YOUR SOCIAL SECURITY TOOLBOX: THE MECHANICS OF MAXIMING BENEFITS

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Hello everyone. Thank you for joining us today for our presentation, Your Social Security Toolbox: The Mechanics of Maximizing Benefits. I would like to welcome back our presenter, Andrew Hall, from the Institute for Financial Education, who has presented on various topics for us before. Thank you for being with us Andrew. I will hand it over to you to let you tell more about yourself.

All right, thank you very much Cynthia and thank you everybody for coming today. Your Social Security toolbox. Social Security can be a complex topic and there's a lot of different things that go into Social Security and we will go over them today. As Cynthia said feel free to ask Question's and we will leave time at the end to answer those. Before we get started, I will introduce myself just a little bit. As Cynthia said my name is Andrew Hall and I am cofounder and had CPA of the organization the Institute for Financial Education and we are a 501(c)(3) nonprofit organization that specializes in providing financial education to the masses. In addition to providing financial education to the masses, we believe that you deserve better, we believe you deserve more. A lot of times the challenge in the industry of financial services is that folks are really only willing to talk to about whatever they are going out and trying to sell you, so whether they sell investments, insurance, state planning, wills and trusts, if it is annuities it's an annuity and they're only willing to talk to about that. We believe you deserve more and we try to talk about everything and how it all fits together. That is why we created the Institute and that is why we are here educating you on all matters. Today we will focus a lot on Social Security but Social Security is just one small piece of your overall financial plan. You have your pension to worry about, your TSP, where your income is going to come from, your health care and long-term care, your estate planning, your tax planning, and investment planning. Those five things all really work together and this is just one piece of that. I cannot emphasize that enough. As we get into this, as we get going, I want to throw this disclaimer out there. It is very important the following presentation we are not in any way advocating or giving advice and making recommendations about the stock market, investments, securities, insurance, and your particular insurance what you should and should not do, these financial decisions are really important. Individuals are encouraged to seek advice licensed professionals for actionable recommendations. We are really just containing this information to be construed by any audience as a general education available to the public. And that being said we are going to have a few objectives today. We want to understand how Social Security is funded and you qualifies. Talk about some timing strategies for claiming your Social Security benefit, discover how to use Social Security for survivor benefit planning and special circumstances understand offsets and of course taxation and we will review attack scenario at the end to see how to maximize your financial plan. You will notice we are broking breaking this up in sections and the first section is Social Security 101.

It will be very difficult for myself and you to learn everything you need to know about Social Security and exactly how it applies to your situation and exactly when to pull it out and incorporate it into your financial life from a 45 minute to an hour session. Unfortunately I'm not going to be able to go through every single situation. There are thousands of different scenarios in which you could take your Social Security literally. Our goal today is to help you learn the basics, empower yourself with education, and start asking the questions to yourself, your spouse, your family, your financial professionals in your life, how does this apply to me?

That is our goal today. Let's go ahead and dive in and talk about some of the basics here and there. First and foremost, I think it is important to understand how Social Security is funded. It is actually called old age survivors and disability insurance. You will see that on your statements as OASDI Social Security was meant to be insurance. It was meant to supplement somebody, already is already built retirement plan. It is not the sole retirement plan that exists. It is paid for by you. Each and every one of you pay about 6.2% of your salary towards Social Security. Furthermore, if you are self-employed you actually pay both. 6.2% plus 6.2% so if you are self-employed or your own and at the shop or you drive Uber or whatever it is you are actually paying almost 13% tax. So you are paying into this. You are funding Social Security. Something else interesting to note, you only pay Social Security tax on the first 142,000 dollars of your earning. If I make $1 million a year of income or a make $142,800 per year of income, I am paying the same amount of Social Security tax. Anything above $142,800 you are no longer paying tax. If you are on this call and you're fortunate enough and making more than $142,000 per year you will note the end of the year your paycheck actually starts getting bigger.

