Beyond Annuities:
Simplifying Social Security

At MassMutual Ascend, we understand the importance of a secure financial future. That's why we don't just offer products to help your clients reach their goals – we also provide educational tools and resources for you to use with your clients as they plan ahead.

Your clients have spent their working years contributing to Social Security – and as these years come to an end, it's time to start having conversations about how this important retirement benefit will fit into their income plan.

There are a number of factors that should be taken into consideration when deciding when to file for Social Security – each of which will play a critical role in the benefits clients will receive during their retirement years.

We're looking beyond annuities to help your clients secure their financial futures.

Understanding full retirement age

Full retirement age is the age at which clients qualify for 100% of their Social Security benefits and is based on their birth year.

YEAR OF BIRTH*	FULL RETIREMENT AGE
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 – 1954	66

YEAR OF BIRTH*	FULL RETIREMENT AGE
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

*If clients were born on January 1st of any year they should refer to the previous year. If clients were born on the 1st of the month, the Social Security Administration figures their benefit – and their full retirement age – as if their birthday was in the previous month.

Source: SocialSecurity.gov, “Retirement Benefits,” 2019.

Deciding when to collect

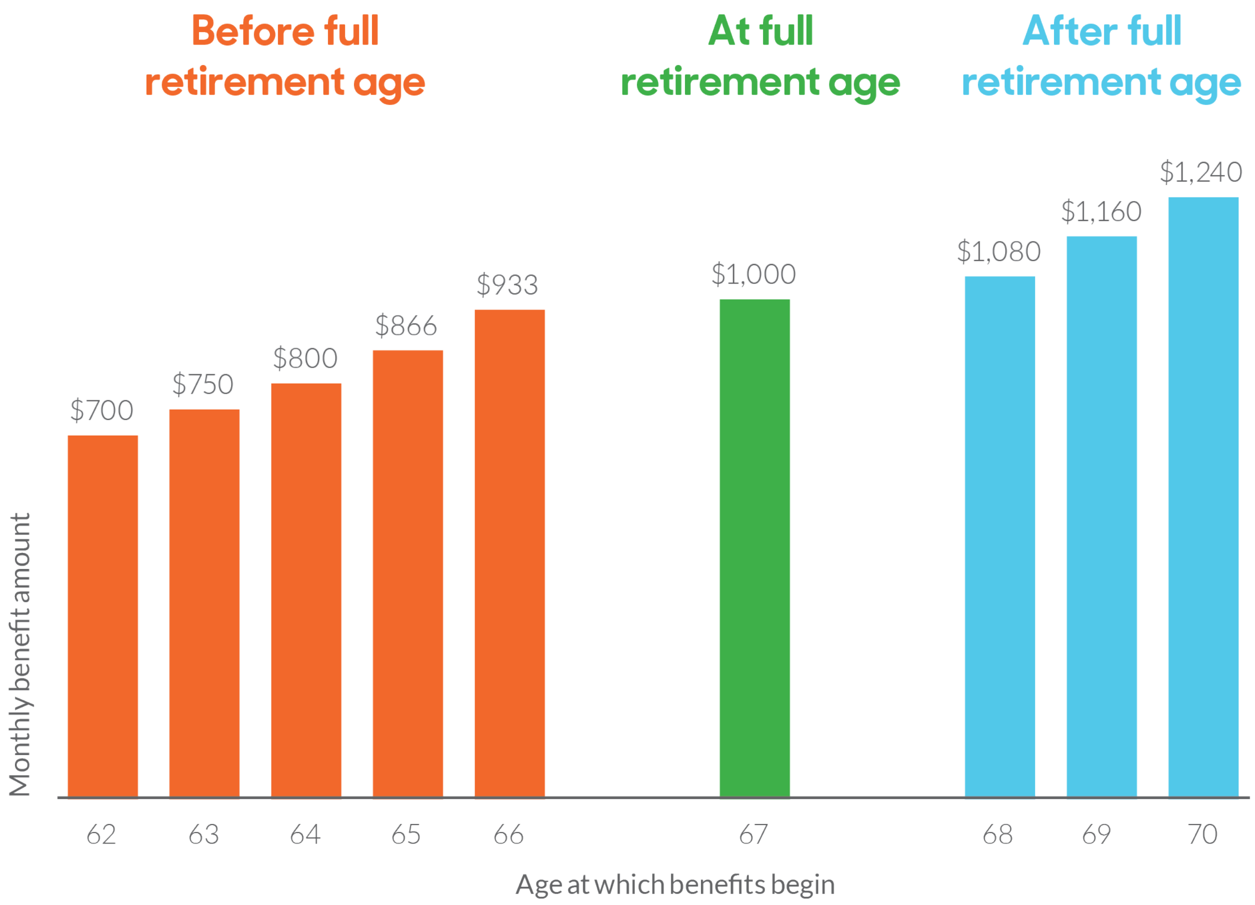
While clients qualify for 100% of their Social Security benefits at their full retirement age, they have the option to start collecting benefits either before or after their full retirement age. There are pros and cons to all options.

