

Beyond Annuities: Simplifying Social Security



Agenda

1. History & future of Social Security
2. Determining your benefits
3. Determining benefits for spouses, survivors, and ex-spouses
4. Important considerations
5. Question & Answer

Objectives



Financial Advisor



Tax Advisor



Social Security

History and Future of **Social Security**



Social Insurance

1935

Social Security Act



U.S. President **Franklin D. Roosevelt**
The New Deal

Then

- Only for retired workers
- Available at age 65
- Life Expectancy in the early 60s

Now

- Benefits for retired workers, AND... spouses, ex-spouses, widows, widowers, children, and disabled individuals
- Available as early as age 62
- Life Expectancy in the mid 80s

Sources: Center for Disease Control (CDC), *National Vital Statistics Reports* Volume 68, Number 7 U.S. Life Tables June 24, 2019
https://www.cdc.gov/nchs/data/nvsr/nvsr68/nvsr68_07-508.pdf

Social Security Administration (SSA), *Historical Background And Development Of Social Security*
<https://www.ssa.gov/history/briefhistory3.html>

Determining Your Benefit



In three easy steps...

- 1. Determine your benefit**
- 2. Download your statement**
- 3. Decide when to collect**

Determining your benefit

Earn
40
credits

and

Calculate
35
years

Determining your benefit

Earn
40
credits*

Minimum Requirements:

- Receive **1 credit** for each **\$1,640 of earnings** (can earn a maximum of 4 credits per year)

*Generally = to working 10 years

Determining your benefit

Calculate

35

years

Benefits calculated based on:

- 35 years of highest earnings

Downloading your statement

www.ssa.gov/mystatement

Your Estimated Benefits

*Retirement	You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until... your full retirement age (67 years), your payment would be about.....\$ 1,619 a month age 70, your payment would be about\$ 2,023 a month age 62, your payment would be about\$ 1,113 a month
*Disability	You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about.....\$ 1,441 a month
*Family	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.
*Survivors	You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits: Your child.....\$ 1,131 a month Your spouse who is caring for your child.....\$ 1,131 a month Your spouse, if benefits start at full retirement age.....\$ 1,508 a month Total family benefits cannot be more than\$ 2,778 a month Your spouse or minor child may be eligible for a special one-time death benefit of \$255.
Medicare	You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.

*** Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2033, the payroll taxes collected will be enough to pay only about 77 percent of scheduled benefits.**

We based your benefit estimates on these facts:

Your date of birth (please verify your name on page 1 and this date of birth).....	April 5, 1973
Your estimated taxable earnings per year after 2013	\$44,833
Your Social Security number (only the last four digits are shown to help prevent identity theft).....	XXX-XX-1234