That is because there is no longer Social Security tax being taken out. You are funding it by taxes. The employer is funding it by taxes. And there is an earning limit. How is it calculated? And who qualifies? The formula basically, your benefit is calculated by using a formula but it is basically figuring out your highest 35 working years. Your most -- not your most consecutive 35 working years but your highest 35 years of earnings is what is calculated. This will make more sense in just a minute this establishes your primary insurance amount at your full retirement age. So if I made, again, if I made $1 million a year for $35 -- 35 years. I not only pay the same amount of Social Security tax but I would receive the same amount of Social Security. Who is eligible to receive a Social Security? If you are covered employment and you're paying into Social Security system, you have to work at least 40 quarters in order to receive Social Security on your own accord. You will see there are some other ways such as a spousal benefit, potential survivors benefit, that you can receive Social Security in other ways, but if you want Social Security on your own record on your own accord you need to work 40 quarters which is approximately 10 years of covered employment. As a 2021, this year a quarter is considered three calendar months with earnings of at least $1470. So if you don't work those 40 quarters you are not eligible for Social Security on your own record. You will see here in just a second that there are other ways to get it even if you don't have the 40 quarters, but on your own record you have to work 40 quarters. Let's talk about what this all means. It comes down to claiming ages. On the left hand side you will see this chart and it goes from age 16 to to 70 -- 62 to 70. You are able to claim Social Security as early as age 62. You can delay it until 70. you can actually delay it passed 70 but it really does not do you any benefit because it no longer continues to grow or anything of that nature. If you start claiming Social Security at age 62, your full benefit amount will reduce to 75%. Note there at the bottom, on the bottom left, full retirement age isn't when you must retire, it is just simply when you are eligible to receive a 100% of the established calculated benefit. So by showing you on that chart, age 66 in the middle shows 100% of your benefit at age 66. If you take your benefit at age 16 to you will only get 75% of the calculated benefit every year for the rest of your life. If you go to age 70 will get 132% of that calculated benefit every year the rest of your life. For most of us our full retirement age is somewhere between 66 and 67. It might be 66 in two's months, [Indiscernible] but for each month you delay receiving her benefit , the benefit increases. The amount you will be able to get every year increases. In fact, your benefit goes up by 8% per year until age 70. This could be huge when it comes to the planning of your life. A percent guaranteed rate of return on your money. That is pretty good guaranteed rate of return on your money. There are a lot of other factors at play when determining Social Security as well and you will see we will go over a scenario again but ideally what I'm talking about is if I knew one number for certain, I could tell you how to get the most gross amount of money Social Security.

What is that number? The date you are going to die. If I knew the exact date you're going to die I could determine oh, it's best to pull Social Security now. If I knew you were going to pass on at age 64 I would say absolutely take a benefit at age 62 otherwise you won't get any of it. Or if you were going to die at age 105 I would say well, you should probably wait until 70 because you will get the highest benefit out of Social Security. Unfortunately or fortunately however you look at it, we don't know the date we are going to die and so there is a lot more to it than just figuring out a linear mathematic equation of how am I going to get the biggest gross amount of money from Social Security because there is a lot of other factors at play. Are you married? Do you have minor children? Do you have disabled children? Is there a big age difference between you and your spouse? Is one of your spouses, is one person in a spousal relationship a much higher earner than the other one? These are all factors that are going to come into play when determining what is the best time to claim your Social Security. But what you really need to know about the crux of the matter is you get 100% of your benefit at your full retirement age. If you retire early or if you take it early at age 62 it is 75% reduced. Age 70 it is 132% of your benefit. The last bullet that is important is claiming your benefit before your full retirement age permanently reduces all future benefit amounts, including spousal benefits. If you take yours at 62 and you take a spousal benefit which we will talk about in just a minute, that spousal benefit will be reduced. I think it is important for everyone to view your benefit amount and find other helpful information at SSA.gov. You can create an account it's your working years and working history and make sure it is accurate. You can get your Social Security estimate of what it will be once you hit 62 and beyond. Those are very important things to know when you're trying to formulate a retirement strategy. All right? So that is the nuts and bolts of Social Security, how it is funded, how you qualify, and the different ages in which you claim your Social Security benefit now let's talk about some of the spinoffs of the main role or main hub. Some of the spokes of the main hub. Spousal, survivor, and special circumstances benefits that may exist when it comes to Social Security. Spousal benefits. For married couples you are entitled to 50% of your spouses benefit or 100% of your own benefit, whichever is higher. Whichever one is higher. You are not entitled to both. For example, if my benefit is $3000 per month and my spouses benefit on their own accord is only $1000 per month, my spouse actually receives $1500 a month instead because half of mine is higher than all of theirs. Right?

