

UNDERSTANDING YOUR
Social Security Strategy



For John and Janine Jones

Presented by:

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Important Notes

This report of your Social Security benefits is based on the information you provided. Its purpose is to help you frame your thoughts and become better informed before filing. It shows strategies and age combinations that you might not have considered. This report is not intended to provide an exact analysis, but it will help you determine the filing method and age you want to start your benefits. This report reflects the provisions and restrictions included in the Bipartisan Budget Act of 2015.

This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

A portion of your Social Security benefits may be taxable. Since other sources of retirement income can affect taxation of your benefits, proper income tax planning can only be done as part of a comprehensive retirement income plan. The actual income taxation of Social Security benefits will depend on the facts and circumstances at the time the benefits are received. Any illustration of the potential income taxation of Social Security benefits is an estimate.

If you have questions not covered in this report, your Social Security Administration office and its website (www.ssa.gov) are excellent sources of additional information.

IMPORTANT: The projections or other information generated in this report regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

This tool and support materials are designed to provide general information on the subjects covered. It is not intended to provide specific legal or tax advice. You should discuss all strategies with your legal, tax, and financial advisors.

Broker-Dealer disclosure go [here!](#)

Planning for Social Security Retirement Benefits

For some people, choosing the right time to file for Social Security retirement benefits appears to be straightforward. Some choose to take benefits at age 62, as soon as they become available. Some choose to take benefits at the same time they stop working. While others delay claiming benefits just to get a higher benefit payment. Unfortunately, it might not be that simple. Indeed, for many, the decision is more complicated.

Most people should ask, and get answers to, the following questions:

- At what age should I file for benefits?
- At what age should my spouse file for benefits?
- When does it make sense to claim a spousal benefit?
- How do I make sure my spouse gets the largest survivor benefit?
- How do we know which of the common filing methods might be right for us?
- If one of us lives a long life, how does that affect our decision?

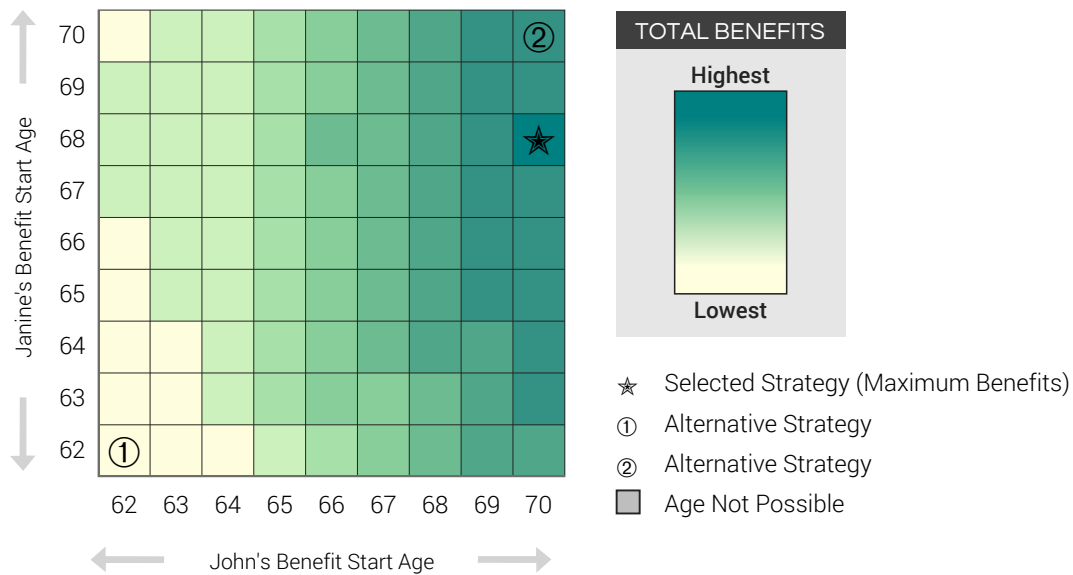
Clearly there can be a lot involved.

This report illustrates one or more Social Security retirement income planning strategies (start ages and filing method) that may help you reach your retirement income goals. Your Social Security benefits are shown before taxes in future dollars, assuming annual cost of living adjustments from today. The report is based on the information you provided below.