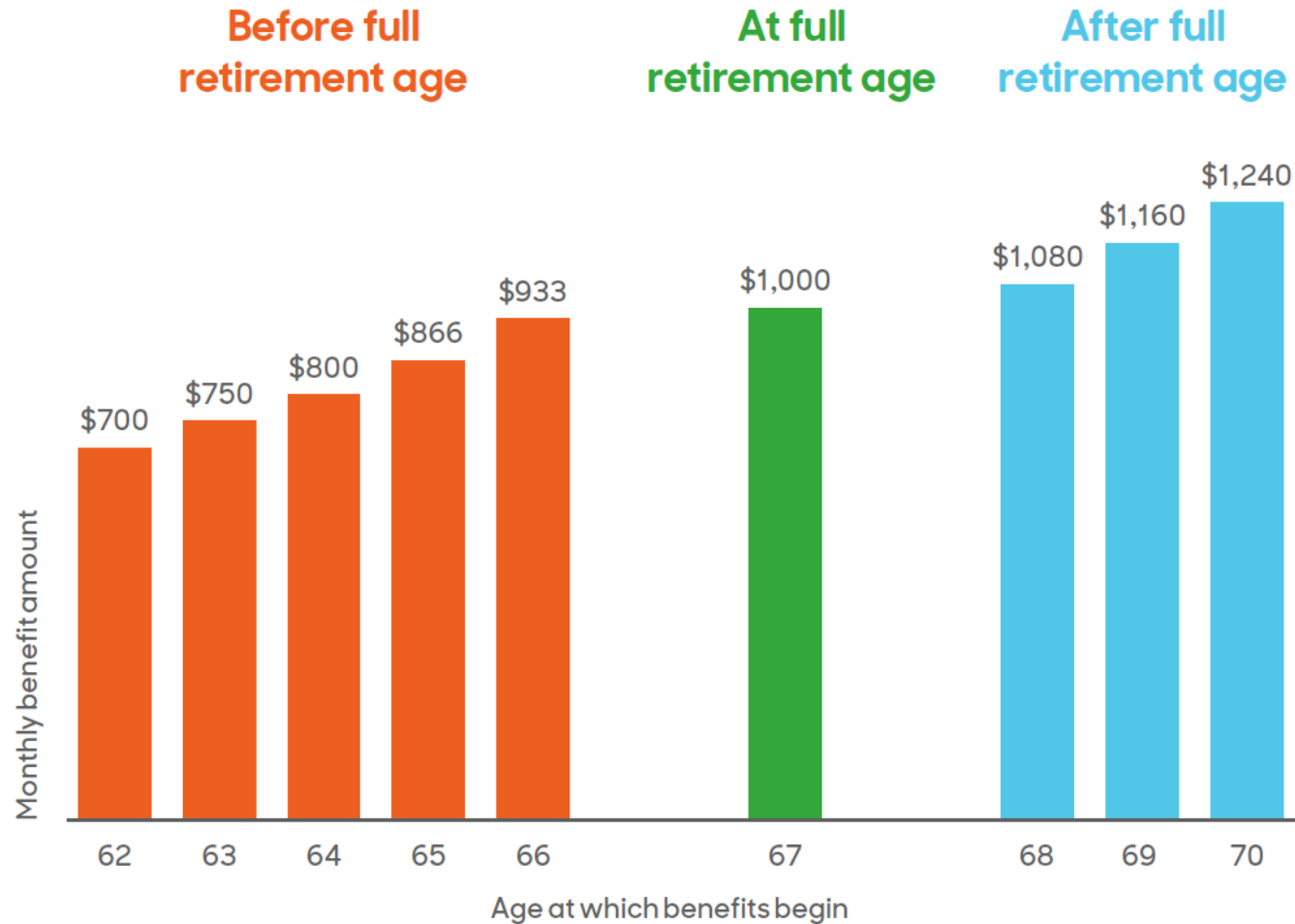
Full retirement age

Your full retirement age is the age at which you qualify for 100% of your Social Security benefits and is based on your birth year



YEAR OF BIRTH*	FULL RETIREMENT AGE
1943 – 1954	66
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

Hypothetical Example



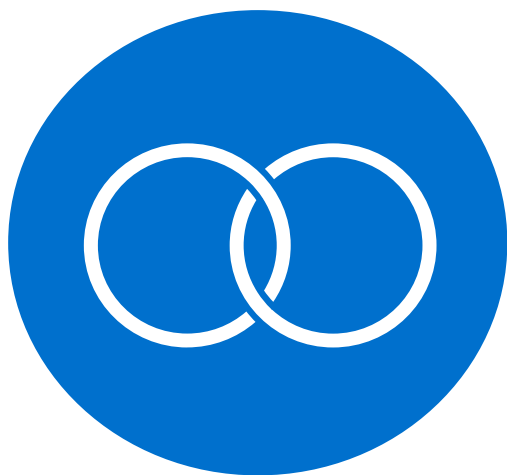
The example assumes a monthly benefit of **\$1,000** at a full retirement age of 67