You are entitled to 50% of your spousal benefit or 100% of yours whichever is higher. In order to get the spousal benefit nowadays your spouse must've started claiming their own benefit. Let's go back to this example again. Let's say I'm waiting to clean my full retirement age benefit of $3000 per month but my spouse is receiving their $1000 per month today. They don't receive that higher 50% of mine until I actually turn mine on. So my spouse receives their 1000 per month as long as they are receiving it and once I decide to turn my benefit on, my spouse will actually get a raise from 1000 to 1500 per month in our example. This is written out here in this middle bullet point. To get a spousal benefit your spouse must've started claiming their own benefit and if you claim prior to your spouse you will receive your full benefit until your spouse claims, at which point you will receive the higher of the two benefits. Claiming before your full retirement age affects your spousal benefit. Let's run this example again. Let's say I'm waiting until 66, my full retirement age, to take my $3000. And my spouse decides to claim their benefit at age 62. So it is going to be reduced. It will be about 75% of their full benefit.

When I turn my benefit on, my spouse won't get the full 50% of my benefit. They will get the 50% of my benefit reduced for their age because they decided to take their own benefit at age 62. Remember, claiming your benefit before full retirement age permanently reduces all future benefit amounts including yours and your spouses. So that is something important to note. Another important thing to note on the very last bullet point is the spousal benefit capped out at full retirement age and so what that essentially means is let's say my full benefit age at 66, $3000 in my benefit at age 70 is 4000. Well, if I decide to wait until 70 to turn on my Social Security, my spouse doesn't get half of the 4000. They only get half of the 3000 which was my benefit that my full retirement age. So the spousal 50% benefit caps out at your full retirement age.

Those are important things to note when it comes to spousal benefits. It is a little bit different -- both spouses are alive it is a little bit different once something happens and survivor spouse dies. Yes, survivor spouse dies. Here's how that works. If one spouse dies the surviving spouse receives the higher of A the surviving spouses benefit, or B the deceased spouse's benefit as of their claiming age and/or date of death if not claimed as a full retirement age. Let's run this back and talk about an example. In our example that we have been using all presentation here, my spouse is going to receive $1000 per month. My full benefit is $3000 per month and I took it at my full retirement age. Let's say I die, doesn't matter when I die, when I'm 90 or 80 or 66 or whatever. But I die. My spouse will receive $3000 per month of Social Security but the $1000 a month they are receiving goes away. And so it is only the higher of the two if the roles were reversed, if I'm receiving $3000 per month in my spouses only receiving $1000 per month and my spouse is the one that predeceases me, nothing changes in my life. I continue to receive my $3000 per month.

If I die, say I die at age 69, so I haven't started receiving my benefit yet and I die at age exceed nine, well, my spouse will receive my benefit as if I were taking it at age 69 . Remember, while you are alive the benefit is only available to you, the spousal benefit is only 50% of full retirement age but if you die it is whatever you were receiving at the date of death or were entitled to receive at the date of death. If I were to take my benefit early at age 62 and that I pass on after receiving my benefit early, I spouse would only receive what I received at age 62. As a survivor, any benefit taken by the surviving spouse prior to full retirement age, permanently reduces any survivor benefit. You can receive the benefit as early as age 60. Let's pass on. My spouse is 60 years old. They could receive my benefit as early as 60 years old. However, if they take it as early as 60, survivor benefit will be reduced. Just like anything else, they would have to wait until their full retirement age, 66 or 67 or somewhere in between, in order to receive their full survivor's benefit. If I pass on with my $3000 benefit and my spouse decided to take it at age 60 they might only get $2000. So any benefit taken by the surviving blouse spouse prior permanently reduces any survivor benefit. You can choose to take either their own benefit or the survivor benefit without affecting either. This is really important.

I do I say this? Let's say my spouse decides at age 62 to stop working and claiming Social Security. My full survivor benefit is $3000. That is what they would receive on my cord because I have passed on. But they don't receive that full $3000 until they are 66 years old. What that survivor spouse could do to turn on their Social Security at 62 which might only be $800, receive that $800 for four years at at age 66 jump over to my higher survivor benefit. Or, vice versa, I can be the higher spouse and I could have $3000 of benefit on my own accord and my spouse dies and 62 I decide to take the $1000 survivor benefit for four years and then hop onto my $3000 benefit. This is the one thing that is advantageous when it comes to Social Security if you have a spouse that dies prior to both spouses claiming their Social Security. It will be important which one you decide on first because whichever one you take does not affect the other benefit. That is a really key piece of information that you really need to know. Just to recap, I know this stuff -- without whiteboards and drawing it out and all that stuff. There is a lot of information. We can boil it down and understand you have your own benefit. We know how it is calculated and you can decide when to claim it. If you are married and you are both alive, you can either pick all of your benefit or half of your spouses benefit, whichever is higher, and when you pass on , the surviving spouse gets the higher of the two and they can decide which one to claim and they can switch over once the other one becomes higher. That is some of the key summed up pieces of information that you would need to know that a really, really important.