	JOHN	JANINE
Date of Birth	3/3/1960	4/4/1961
Full Retirement Age (FRA)	67	67
Monthly benefit at FRA ¹	\$2,300	\$1,500
Assume live to	81	84
Rate of return for cumulative value of benefits		0%
Social Security cost of living adjustment		2.5%
Effective income tax rate		25%
Modified Adjusted Gross Income		\$0

¹ This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

Social Security Strategy



What Does This Mean?

The above grid represents the filing age combinations for starting Social Security benefits. Total benefits are calculated for each available age combination. The darker the square, the higher the total value for a given age combination. The star represents the age combination with the highest overall total. If more than one combination results in the same total, the earliest possible age combination is shown. The check shows an alternative start age combination.

The strategy selected and emphasized in this report starts benefits for John at age 70 and Janine at age 68 (the start ages that will provide maximum benefits over the projected lifetimes). The difference shown below is how much less benefit would be received if an alternative start age combination is selected.

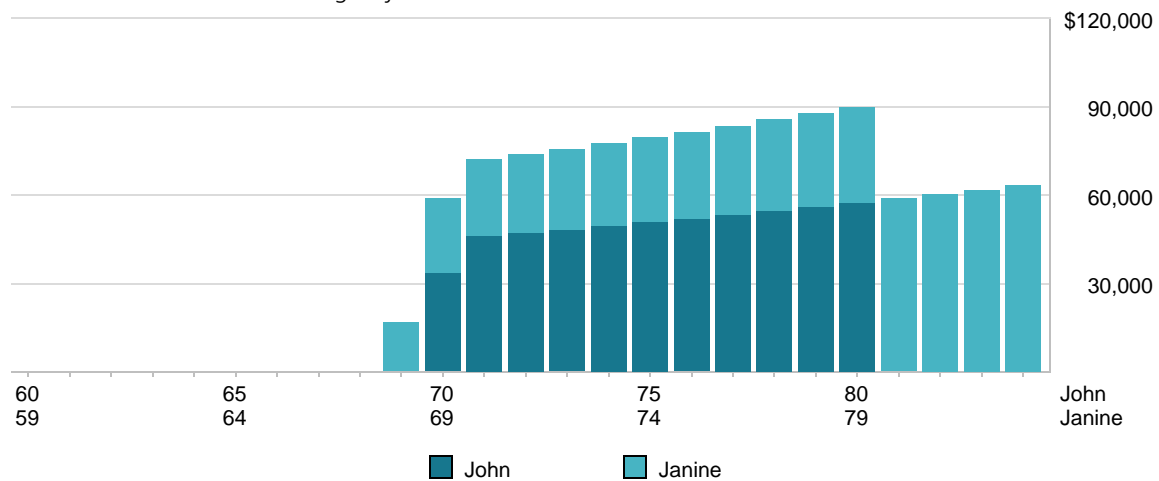
SELECTED START AGES	CUMULATIVE VALUE ¹	
★ John at 70, Janine at 68	\$1,129,034	
ALTERNATIVE START AGES	CUMULATIVE VALUE ¹	DIFFERENCE FROM SELECTED
① John at 62, Janine at 62	\$964,342	\$164,692 less
② John at 70, Janine at 70	\$1,120,294	\$8,740 less

¹ Cumulative value calculated through 2044.

★ Selected Strategy (Maximum Benefits)

	JOHN	JANINE	CUMULATIVE VALUE OF BENEFITS
Current Age	59	58	<h2 style="margin: 0;">\$1,129,034</h2> <p style="margin: 0;">File for Benefits</p>
Monthly benefit at FRA ¹	\$2,300	\$1,500	
Assume live to	81	84	
Start benefits at age	70	68	

ANNUAL BENEFITS BY YEAR
Assumes 2.5% Cost of Living Adjustments



DATE	AGE ²	CHANGE FOR	NEW MONTHLY BENEFITS			REASON
			JOHN	JANINE	TOTAL	
May 2029	68	Janine	\$0	\$2,074	\$2,074	Start own retirement benefits
Apr 2030	70	John	\$3,742	\$2,126	\$5,868	Start own retirement benefits
Jan 2041	80	Janine	\$0	\$4,910	\$4,910	Survivor benefits start

¹ This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

² Age at end of year illustrated.