Determining Spousal Benefit

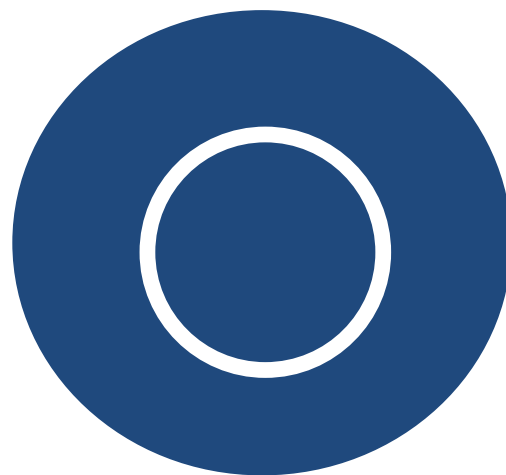
Including Survivors and ex-spouses



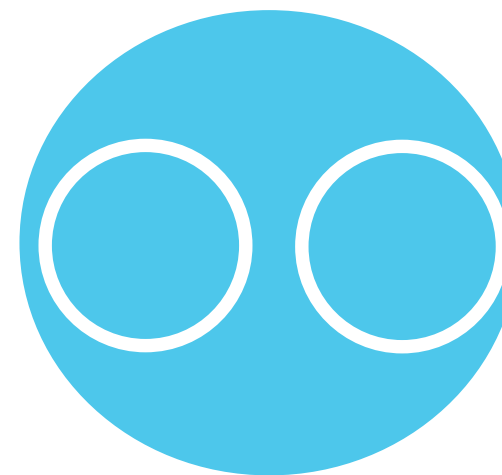
Spousal Benefit



Basic Spousal



Survivor



Ex-Spousal

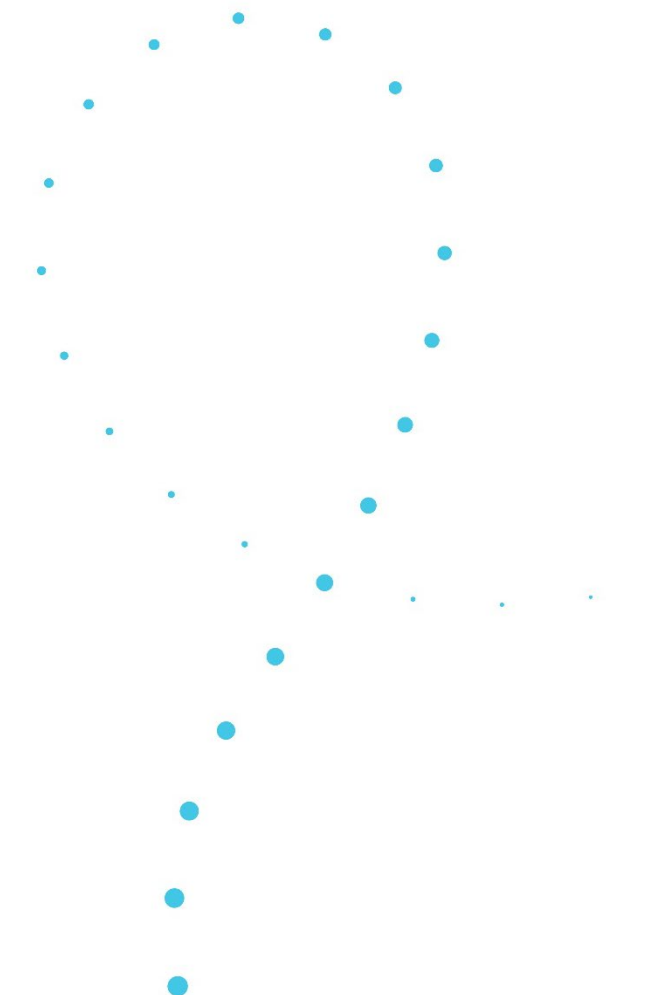
Basic Spousal Benefit

Can claim based on higher of:

- Own earnings record
- Up to 50% of spouse's earning record

Requirements:

- Higher earner has filed already
- Spousal benefit has to be higher than your own
- Maximum spousal benefits are 50%
 - Reduced if taken between age 62 and Full Retirement Age



Basic Spousal Benefit

Spousal benefits are between **32.5%-50%** of spouse's full retirement age benefits

Age benefits begin	Full Retirement Age of 66	Full Retirement Age of 67
62 years	35%	32.5%
63 years	37.5%	35%
64 years	41.7%	37.5%
65 years	45.8%	41.7%
66 years	50%	45.8%
67 years	50%	50%

Basic Spousal Benefit Example

- Your benefit amount is \$600/month
- Your spouse's benefit amount is \$1,400/month

$$\$1,400 \times .50\% = \$700$$

- You would receive the higher amount of **\$700/month**

Survivor Benefit

Survivors can:

- Receive reduced survivor benefits starting at age 60
- Be eligible for full survivor benefits at Full Retirement Age
- Collect a survivor benefit and switch to their own benefit at a later date
- Remarry after age 60 and not affect eligibility for survivor benefit
- If a deceased spouse was receiving reduced benefits, survivor benefits will be based off a reduced amount

Survivor Benefit Example

Deceased spouse
benefit
\$1400/month

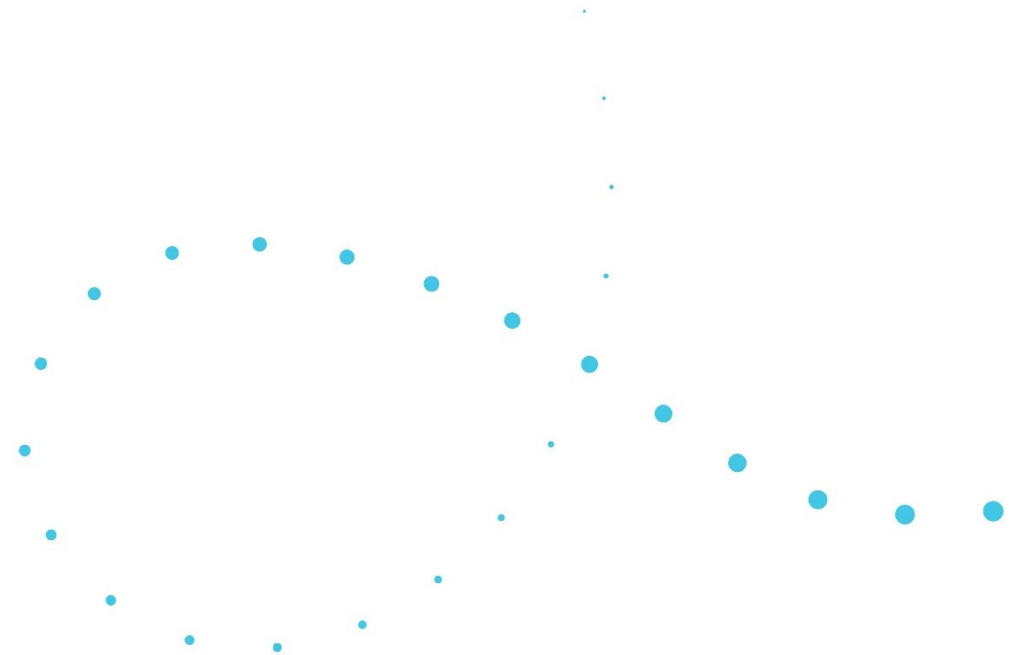
Your current
benefit
\$700/month

Survivor now receives the higher amount of **\$1,400/month** if at Full Retirement Age, household income drops from \$2,100/month to \$1,400/month

Ex-Spousal Benefit

Requirements:

- The marriage lasted 10+ years
- You are currently unmarried
- You are age 62 or older
- Your ex-spouse is entitled to Social Security benefits
- The ex-spousal benefit is higher than your own benefit amount



Important Considerations



What if you still want to work?