Instead of this standard my benefit, my spouses benefit, my survivor benefit, there are a few special circumstances that occur. One of the circumstances is divorce. Get these questions all the time. If you are married at least 10 years and divorced two. So married 10 and divorced at least two, all the same rules apply as if you two were still married. The key difference is if you are divorced you do not need to wait until your spouse is receiving their benefit. So in the same scenario we have been going over all day, if I'm receiving $3000 and my spouse is receiving $1000 but it is my ex-spouse, so my ex-spouse is receiving -- decide I'm not going to turn on my Social Security until I am age 70, my ex-spouse would be able to receive half of my $3000 even though I did not turn it on yet. That is one of -- that is an important thing. Additionally if you were married 10 years and divorced at least two and your ex-spouse passes on you can receive a 100% of survivor benefit. It does not matter. If you are married -- and all three of those ex-spouses you can pick which of my higher security benefits you could receive if you get remarried this goes away. There is one other key piece of that is important. It does not apply to many people and probably a small percentage of people on this call, so for about the next minute if you are not born prior to January 2nd 1954, just turn your ears off for about a minute. Only prior to January 2nd, 1954. If you are born prior to that date you have the option to use something called a restricted application. Essentially, all -- spousal benefit is the other spouse has to be receiving their Social Security in order for you to receive yours. This changes a little bit. This restricted application allows you to receive your spousal benefit only, letting your personal benefit grow to age 70. The spouse must be collecting in order to use the strategy but it is a powerful strategy if you are born in 1954 or below or before. So if that is you look at filing a restricted application, meaning you would be able to let your benefit continue to grow even though my spouse has already taken it. For our example again, my benefit at the six is 3000 my benefit at 70 is 4000 but from 66 to 70 I would be able to get half of my spouses $1000 until I am 70 and then at 70 I turn on mine and now it is 4000 and my spouses 1500. So restricted application is only available before January 2nd, 19 before. If that is not you, do not worry about that because this is already a confusing topic and a lot of information. Just don't worry about it. But turn your ears back on now because there are couple of other special circumstances that exist. Disability, if you become disabled prior to your full retirement age you can receive your calculated benefit at full retirement age upon the date of disability. So essentially, what it does is if you become disabled at 40 and you have 40 quarters of work or 10 years worth of work and you become disabled and cannot work, they will basically accelerate your full retirement age as if you were 66 or 67 when you become disabled and you will receive a benefit. Dependence. If you receive Social Security and have minor children typically under 18 unless permanently disabled, each defendant is eligible for up to half of your benefit subject to a family maximum. So if I had kids later in life let's say I am 70 years old and I have a 62-year-old at home, that 62-year-old along with my spouse can both receive 50% of my Social Security until that child turns 18 or they are permanently disabled. So again, dependence fall into this, especially if you have younger dependence later on in life for whatever reason. That could play to the decision of one to best take Social Security and sometimes it means turning on now so you can get that. Claiming early, this is a key piece right here. We talked about how magical that 66, 67, full retirement age is. This is really key. If you decide I'm going to keep working and double dip and turn on my Social Security before I turn full retirement age, if you claim prior to full retirement age and you have earned income, earned income from a job, not your pension, not capital gains, retirement is to be should money from your TSP interest dividends, this is income from an actual job. If you claim before full retirement age your benefit will be reduced until you reach full retirement age. Essentially you can see the that point earned income is over $18,000 benefits will be reduced by one dollar for every two dollars above the limit. This applies to your survivor benefit as well. You can absolutely take your survivor benefit as early as 60 but if you have earned income it is going to be carved out. Let's say for example the earned income over $18,000, so let's use $18,000 as our base and let's say I earn $38,000 per year. Okay? The first $18,000 is kind of exempt from this rule. I earn $20,000 more than $18,000. Essentially, what that means is that any benefits I take I will have to pay back the first $10,000. Iron $20,000 above, half of that $20,000 is $10,000 and basically meaning the first $10,000 is my Social Security benefit paid to me will be held back by the government and not paid to me. This can come in handy a lot of times when or not handy however you look at it, but this is actually a real-life scenario that just happened recently. I have a personal client that is turning 65 years old and obviously as we hope to know by now he is not full retirement age. He just retired in October. He is going to turn on his Social Security right away because he needs the income and it makes sense for him to do so. However, we have to wait until January to turn it on. He was about to turn it on I said don't turn your Social Security on because you did not retire until October , you have like three quarters of one year worth of income and you will be well over the $18,000 and you're not even going to receive your first three months Social Security and now you will be permanently reduced for the rest of your life. Wait until January when you have no more earned income and you will get about a two to 3% raise by waiting and you will now receive 100% of your benefit and it won't be reduced.