Annual Social Security Benefits

Assumes 2.5% Cost of Living Adjustment

Year	JOHN			JANINE				TOTAL	
	Age ¹	Retirement	Spousal	Age ¹	Retirement	Spousal	Survivor	Annual Total	Cumulative
2020	60	0	0	59	0	0	0	0	0
2021	61	0	0	60	0	0	0	0	0
2022	62	0	0	61	0	0	0	0	0
2023	63	0	0	62	0	0	0	0	0
2024	64	0	0	63	0	0	0	0	0
2025	65	0	0	64	0	0	0	0	0
2026	66	0	0	65	0	0	0	0	0
2027	67	0	0	66	0	0	0	0	0
2028	68	0	0	67	0	0	0	0	0
2029	69	0	0	68	16,592	0	0	16,592	16,592
2030	70	33,678	0	69	25,512	0	0	59,190	75,782
2031	71	46,032	0	70	26,148	0	0	72,180	147,962
2032	72	47,184	0	71	26,796	0	0	73,980	221,942
2033	73	48,360	0	72	27,468	0	0	75,828	297,770
2034	74	49,572	0	73	28,152	0	0	77,724	375,494
2035	75	50,808	0	74	28,860	0	0	79,668	455,162
2036	76	52,080	0	75	29,580	0	0	81,660	536,822
2037	77	53,376	0	76	30,324	0	0	83,700	620,522
2038	78	54,708	0	77	31,080	0	0	85,788	706,310
2039	79	56,076	0	78	31,860	0	0	87,936	794,246
2040	80	57,480	0	79	32,652	0	0	90,132	884,378
2041				80	33,468	0	25,452	58,920	943,298
2042				81	34,308	0	26,088	60,396	1,003,694
2043				82	35,160	0	26,736	61,896	1,065,590
2044				83	36,036	0	27,408	63,444	1,129,034

¹ Age at end of year illustrated.

Hypothetical Income Taxation

This illustration of the potential income taxation of Social Security benefits is an estimate. Social Security benefits are only one source of retirement income. Since other sources of retirement income can affect taxation of these benefits, proper income tax planning can only be done as part of a comprehensive retirement income plan. The actual income taxation of Social Security benefits will depend on the facts and circumstances at the time the benefits are received. Up to 85% of your Social Security benefits may be taxed.¹

Be sure to consider your retirement plan distributions. All distributions from IRAs and employer plans will be included in MAGI. Roth IRA distributions will not be included.

Assumes an effective income tax rate of 25%.

Hypothetical Income Taxes by Modified Adjusted Gross Income (MAGI)

YEAR	ANNUAL BENEFITS	MAGI \$0		MAGI \$25,000		MAGI \$50,000	
		INCOME TAX ON BENEFITS	AFTER-TAX BENEFITS	INCOME TAX ON BENEFITS	AFTER-TAX BENEFITS	INCOME TAX ON BENEFITS	AFTER-TAX BENEFITS
2029	\$16,592	\$0	\$16,592	\$162	\$16,430	\$3,526	\$13,066
2030	\$59,190	\$0	\$59,190	\$3,751	\$55,439	\$9,064	\$50,126
2035	\$79,668	\$979	\$78,689	\$5,927	\$73,741	\$11,240	\$68,428
2040	\$90,132	\$1,727	\$88,405	\$7,039	\$83,093	\$12,352	\$77,780
2044	\$63,444	\$0	\$63,444	\$4,203	\$59,241	\$9,516	\$53,928

¹ ssa.gov Retirement Benefits booklet January 2015. This percentage can be changed by Congress.

Action Plan

For John starting benefits at age 70 and Janine starting benefits at age 68

✓	WHEN	WHO	ACTION	NOTES
<input type="checkbox"/>	January 2029	Janine	File for benefits.	Apply 3 months prior to date benefits would start. Application may be made any time during this month.
<input type="checkbox"/>	December 2029	John	File for benefits.	Apply 3 months prior to date benefits would start. Application may be made any time during this month.
<input type="checkbox"/>	At death of a spouse		When a spouse dies, the surviving spouse should notify the Social Security Administration of spouse's death.	Social Security provides a one-time payment of \$255 plus potential monthly survivors' benefits.