Working while receiving benefits:

- Benefit reduced \$1 for every \$2 in earnings **\$21,240+**
 - Except in the year you reach full retirement age, when benefits reduced by \$1 for every \$3 in earnings above \$56,520 for months before Full Retirement Age
- Only applies to earned income
- Only applies if under Full Retirement Age
- Does not apply to pensions, annuities, investment income, interest, veterans, and other government or military retirement benefits

What if you change your mind?

Changing your benefits:

- Allowed one time only
- Must be within 12 months
- Repay all benefits
- File a Request for Withdrawal of Application

Suspending your benefits:

- Must be at least Full Retirement Age
- No repayment required
- Anyone receiving a benefit tied to your record will have their benefit suspended too

Did your employer withhold Social Security taxes?

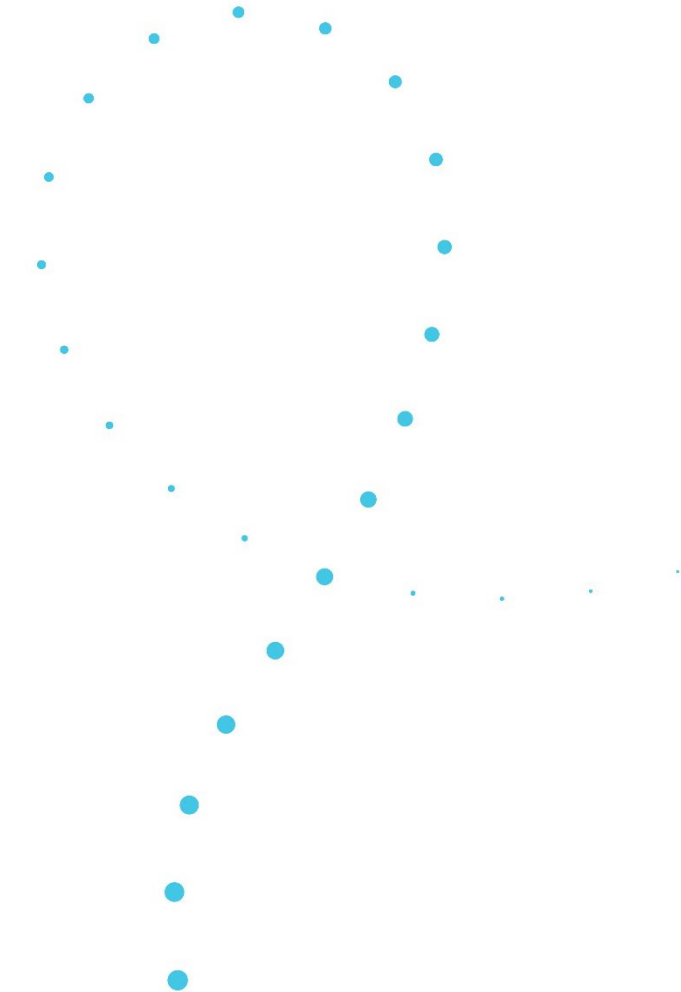
Windfall Elimination:

- Is when an employer doesn't withhold Social Security taxes from your salary
 - Examples: A government agency or an employer in another country
- Can affect how your Social Security benefit is calculated
- Can reduce your Social Security benefit related to covered work

Do you receive a government pension?

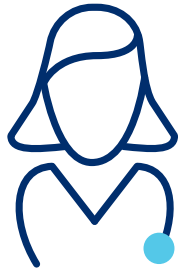
Government Pension Offset:

- If you receive a government pension based on work that didn't pay Social Security taxes
- Spousal or survivor benefits will be reduced by $2/3$ of the pension
- Reduction could reduce the Social Security benefit to zero



How do you apply for benefits?

Apply no more than 4 months before you want benefits to begin



In person at your local Social Security office



Online at www.SSA.gov



By phone
(800) 772-1213

Wrap Up



Financial Advisor



Tax Advisor



Social Security

Any
Questions?



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