Before full retirement age	Pros	Cons
Clients can start collecting Social Security as early as age 62. If they collect early, their benefits can be reduced by up to 30%, depending on their full retirement age.	Clients may collect benefits for a longer period of time, depending on longevity.	Clients will collect a lesser benefit than what they would have been eligible for at their full retirement age.
At full retirement age		
Clients can start collecting Social Security at their full retirement age to receive 100% of their benefit.	Clients will collect full benefits.	Clients could collect a greater benefit by collecting after their full retirement age.
After full retirement age		
Clients can start collecting Social Security after their full retirement age and receive benefits that are increased up to 8% annually (depending on their year of birth) by accumulating delayed retirement credits. These credits are available each year past their full retirement age up until age 70.	Clients will collect a greater benefit than what they were eligible for at their full retirement age.	Clients may collect benefits for a shorter period of time, depending on longevity.

Sources: https://www.ssa.gov/benefits/retirement/planner/agereduction.html
https://www.ssa.gov/benefits/retirement/planner/delayret.html

Hypothetical example

The graph below illustrates how collecting Social Security before and after full retirement age can impact monthly benefits. It assumes a monthly benefit of $1,000 at a full retirement age of 67.



Sources: SocialSecurity.gov, “When to Start Receiving Retirement Benefits,” 2022.

Considering the effects of longevity

With the average life expectancy being 84.1 for today's 65-year-old male and 86.8 for today's 65-year-old female, longevity is among the most important considerations in deciding when to start collecting Social Security.

The longer the life expectancy, the more advantageous it may be to delay collecting benefits.

Sources: https://www.ssa.gov/OACT/population/longevity.html (calculated on 8/22/22).

Hypothetical example

This example shows total Social Security benefits collected when beginning at certain ages and highlights when waiting to collect becomes more advantageous. It assumes a $1,000 monthly benefit at a full retirement age of 67.

	Total Benefits Collected		
Age	Begin at 62 Reduced Monthly Benefit: $700	Begin at 67 Monthly Benefit: $1,000	Begin at 70 Increased Monthly Benefit: $1,240
62	$8,400		
63	$16,800		
64	$25,200		
65	$33,600		
66	$42,000		
67	$50,400	$12,000	
68	$58,800	$24,000	
69	$67,200	$36,000	
70	$75,600	$48,000	$14,880
71	$84,000	$60,000	$29,760
72	$92,400	$72,000	$44,640
73	$100,800	$84,000	$59,520
74	$109,200	$96,000	$74,400
75	$117,600	$108,000	$89,280
76	$126,000	$120,000	$104,160
77	$134,400	$132,000	$119,040
78	$142,800	$144,000	$133,920
79	$151,200	$156,000	$148,800
80	$159,600	$168,000	$163,680
81	$168,000	$180,000	$178,560
82	$176,400	$192,000	$193,440
83	$184,800	$204,000	$208,320
84	$193,200	$216,000	$223,200
85	$201,600	$228,000	$238,080

Collecting at 67 produces greater total benefits than collecting at age 62 if your client lived to age 79.

Collecting at 70 produces greater total benefits than collecting at age 67 if your client lived to age 83.

Social Security benefits are adjusted to reflect any increase in the cost of living, measured by the Consumer Price Index, to ensure the purchasing power of Social Security benefits is not eroded by inflation. For simplicity, this example does not include any cost of living adjustments.
Source: https://www.ssa.gov/pubs/EN-05-10526.pdf