So, keep that in mind. Once you hit your full retirement age and beyond, your Social Security will actually come up. Let's say I'm getting that $20,000 per year and $10,000 is reduced so I'm only receiving 10 and all of a sudden I turn full retirement age and I'm still working and I can make as much money as I want after that essentially and I will get that full $20,000 at that point. So I can make $1 million a year at age 68 and received 100% of my Social Security benefit area

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This last section 3, second to last section, we call it offsets and reduction there is two things that apply. And these might not apply to you. If it doesn't apply to you you don't have to worry about it if it does you'll want to dive in and ask about it if you have 40 quarters of working history but you also work for an organization for which you receive a pension and you did not pay Social Security while working, you are stuck with something called WEP. Winfall elimination protection act. If you are a CSR person on this phone call this is you. If you are a FERS person on this phone call this is not you. If you have a spouse or someone who might work for another local government , municipality, teacher, or some other type of state or public position, this might be [Indiscernible]'s a tension if that is your scenario. Basically what it says is that you did not pay into Social Security center working you might paid into a pension system instead but you did not pay into Social Security, we will reduce your Social Security by up to $498 depending on how long you did and did not pay into Social Security. So I will use my mother as an example. I think it is a pretty great example. She was a schoolteacher in the state of Illinois for a majority of her life. She is receiving a pension from the state of Illinois the rest of her life. She is receiving a pension from a job for what she did not pay into Social Security. Before she was a teacher she had other odd jobs. She worked for a phone company, worked for BellSouth, she was a lifeguard for couple of years, like before she started becoming teacher, so she has her 40 quarters of work in which he paid Social Security so she is entitled to benefits from those years of working. However, since she has also received a pension from a job in which she did not pay into Social Security they are taking $498 from her Social Security, silver Social Security is very much from those jobs working because she only did them for 10 to 15 years before she became a teacher. So she was receiving 600 bucks up Social Security from those jobs, well, almost $500 was reduced so she is only earning $100 per year. That is a windfall illumination protection act and it affects you, your benefit, the actual earners benefit. All right? The other thing has to deal with the spousal survivor benefit. It is called the government pension offset. If you received a pension and did not pay Social Security tax for the job associated with pension, you are potentially subject to the GPO. For CSR folks, the few of you that are probably here, this is you. It affects the survivor benefit and spousal benefit only. Basically what happens is it reduces the benefit by two thirds of any pension you receive from a job in which you did not pay Social Security. So, for example, if your survivor benefit is $100 and your pension is $100 your survivor benefit will be reduced to $33. Two thirds of your pension is eliminated before you get the survivor benefit. Let's look at my mother's example again. She is receiving a pension. Her pension is about $50,000. She is receiving a $60,000 a year pension from Illinois the rest of her life. My father does not. My father is receiving Social Security. $40,000 a year. So $40,000 a year for the rest of his life on Social Security. If he passes on before my mother, my mother doesn't get $40,000 of Social Security. She actually only gets one third of whatever her pension is from Social Security because you have to take 60 and subtract 40 which is two thirds of it, all right, and anything above $40,000 my mom gets. In that example she would not receive any Social Security because two thirds of 60 is 40 and my dads Social Security benefit is 40 so all 40 is eliminated and she will not receive a survivor benefit from Social Security. So that government pension offset is really key when it comes to survivor benefit planning. And of course, the last thing we really want to talk about here is taxes. Taxability of your Social Security depends on how much other income is shown on your 1040. Okay? Basically there is this chart here that works differently for everyone but all income including tax-free interest earned money, pensions, retirement distributions, interest, capital gains, dividend income and even Roth TSP distribution but not Roth IRA distribution. That is really important. Basically everything you receive other than Roth IRA money is considered income for determining how much Social Security [Indiscernible]. Right now up to 85% of your Social Security as taxable income at your ordinary income rate. Right now 50% of your Social Security will be tax-free. But it depends on how much other income you have. If you only have Social Security income and you have no other income, none of your Social Security will be taxed. If you have a small pension and some Social Security, maybe just a small amount of your Social Security is tax. It really just depends on how much other income you have.

