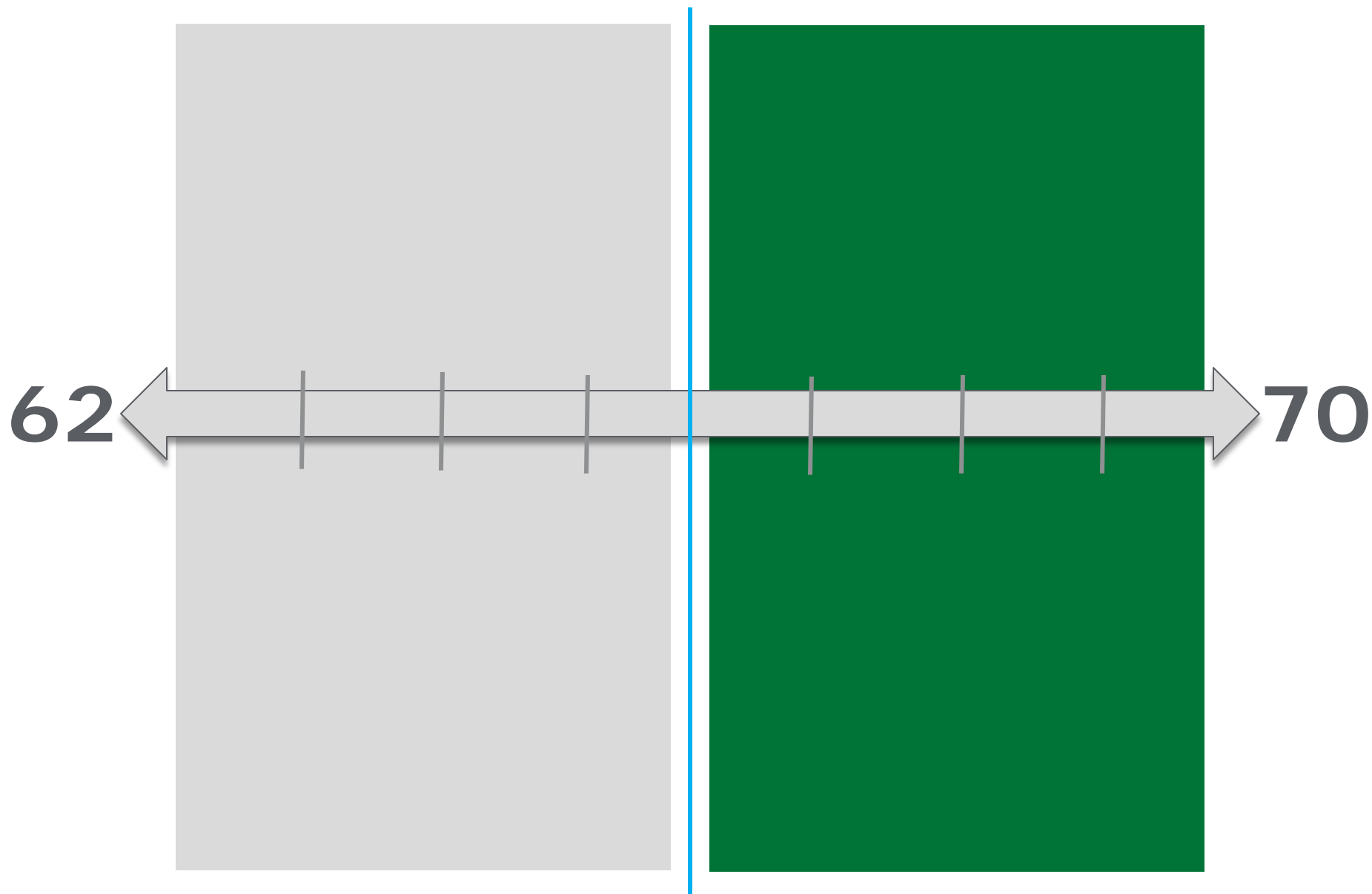
# Reduction for taking early benefits

Months early	Rate
1	99.4%
12	93.3%
18	90%
24	86.7%
36	80%
<b>48</b>	<b>75%</b>
60	70%