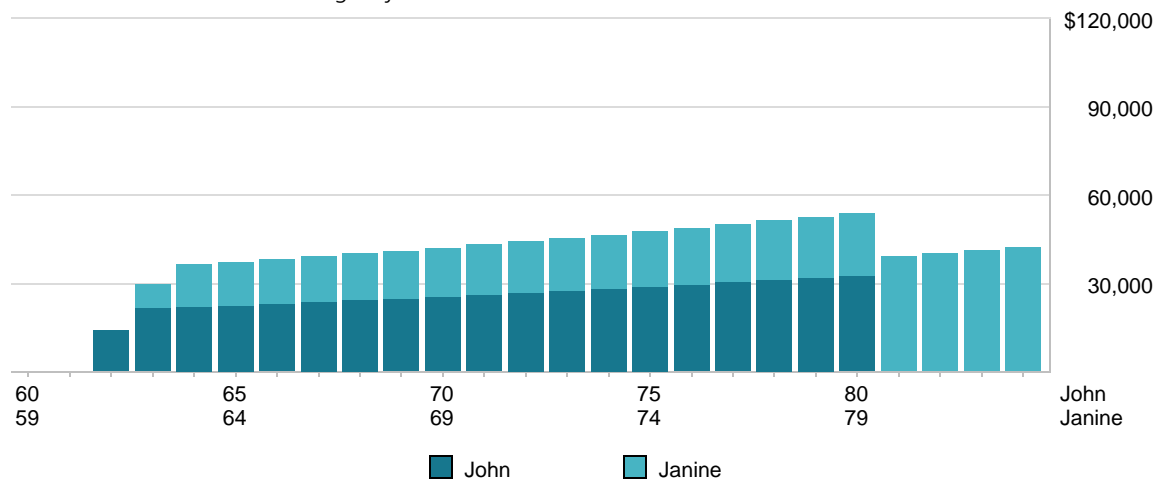
This schedule was prepared on March 27, 2019.

All items should be reviewed regularly and adjusted for any changes in Social Security rules, tax laws, or major life events of either John or Janine. A review with your financial advisors annually is recommended.

① Alternative Strategy

	JOHN	JANINE	CUMULATIVE VALUE OF BENEFITS
Current Age	59	58	\$964,342 File for Benefits
Monthly benefit at FRA ¹	\$2,300	\$1,500	
Assume live to	81	84	
Start benefits at age	62	62	

ANNUAL BENEFITS BY YEAR
Assumes 2.5% Cost of Living Adjustments



DATE	AGE ²	CHANGE FOR	NEW MONTHLY BENEFITS			REASON
			JOHN	JANINE	TOTAL	
May 2022	62	John	\$1,744	\$0	\$1,744	Start own retirement benefits
Jun 2023	62	Janine	\$1,788	\$1,166	\$2,954	Start own retirement benefits
Jan 2041	80	Janine	\$0	\$3,267	\$3,267	Survivor benefits start

¹ This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

² Age at end of year illustrated.

Annual Social Security Benefits

Assumes 2.5% Cost of Living Adjustment

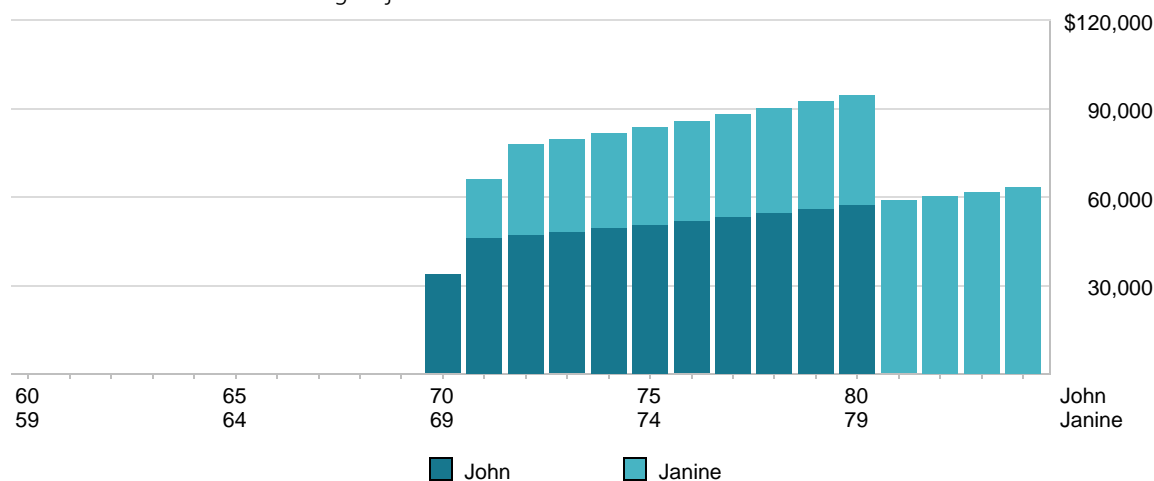
Year	JOHN			JANINE				TOTAL	
	Age ¹	Retirement	Spousal	Age ¹	Retirement	Spousal	Survivor	Annual Total	Cumulative
2020	60	0	0	59	0	0	0	0	0
2021	61	0	0	60	0	0	0	0	0
2022	62	13,952	0	61	0	0	0	13,952	13,952
2023	63	21,456	0	62	8,162	0	0	29,618	43,570
2024	64	21,984	0	63	14,340	0	0	36,324	79,894
2025	65	22,536	0	64	14,700	0	0	37,236	117,130
2026	66	23,100	0	65	15,072	0	0	38,172	155,302
2027	67	23,676	0	66	15,444	0	0	39,120	194,422
2028	68	24,276	0	67	15,828	0	0	40,104	234,526
2029	69	24,876	0	68	16,224	0	0	41,100	275,626
2030	70	25,500	0	69	16,632	0	0	42,132	317,758
2031	71	26,136	0	70	17,052	0	0	43,188	360,946
2032	72	26,796	0	71	17,472	0	0	44,268	405,214
2033	73	27,456	0	72	17,904	0	0	45,360	450,574
2034	74	28,152	0	73	18,360	0	0	46,512	497,086
2035	75	28,848	0	74	18,816	0	0	47,664	544,750
2036	76	29,568	0	75	19,284	0	0	48,852	593,602
2037	77	30,312	0	76	19,764	0	0	50,076	643,678
2038	78	31,068	0	77	20,268	0	0	51,336	695,014
2039	79	31,848	0	78	20,772	0	0	52,620	747,634
2040	80	32,640	0	79	21,288	0	0	53,928	801,562
2041				80	21,828	0	17,376	39,204	840,766
2042				81	22,368	0	17,808	40,176	880,942
2043				82	22,920	0	18,264	41,184	922,126
2044				83	23,496	0	18,720	42,216	964,342