We can talk a whole hour on this topic alone, but I just kind of wanted to let you know that your Social Security is potentially taxable income and it is very important that you sit with a financial professional in your life to determine how those taxes are going to affect your Social Security. It is not tax-free. A lot of people are under the misconception that it is tax-free. Depending on what state you live in it may or may not be taxable in that state but federally it is taxed up to 85% of ordinary income. That is why planning is so important when it comes to Social Security. Before I go into explaining this and showing you a strategy is a real life strategy that I came across not too long ago, before we get into that I kind of wanted to do a quick recap because I know this information is a lot, dry and boring, I try to liven it up as it is I could but it is tough to liven up Social Security. If I take away some of these key takeaways that you need to understand and ask yourself and know about Social Security. Remember, first and foremost, you paid into the system, right? The second thing that you need to know is you can claim your Social Security as early as 62 but if you wait it grows at roughly 8% a year every year until you reach 70 years old at which point it stops growing. So the longer you wait, the higher your monthly benefit can be. Now if we knew exactly when we were going to die we could run some numbers and throw it into a calculator and say this is how you get your biggest gross benefit based off of your expected death date. This is your biggest gross benefit you could receive by claiming it at these ages. Okay? But that is not always the right idea. There is a lot of other factors at play.

Remember, the spousal benefit and the survivor benefit. My grandfather was 70 years old when he started claiming his Social Security. He died a year or two later. Most people would say well, I cannot believe that guy waited to take a Social Security. He paid into the system as whole life and did not get anything out of it. Not true. It was the right call to do it that way because my grandmother lived well into her 90s and she did not have the 40 quarters of earned income working inside the home. She was busy raising a wonderful son . So my grandfather, if he had claimed at age 62 and then died at age 72, that's true we would've got the biggest pot of money over the course of his life for my grandmother would've had a much lower income all the way until her mid 90s and that income became very important to her later on in life. So there are other factors at play here. Survivor benefit being the big thing. While both spouses are alive, you have 50% of whichever benefit is higher while in one of the spouses dies you get the higher of the two. And then of course you need to understand there are some oddballs with the government offset pension and the windfall elimination protection act and then of course Social Security is potentially taxable. So most of it is that in a nutshell. In the last couple of minutes before I take it back to Cynthia and she can tell you some great resources that your FOH has available to you , that you can use to help you with some of the stuff, before we do that I want to show you what I mean by all of this and what I mean about how important it is to make sure that your Social Security plan coordinates with your income plan, your tax plan, your estate plan, your health care/long-term care plan, your investment plan, those five pieces that need to be working cohesively and this is one small piece. I'm going to give you this real-life scenario. I don't want you to get too caught up in the numbers. You can get caught up in the numbers but I want to show you a real life example and show you a couple that are recently, I talked with and uncovered some stuff and it is not like they are overwhelmingly rich or anything like that and you will see how they saved X figures in gross income just by doing the right thing. Let's say John and Jane. Their life savings comes down to half $1 million of TSP. That is the bulk of their nest egg and then they have a pension and they have Social Security. On the right-hand side, all that really is showing the tax return. If we ran the numbers, we ran the numbers originally, Social Security basically said how do we get the biggest benefit with life expectancy? You can throw the numbers and figure out if I live to 84 and expected claim at 68 or whatever that is. So we ran that and basically said okay, the best strategy that you can do is to turn on your Social Security now. John turned on his Social Security now and Jane waits couple of years and turns on hers and eventually that gives them $47,000 by the time John is 70. So the optimal strategy was for the biggest gross benefit was turn it on right now. You get the biggest gross amount of money. Gross is a lot different than that and this is why. If we follow that strategy what would've happened is when John had his required minimum distribution of $25,000 from his $500,000 TSP plus Social Security, they would be paying