# Full retirement age



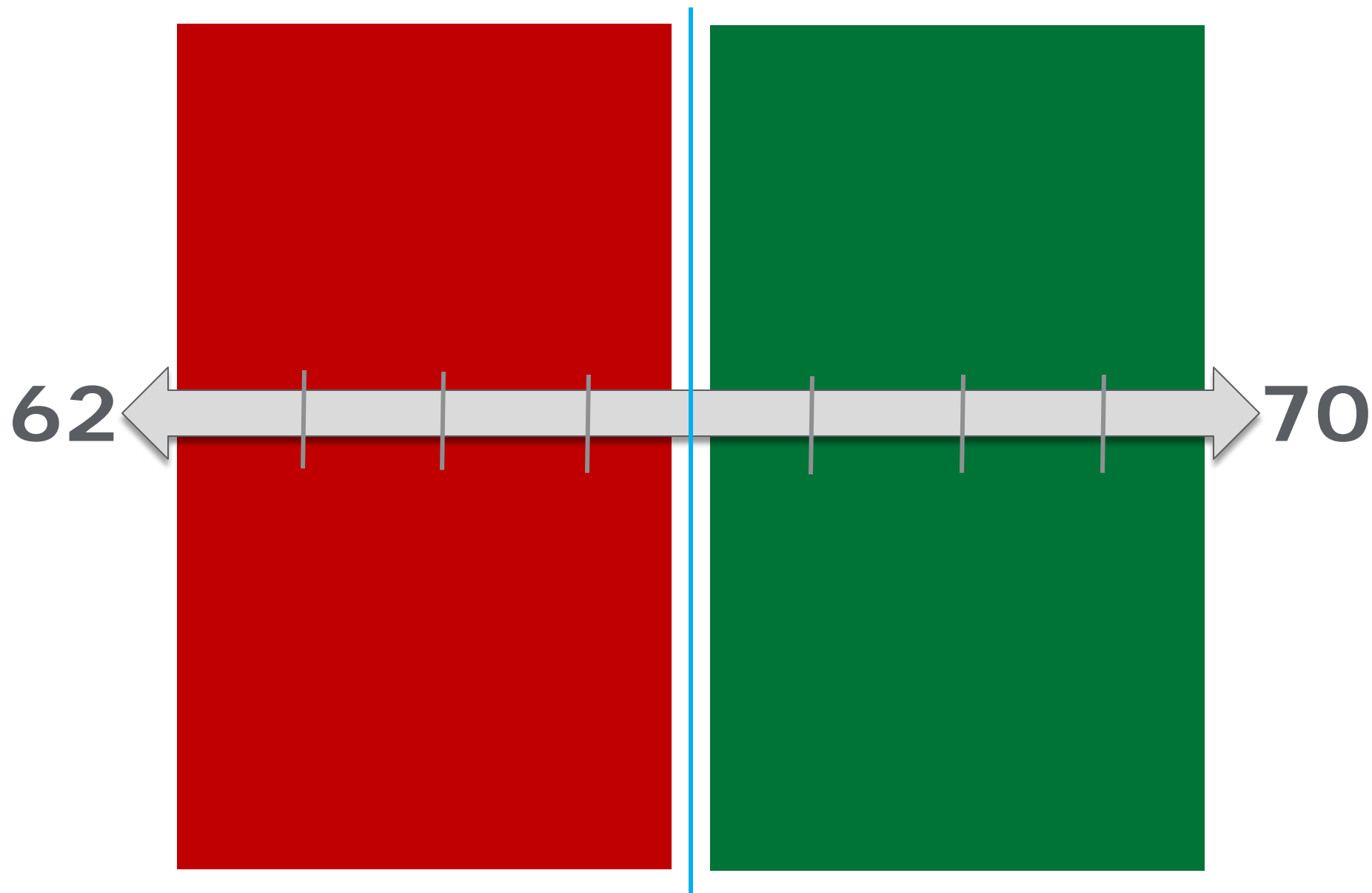


# Increases for delaying benefits

<u>Months delayed</u>	<u>Rate</u>
1	100.666%
12	108%
18	112%
24	116%
36	124%
<b>48</b>	<b>132%</b>



# Full retirement age





# Understanding spousal benefits

- Not necessarily one-half of the worker's benefit
- Factors Social Security Administration considers:
  - If the applicant for spousal benefit is 62 and has their own work record, Social Security Administration pays own worker benefit.
  - If other spouse is drawing benefits or deemed to be drawing benefits **and** the applicant qualifies for a higher benefit amount as spouse, Social Security Administration adds the difference to the applicant's benefit.
  - If a person started receiving own benefit before full retirement age and later qualifies for spousal benefit, spousal benefit rate will be less than the full 50% amount.



# Understanding spousal benefits

## *Important*

- There are no delayed retirement credits for spousal benefits.
- Maximum spousal benefits do not increase after the worker reaches full retirement age if not claimed.