¹ Age at end of year illustrated.

② Alternative Strategy

	JOHN	JANINE	CUMULATIVE VALUE OF BENEFITS
Current Age	59	58	\$1,120,294 File for Benefits
Monthly benefit at FRA ¹	\$2,300	\$1,500	
Assume live to	81	84	
Start benefits at age	70	70	

ANNUAL BENEFITS BY YEAR
Assumes 2.5% Cost of Living Adjustments



DATE	AGE ²	CHANGE FOR	NEW MONTHLY BENEFITS			REASON
			JOHN	JANINE	TOTAL	
Apr 2030	70	John	\$3,742	\$0	\$3,742	Start own retirement benefits
May 2031	70	Janine	\$3,836	\$2,501	\$6,337	Start own retirement benefits
Jan 2041	80	Janine	\$0	\$4,910	\$4,910	Survivor benefits start

¹ This report assumes that you stop work when you start your Social Security benefits. Prior to full retirement age, your earnings from continuing to work may result in your benefits being reduced or withheld. When you reach full retirement age, an adjustment is made to restore any reduced or withheld benefits. After full retirement age, there is no benefit reduction for wages or self-employment earnings.

² Age at end of year illustrated.

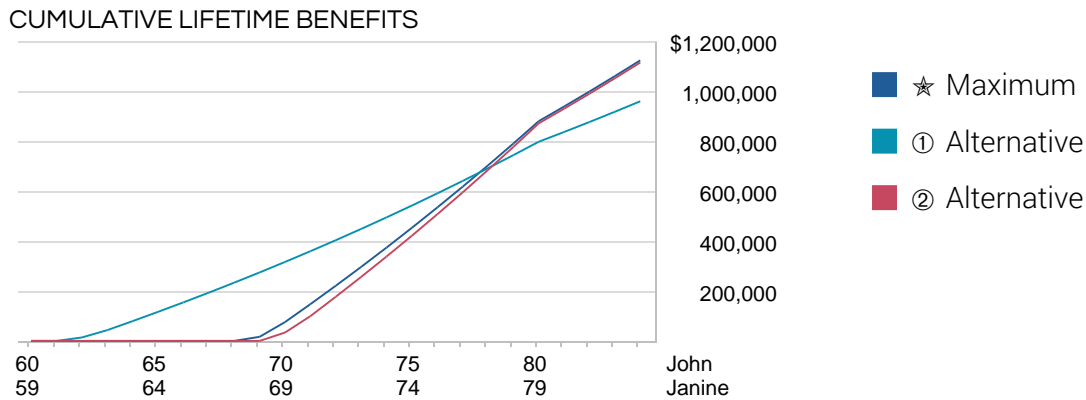
Annual Social Security Benefits

Assumes 2.5% Cost of Living Adjustment

Year	JOHN			JANINE				TOTAL	
	Age ¹	Retirement	Spousal	Age ¹	Retirement	Spousal	Survivor	Annual Total	Cumulative
2020	60	0	0	59	0	0	0	0	0
2021	61	0	0	60	0	0	0	0	0
2022	62	0	0	61	0	0	0	0	0
2023	63	0	0	62	0	0	0	0	0
2024	64	0	0	63	0	0	0	0	0
2025	65	0	0	64	0	0	0	0	0
2026	66	0	0	65	0	0	0	0	0
2027	67	0	0	66	0	0	0	0	0
2028	68	0	0	67	0	0	0	0	0
2029	69	0	0	68	0	0	0	0	0
2030	70	33,678	0	69	0	0	0	33,678	33,678
2031	71	46,032	0	70	20,008	0	0	66,040	99,718
2032	72	47,184	0	71	30,768	0	0	77,952	177,670
2033	73	48,360	0	72	31,536	0	0	79,896	257,566
2034	74	49,572	0	73	32,328	0	0	81,900	339,466
2035	75	50,808	0	74	33,132	0	0	83,940	423,406
2036	76	52,080	0	75	33,960	0	0	86,040	509,446
2037	77	53,376	0	76	34,812	0	0	88,188	597,634
2038	78	54,708	0	77	35,676	0	0	90,384	688,018
2039	79	56,076	0	78	36,576	0	0	92,652	780,670
2040	80	57,480	0	79	37,488	0	0	94,968	875,638
2041				80	38,424	0	20,496	58,920	934,558
2042				81	39,396	0	21,000	60,396	994,954