roughly $6600 in taxes per year. We figure that out. If John lives 286 years old which is his life expectancy that was $100,000 in total taxes and he left a $500,000 TSP behind resulting in about $150,000 in taxes alone on that TSP. If we just did simple math and did all of this, there was basically $150,000 in taxes on the estate plus $100,000 of lifetime taxes while John was alive. If we did a little bit of tax planning instead and said well, let's wait to turn on your Social Security and let's wait all the way until 70. let's not turn it on right away. You still have two more years to do some serious tax planning and what John and Jane actually did and are going to do is they decided to turn on their entire TSP account into a Roth TSP over a couple year, next couple of years. They are actually doing this, this is happening as we speak. So instead of saying I'll turn my Social Security and take my -- rest of my life let's pause a Social Security and convert a large amount of our TSP from traditional to Roth and let's see how that is going to affect our lives the rest of our lives and so they did that. And Bummer thing about that is they incurred, they are going to incur $104,000 in taxes over the next two years which seems crazy to some folks. $104,000 in taxes over the next two years where I can pay $100,000 in taxes until I am 86. I'm only going to pay 104,000 the next two years. That seems like a lot. But when you actually break it down it isn't. Because now they no longer need to take an RMB. They no longer need to take taxable income and gives them a $10,000 raise in benefits while reducing their tax bill by $5000 per year and because the IRAs are completely tax-free and TSP is not completely tax-free, their interest tax rate, Social Security taxes aren't affected and the money will go to their heirs tax-free. By paying hundred thousand dollars of their TSP today, we kind of did the math and they will save around $125,000 in taxes basically guaranteed. So just to kind of show you this, Social Security is one small piece of the overall pie and you have to see how it comes into taxes because this is a simple scenario were John and Jane, federal employee making a decent pension as about half $1 million saved up in some way by defining what to claim their strategy properly saved $125,000 in lifetime taxes over the course of John's life but then what happened after John dies, Jane is likely going to live another 10 years because Jane is younger than John. And if they don't do proper tax planning Jane is going to have to receive this letter are MD every year and now she is in the single tax bracket, adding another significant amount of taxes over the course of her life. She is now paying $10,000 a year in taxes without any Social Security planning. But again, if they did it properly, Jane would receive a much higher benefit and would save for a significant amount of taxes over the next decade while she is still alive and ultimately results if you run the math and look at the scenario again, everything is available to you, you will see there is $200,000 in taxes. So since we don't know how long you live it is important to consider your long-term tax plan and doesn't line up with your claiming strategy? Is there a significant difference in your spousal earnings at age , minor children, restricted application apply? Are you divorced, how does your pension integrate if you retire early? Social Security is one piece. But it is a crucial piece. Again, I can't tell everybody every single scenario what you need to do on this FT minute 50 minute call but hopefully by now you are equipped with what you need to know to understand. There are a lot of resources available to you. You can check out on the bottom left-hand that Institute for financial education. MYIFE .org is our website that we put out. If you want to reach out to me directly or any of my team are experts on the stuff and make an appointment to talk about your scenario until we can help we are absolutely open to that. So please check us out and please feel free to book an appointment or talk with us one on one. But you also have FOH available to you and I will let Cynthia take over and talk about that.

Thank you so much. Such important information to know for planning retirement. Everyone, if you would like more information on this or other health and wellness topics please give us a call or visit us online at FOHforyou.com. The EAP is available to help you or your family work through personal work-related legal and financial issues. So if your question does not get answered today, you can also call EAP for a financial consultation at no cost to you. Support is available before seven and services are completely confidential. I do want to remind everyone that the recording and transcript and a copy of the slides, resource handout, and certificate of attendance will be emailed out to you within 24 hours after today's webinar. And all of today's content will be available on fot4you.com in about 1 to 2 weeks. I will hand it back over to Andrew Hall to start our Q&A session.