# Spousal benefit hypothetical example

- Jon has reached full retirement age and is receiving \$2,000 monthly benefit.
- Wife, Lee, age 62, is due to receive an \$800 benefit at full retirement age.
- Lee wants to apply for benefits now.



# Spousal benefit hypothetical example

- Lee's \$800 benefit is reduced by 25% to \$600.
- Because Jon is receiving a benefit, Lee *is* eligible for a spousal benefit.
- Spousal benefit would be based on 50% of Jon's, or \$1,000.
- **But** the \$1,000 is reduced for the 48 months that Lee is starting early.
- Lee's spousal benefit is \$700:

**Her \$600 reduced benefit + \$100 spousal benefit = \$700**







# Common mistakes

**Claiming too early**

**Claiming too late**

**Leaving “free money” on the table**  
(spousal benefit/survivor benefit)

**Failure to re-evaluate initial claiming decision annually**



# Overarching approaches to claiming benefits

Conservative

“A bird in the hand”

Strategic

A comprehensive claiming strategy built around a core set of critical assumptions



# Critical issues to discuss

- 1 Health
- 2 Longevity
- 3 Genuine need
- 4 Current investment climate
- 5 Quality of life

**What goals do you want to achieve?**



# Understanding what's new





# What are today's claiming rules?

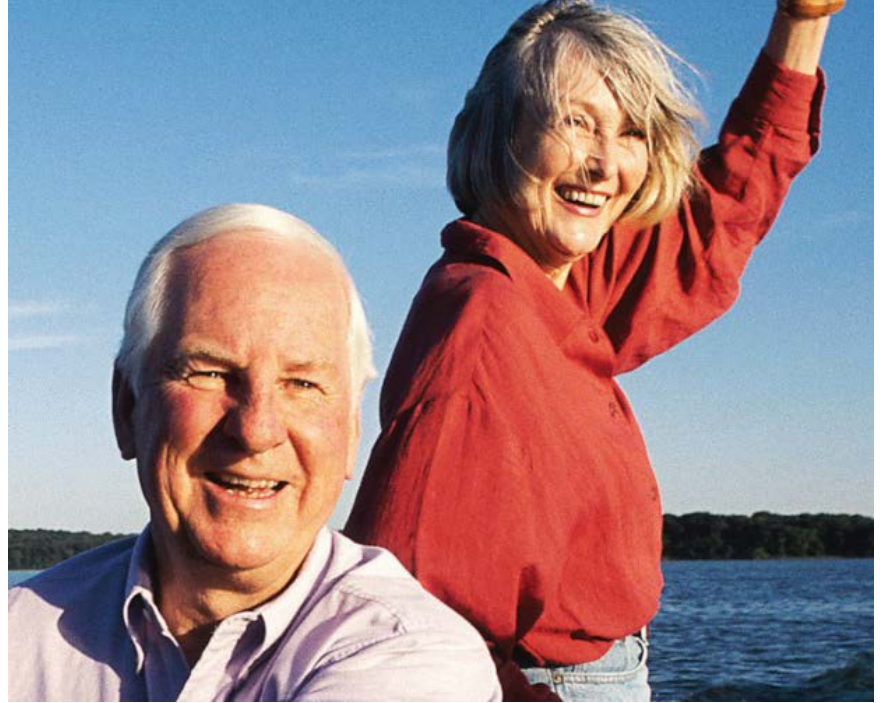
Age	And you...	Strategy
66-70 (born on or before May 1, 1950)	Elected to file and suspend before April 30, 2016	Your spouse and children retain the ability to claim benefits based on the worker's earnings record
	Did <b>not</b> elect to file and suspend before April 30, 2016	Voluntary suspension is still available to you, but doing so also suspends any benefits a spouse or child could claim based on the worker's earnings record
62-66 (born after May 1, 1950, but before Jan. 2, 1954)		Upon reaching full retirement age, voluntary suspension is available to you, but doing so suspends any benefits a spouse or child could claim based on the worker's earnings record; restricted applications* possible at full retirement age
62 or younger (born after Jan. 1, 1954)		Restricted application strategies are no longer available, <b>but</b> you have many other Social Security claiming strategies available

\* A restricted application allows one spouse to claim (typically lower) spousal benefits while allowing his or her own benefit to grow through delayed retirement credits until some future age.