2043				82	40,368	0	21,528	61,896	1,056,850
2044				83	41,376	0	22,068	63,444	1,120,294

¹ Age at end of year illustrated.

Comparison of Strategies



Year	Ages	ANNUAL BENEFIT			CUMULATIVE VALUE ¹		
		★ Maximum	① Alternative	② Alternative	★ Maximum	① Alternative	② Alternative
2020	60/59	0	0	0	0	0	0
2021	61/60	0	0	0	0	0	0
2022	62/61	0	13,952	0	0	13,952	0
2023	63/62	0	29,618	0	0	43,570	0
2024	64/63	0	36,324	0	0	79,894	0
2025	65/64	0	37,236	0	0	117,130	0
2026	66/65	0	38,172	0	0	155,302	0
2027	67/66	0	39,120	0	0	194,422	0
2028	68/67	0	40,104	0	0	234,526	0
2029	69/68	16,592	41,100	0	16,592	275,626	0
2030	70/69	59,190	42,132	33,678	75,782	317,758	33,678
2031	71/70	72,180	43,188	66,040	147,962	360,946	99,718
2032	72/71	73,980	44,268	77,952	221,942	405,214	177,670
2033	73/72	75,828	45,360	79,896	297,770	450,574	257,566
2034	74/73	77,724	46,512	81,900	375,494	497,086	339,466
2035	75/74	79,668	47,664	83,940	455,162	544,750	423,406
2036	76/75	81,660	48,852	86,040	536,822	593,602	509,446
2037	77/76	83,700	50,076	88,188	620,522	643,678	597,634
2038	78/77	85,788	51,336	90,384	706,310	695,014	688,018
2039	79/78	87,936	52,620	92,652	794,246	747,634	780,670
2040	80/79	90,132	53,928	94,968	884,378	801,562	875,638
2041	80	58,920	39,204	58,920	943,298	840,766	934,558
2042	81	60,396	40,176	60,396	1,003,694	880,942	994,954
2043	82	61,896	41,184	61,896	1,065,590	922,126	1,056,850
2044	83	63,444	42,216	63,444	1,129,034	964,342	1,120,294

¹ Cumulative value calculated through 2044.

Summary

SELECTED START AGES	CUMULATIVE VALUE ¹	
★ John at 70, Janine at 68	\$1,129,034	
ALTERNATIVE START AGES	CUMULATIVE VALUE ¹	DIFFERENCE FROM SELECTED
① John at 62, Janine at 62	\$964,342	\$164,692 less
② John at 70, Janine at 70	\$1,120,294	\$8,740 less

¹ Cumulative value calculated through 2044.

Definitions and Additional Information

Full retirement age

Full retirement age (FRA) is the age at which a person may first become entitled to full or unreduced Social Security benefits. If your birthday is on January 1, the previous year's FRA will determine your full retirement age.