Thank you, Cynthia. I will go down some of these questions , the ones that will apply to pretty much everyone. They are very specific and I encourage you to reach out. Here's a good question. If my husband is older than me but will draw less Social Security may waive spousal benefits and if I do way from how does that affect the spousal benefits for two minor children? You're not really waiving any benefits. It should automatically happen. You will just receive the higher of the both as will the kids receive the higher of the both as well. If your spouse is making less and they pass on before you, there is really no spousal benefit to speak out because you are higher anyway. Your children will receive that benefit of your spouse regardless of what you do. You won't be affected at all by that. This question is if I retire in a foreign country, will you still get your Social Security benefit? Yes, you are entitled to benefit as long as you have your already working orders. How it integrates with that other foreign country, like tax laws and maybe, that is the other concrete law. But as long as you have your 40 quarters wherever you are at to the world you are entitled to Social Security benefits. There is a question here that says if you are born after 1960 and your full retirement age is 67 instead of 66, do you still get the same percentage rates? Yes, essentially. At 60 to your benefit is 75% reduced and it works its way up to 100% at 67. At 62 to 75% reduced and slowly works that way out. The percentages might be a little different on the way up, not too much, but it all really starts with that 75% reduced starting at 62 to and working up to 100% at age 70 if that is the situation. If you are divorced more than 10 years will you receive your ex-spouse's benefits? You are entitled to benefits -- as long as you have been married for 10 years. If you are married 10 years and divorced at least two, then yes. It does not matter how long you are divorced, it can be 30 years and you will still be entitled, but you have to be married at least 10 in order to receive the spousal benefit.

Okay, so if I claim, and this is reiterating some things, if I claim my SS at eight 62 and my husband claims his larger SS at age 70 will my half of his benefit be reduced because I claim my own early at 62? Yes. Remember if you make anything before age 62, that is going to have an effect on even your spousal benefit even in the scenario if you're husband waits until 70, you will get a lesser amount of his half, essentially.

Will my spouse to the 100% of his benefit if I claim 50% of his benefit? Yes. Absolutely. Same thing. Let's say it doesn't really affect it, let's say with ex-spouses, if I'm making $3000 per month when I die and I have three ex-spouses, all three of those ex-spouses will still get $3000 or if I'm still working are still alive and I making $3000, all three of those ex-spouses are entitled to 1500. It doesn't affect mine whatsoever. So your spousal benefit will never be reduced to cover the 50%. It is all just a calculation -- okay. So this person basically says on the Social Security site -- 68 in four months and the same at 68 or 68 in four months. It probably has to do with some sort of earnings limitation or, you know, the 35 working your thing. It is hard to compare two people, Social Security, because there are a lot of different factors that go into it. If something seems weird call Social Security and ask them. [Indiscernible] and four months either input error or something is wrong because if you wait you should always go up no matter what. If that is the case I would reach out to Social Security directly and see why is my benefit is the same because that really should not be the case. Again, a question about if two spouses work -- spousal benefit and would be better to get your own individually? Yes, that option exists out there. You can take that option. Let me see here. My late husband was a government employee who paid into survival benefits and I have been receiving them for 12 years and I was told I Social Security would be affected. This is actually an interesting question. And it really comes into if you are dealing with a government pension offset and the windfall elimination protection act, if you receive a survivor pension from a job in which, so say your spouse is a CSR employee and passed on and you receive 50% of that spousal benefit, your Social Security benefit on your own accord should not and will not be affected. That is actually a really big misinformation that a lot of people get even from Social Security itself, so your own benefit will not be affected by a survivor benefit spouse as long as you have your quarters. You are not affected by the government pension offset or affected by the -- your survivor pension should not affect that. If a person receiving spousal benefits continue to work, does his or her employment affect the benefit amount? Only if you are before full retirement age. The year you turn full retirement age, after that year you are good to go and you can make as much money as you want. So there is no penalties or anything like that. If a higher earning spouse dies before age 62 what happens? Basically the benefit is calculated if the spouse was still alive all the way until age 66 and then you would receive that benefit as of what their benefit would be as of age 66, however, zeros are calculated for the last year of their working life so it is still the highest 35 working years and then it is calculated that spouse the predeceased you died at age full retirement age.

Andrew?

It is 1:00.

It is the top of the hour.

Go ahead and close her down.

Time flies. We will go ahead and conclude our webinar for today. And if we did not get to your question or if you have additional concerns please call us at the EAP and speak with one of our consultants to help you with your specific situation. As a reminder when you exit today's webinar, a satisfaction survey will appear and you can provide us with additional feedback. I would like to once again thank Andrew for presenting today and I want to thank you for taking the time to participate. Have a wonderful rest of your day.

[Event Concluded]