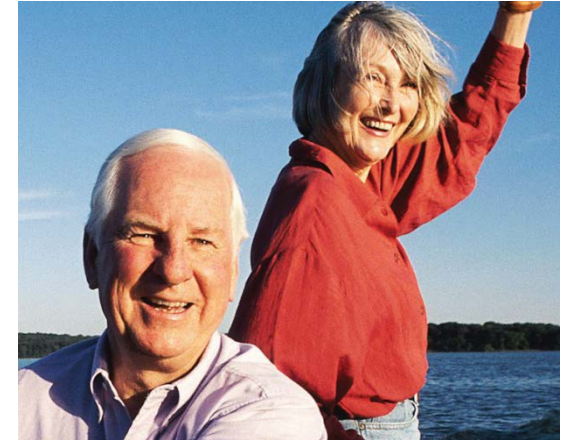
# Fred and Gina: a hypothetical example

- Fred is age 66, and his monthly benefit is \$2,400.
- Gina is age 62; her own reduced monthly benefit is \$400.



# What if Fred files and suspends his benefit?

- Gina could **not** file for a spousal benefit while Fred's benefits are suspended.
- Gina could begin her own reduced retirement benefit of \$400 per month.
- When Fred reaches age 70, he could file for his benefit, which should grow to about \$3,168 monthly.
- Gina could then receive a spousal benefit of \$840.



Gina's reduced benefit: \$400

Gina's spousal benefit: \$840

Fred's own benefit: \$3,168

Total monthly benefits:  
**\$400** before Fred is 70

Total monthly benefits:  
About **\$4,008** when Fred is 70 and older



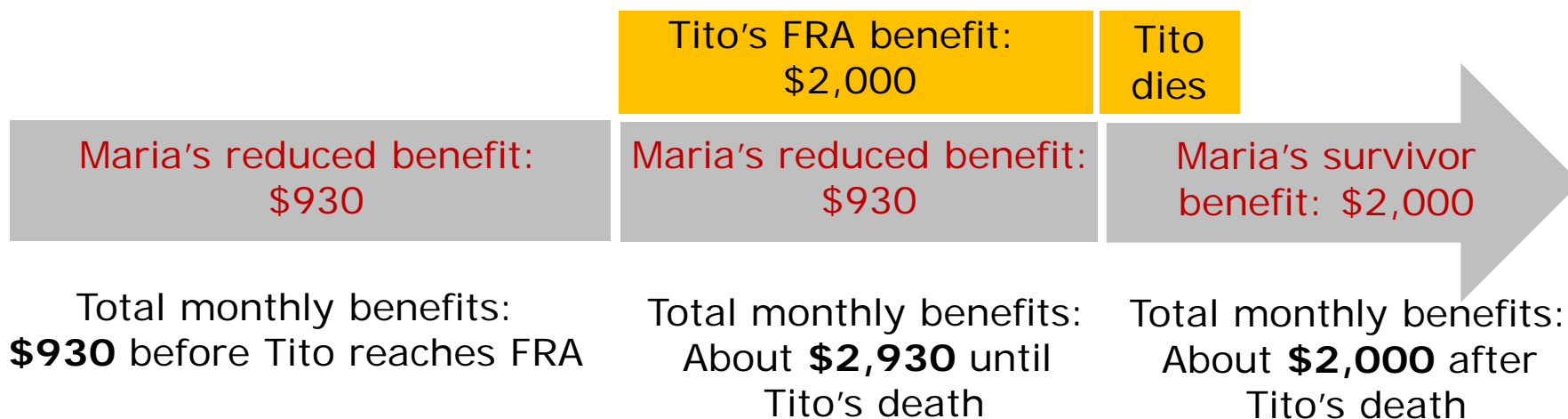
# Younger couple hypothetical example

- Tito, age 58, with full retirement age benefits estimated at \$2,000 per month.
- Maria, age 57, with full retirement age benefits estimated at \$1,200 per month.
- Plan to retire in six years (ages 64 and 63) and need income to meet expenses.



# Younger couple hypothetical example

- Maria plans to take reduced benefits at age 63 — approximately \$930 per month.
- Tito will begin benefits at full retirement age — approximately \$2,000 per month.