YEAR OF BIRTH	FULL RETIREMENT AGE
1943 through 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

Reductions for retirement before full retirement age

You may start Social Security retirement benefits as early as age 62; however, each month prior to FRA will result in a reduction in your benefits. This reduction ranges from 25% for those with a FRA of 66 to 30% for FRA of 67. The formula is 5/9 of 1% per month up to 36 months, plus 5/12 of 1% per month exceeding 36.

Delayed retirement credits for retirement after full retirement age

If you choose to delay starting Social Security benefits, you will receive an increase in your benefit amount of 8% per year up to age 70. After age 70 there are no further credits for delaying benefits. The credit is 2/3 of 1% for each month beyond FRA.

Monthly benefit at full retirement age

You can find your monthly benefit at full retirement age on your annual Social Security statement or from the on-line statement. The amount used in this report is the monthly value in today's dollars. This report automatically applies cost of living adjustments for you. This monthly benefit amount is also known as Primary Insurance Amount or PIA.

Spousal and family benefits

If you are receiving Social Security retirement benefits, your spouse and children may also qualify to receive benefits on your record. Your spouse or child may receive a monthly payment of up to one-half of your full retirement benefit amount, subject to a family maximum of approximately 150-180% of your full retirement payment. These payments will not reduce your retirement benefit. If there is more than one beneficiary, the payments are prorated among your family members eligible for benefits. However, if you suspend your benefits, all benefits based on your earnings will also be suspended. Individuals age 62 or younger in 2016 do not have this option.

Survivor benefits

Social Security provides survivor benefits for your family. If you die and your children are under 18, they are eligible for survivor benefits. In addition, your spouse qualifies for survivor benefits if age 60 or greater or caring for your children under age 16. Your spouse's survivor benefits when not caring for children under 16 will be reduced if benefits start prior to your spouse's full retirement age.

Family benefits

This report does not consider Social Security survivor or retirement payments available for children, which may increase the total benefits your family may receive.

Disability benefits

This report does not consider disability payments that you or your family may be eligible to receive.

Pensions based on earnings not covered by Social Security

If you receive a pension for work not covered by Social Security, your monthly retirement or survivors' benefit may be reduced.

Government Pension Offset (GPO)

This provision affects only individuals who have earned a pension from work not covered by Social Security. Two-thirds of the monthly non-covered pension amount may reduce any spousal benefits you are otherwise entitled. GPO does not reduce any benefits based on your work record covered by Social Security.

Windfall Elimination Provision (WEP)

Your Social Security benefits may be reduced if you are entitled to a monthly pension from work not covered by Social Security and also qualify for Social Security retirement benefits. The years and earnings covered by Social Security determine the reduction, if any.

Each year worked up to starting retirement may affect benefits. The Social Security Administration does not include this reduction on your annual statement. It is calculated when you file for benefits. For 2019, this reduction is limited to the lesser of \$463 or one-half of your non-covered monthly pension.

Marital status

Married: Currently married under federal definition of marriage. Applicable spousal benefits and survivor benefits have been included.

Widowed: Currently not married under federal definition of marriage. Survivor benefits have been considered throughout the tool.

Divorced: If you were married for at least 10 years before divorce. You may receive spousal benefits based on an ex-spouse's benefit. It does not have to be the most recent ex-spouse, but your marriage must have lasted ten years. Claiming this benefit will in no way affect your ex-spouse's benefits. Anyone younger than age 62 as of January 1, 2016 will be deemed to file for both their benefits and any spousal benefits at the same time and receive the higher of the two amounts. They will no longer be able to claim spousal benefits only.

Single: Currently not married under federal definition of marriage (or were married for less than 10 years before divorce). Benefits will only consider your earning record.

File for benefits

You file for all eligible benefits. You must file for all benefits to which you may be eligible, including your own benefit as well as any spousal benefit if one exists. Benefits will be reduced for each month prior to FRA.

File and suspend

Once you have reached FRA, you file your application for benefits and immediately suspend payments until a later date. This allows you to delay benefits up to age 70 to earn delayed retirement credits to increase monthly payments. If you suspend after April 29, 2016, any benefits based on your earnings will also be suspended.

File a restricted application

For individuals age 62 or older by January 1, 2016, once you have reached FRA, you file a restricted application for spousal benefits. This allows you to begin spousal benefits while earning delayed retirement credits. Your spouse must have filed for benefits for you to receive spousal benefits. You apply for your own benefits at a later date and receive increased monthly payments.