Facing a possible income gap in retirement

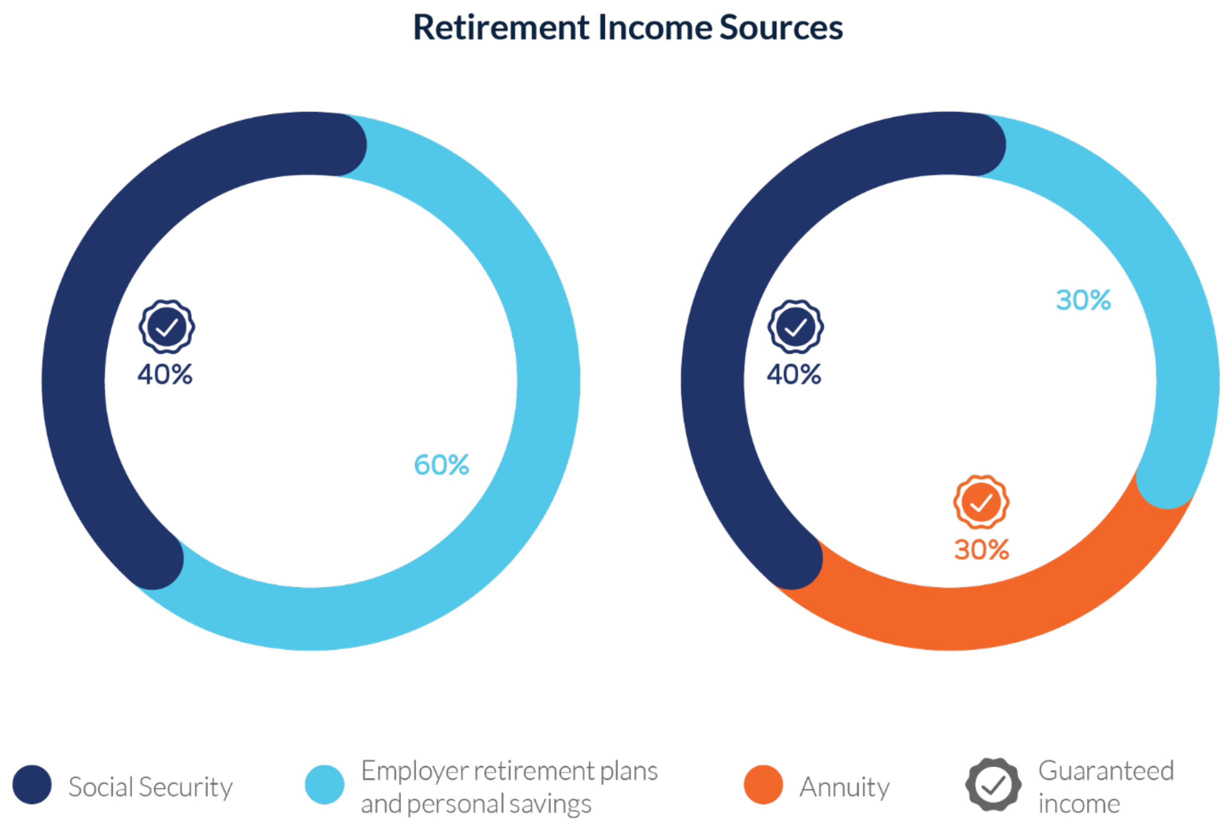
Social Security was created to promote the economic security of America's workers. However, it's important to understand that Social Security will only replace a portion of pre-retirement earnings, leaving clients with a potential income gap. The amount of income that Social Security will replace depends heavily on a client's career income. The table below shows how Social Security replaces a greater percentage of income for modest earners versus higher earners.

Earnings scale	Career-average earnings	Annual Social Security benefit	Percent of career-average earnings replaced
Lower earnings	$26,435	$13,485	50.2%
Medium earnings	$58,744	$22,253	37.3%
Higher earnings	$93,991	$29,438	30.8%
Maximum earnings	$144,623	$35,934	24.4%

Table assumes benefits under current law, and that hypothetical retirees turn 65 in 2023 and begin collecting benefits at age 65. For simplicity, the table does not include tax adjustments.
Source: https://www.ssa.gov/OACT/NOTES/ran9/an2022-9.pdf

Adding an annuity to fill the income gap

As you and your clients consider these various factors, they may find themselves wondering if their sources of income will last the rest of their life. If this is the case, an annuity may be an appropriate income vehicle to incorporate into their portfolio. An annuity is a contract between your client and an insurance company and is designed to protect and grow their money before providing a guaranteed stream of lifetime income. Here's an example of how an annuity could be incorporated into a retirement income plan:



By adding an annuity to their retirement income plan, clients could increase their amount of guaranteed income — helping to ensure they don't run out of money in retirement.

There are many different types of annuities to fit your clients' unique goals for retirement.

Some key benefits include:

Complete or partial downside protection to help mitigate market risk

Growth potential to help clients accumulate assets

Tax-deferral for faster accumulation than taxable products

Guaranteed lifetime income to help ensure peace of mind

Talk with your clients about how an annuity could fit into their retirement income plan.