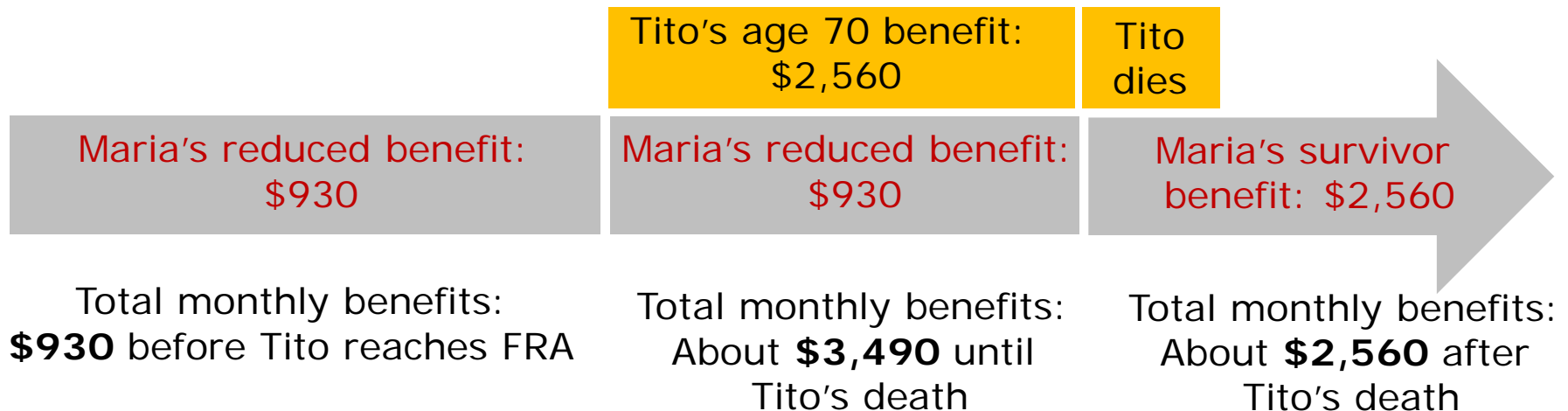
# Alternate strategy hypothetical example

- Tito, age 58, with full retirement age benefits estimated at \$2,000 per month.
- Maria, age 57, with full retirement age benefits estimated at \$1,200 per month.
- Plan to retire in six years (ages 64 and 63) and need income to meet expenses.



# Alternate strategy hypothetical example

- Maria plans to take reduced benefits at age 63 — approximately \$930 per month.
- Tito allows his benefit to grow until age 70 — approximately \$2,560 per month.



# Social Security Calculator

- Offers personalized illustration of various strategies
- Provides a suggested strategy based on your specific situation
- Integrates with your overall retirement income plan and strategy

## Your Suggested Social Security Strategy

### Donald

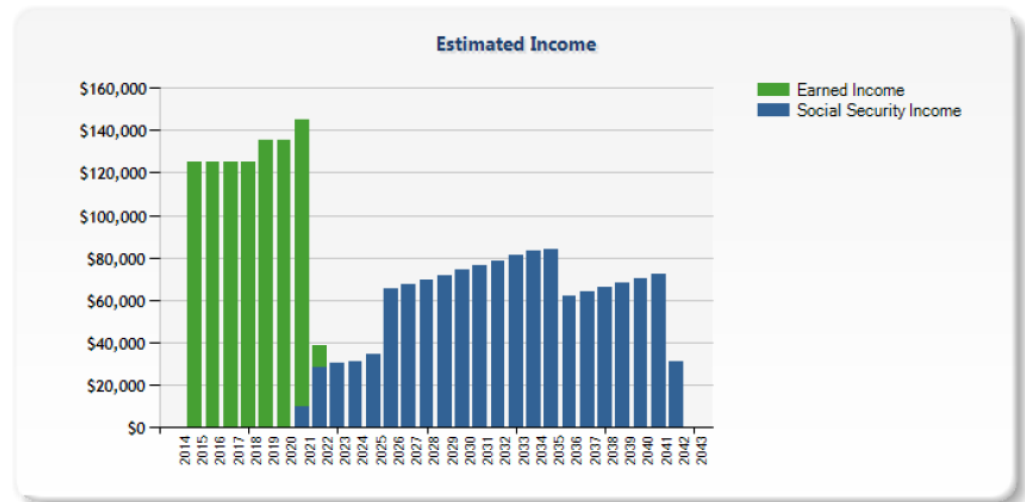
- File a Restricted application for only your spousal benefit based on Julia 's earnings record at your age **66 years 2 months**. This allows you to continue to earn delayed retirement credits on your own benefit. Your approximate spousal benefit would be **\$1,014**
- File for your own benefit at age **70 years**. Your approximate benefit on your own earnings record would be **\$3,750**.

### Julia

- File a standard application for benefits at age **62 years**. Your approximate monthly benefit would be **\$1,395**.

The expected lifetime family benefit using this strategy is: **\$677,861**

## Using the Suggested Election Ages



The chart above demonstrates future value cashflows using the assumptions outlined on the assumptions page of this report, and do not include taxes or any other source of income.



# Tips for married couples

- Take a **“holistic” approach to claiming** Social Security retirement benefits
- Focus on **maximizing benefits on a combined basis**



**Questions?**







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