Options to change your selection

Within 12 months of starting benefits if you change your mind, you may withdraw your claim and reapply. If approved, you must repay all benefits paid. This is only allowed once.

If you are already receiving benefits, you may suspend current or future payments up to age 70. The suspended payments will automatically resume at age 70, unless you request them sooner.

Voluntary Reinstatement of Benefits

Due to the 2015 Budget Bill Act, retroactive (lump sum) benefits are no longer payable. Reinstating a suspended benefit will only pay an adjusted monthly benefit (including delayed retirement credits).

Precaution if benefits are suspended

If you are enrolled in Medicare Part B, premiums cannot be deducted from suspended payments. You will need to pay them directly or have them automatically paid by your bank.

Cost of living adjustment

Historically prices have risen over time. Social Security Administration reviews the cost of living each year and adjusts benefits accordingly. The 30-year average annual adjustment is 2.5%.

Social Security Administration determines if a cost of living adjustment is made, and if so, how much. Typically, benefits have increased by 2.5% to 3.0% in the past. Using 0% will show basic benefits without any adjustments for inflation. More information can be found at www.socialsecurity.gov/cola.

Break-even

Break-even is the age when total Social Security income from two different filing strategies is the same. Break-even analysis is one way to decide which of two strategies maybe be the best choice for an individual or a couple. In addition, rate of return, income tax rates and cost of living increases may affect the break-even age.

What if you work during retirement?

You may work while receiving Social Security benefits and working may mean higher future benefits. However, while working your benefits may be reduced until you reach full retirement age. After full retirement age, the Social Security Administration will recalculate your benefits considering months when benefits were reduced or withheld due to excess earnings. In any year when earnings are higher than a prior year in your earnings record, the higher year will be used to recalculate your PIA and your payment amount.

The excess earnings limit in 2019 is \$17,640. A formula determines the amount benefits will be reduced based on your age. If you are under full retirement age for the entire year, benefits will be reduced \$1 for every \$2 earned above the limit. In the year you attain full retirement age, the deduction will be \$1 for every \$3 over \$46,920 (2019). Starting with the month you reach full retirement age, there is no longer a reduction in benefits or a limit to the amount you may earn.

If Social Security Administration is notified in advance of your anticipated monthly earnings, they will adjust your payments accordingly. If Social Security Administration learns of the excess earnings later, they withhold all future payments until excess benefits are recovered.

Modified adjusted gross income

Modified adjusted gross income (MAGI) is generally defined as all of your taxable income, plus certain net foreign income, minus allowed deductions. MAGI may include income such as taxable pensions, wages, interest, dividends, and other taxable income plus tax-exempt interest income (such as interest on municipal bonds) and any exclusion from income, such as interest from US savings bonds. See Internal Revenue Code Section 86b(2) or Internal Revenue Service Publication 915 for more information.

Be sure to consider your retirement plan distributions. Generally, all distributions from IRAs and employer plans will be included in MAGI. Roth IRA distributions will not be included.

Effective tax rate

The effective income tax rate is the average rate at which income is taxed. It takes into account the deductions and credits used to compute income taxes. It is total income taxes divided by total income, and is less than the "tax bracket" or marginal rate.

How are Social Security benefits taxed?

About one out of three people who get Social Security have to pay income taxes on their benefits. Combined income is the sum of your modified adjusted gross income plus nontaxable interest plus half of your Social Security benefits.

- If you are married and file a joint return, up to 50% of your benefits may be taxable if you and your spouse have a combined income that is between \$32,000 and \$44,000. If your combined income is more than \$44,000, up to 85% of your Social Security benefits is subject to income tax.
- If you are married and file a separate return, you will most likely pay taxes on your benefits.
- If you are single and your combined income is between \$25,000 and \$34,000, you may have to pay taxes on up to 50% of your Social Security benefits. If your combined income is more than \$34,000, up to 85% of your Social Security benefits is subject to income tax.
- No more than 85% of your total benefits is taxable.¹

For more information

Your Social Security Administration office is an excellent source for questions about your benefits. The website (www.ssa.gov) is extremely helpful. This report should help you frame your thoughts before filing. It shows strategies that you may not have considered. It eliminates guessing or rules-of-thumb by calculating almost all possible combinations and illustrating the largest benefit.

¹ ssa.gov Retirement Benefits booklet January 2015

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