Securing Your Retirement

Transforming Social Security Into a Winning Retirement Strategy
A healthy 65-year-old female has a 50% chance of living until age 89 (24 more years).

Source: Society of Actuaries’ Annuity RP-2014 Total Healthy Annuitant rates, Scale MP-2014. Figures assume you are in good health.
But Still Collecting Early

Full or Increased Benefit - 27%

Reduced Benefit - Collected Early - 73%

Source: Social Security Administration’s Annual statistical supplement, 2013.
Rules of Retirement Benefits

Individual Benefits
### Individual Benefits

#### Your Earnings Record

<table>
<thead>
<tr>
<th>Years You Worked</th>
<th>Your Taxed Social Security Earnings</th>
<th>Your Taxed Medicare Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>578</td>
<td>578</td>
</tr>
<tr>
<td>1987</td>
<td>1,427</td>
<td>1,427</td>
</tr>
<tr>
<td>1988</td>
<td>2,534</td>
<td>2,534</td>
</tr>
<tr>
<td>1989</td>
<td>4,215</td>
<td>4,215</td>
</tr>
<tr>
<td>1990</td>
<td>5,813</td>
<td>5,813</td>
</tr>
<tr>
<td>1991</td>
<td>7,199</td>
<td>7,199</td>
</tr>
<tr>
<td>1992</td>
<td>9,045</td>
<td>9,045</td>
</tr>
<tr>
<td>1993</td>
<td>11,245</td>
<td>11,245</td>
</tr>
<tr>
<td>1994</td>
<td>13,585</td>
<td>13,585</td>
</tr>
<tr>
<td>1995</td>
<td>15,837</td>
<td>15,837</td>
</tr>
<tr>
<td>1996</td>
<td>18,945</td>
<td>18,945</td>
</tr>
<tr>
<td>1997</td>
<td>20,718</td>
<td>20,718</td>
</tr>
<tr>
<td>1998</td>
<td>23,177</td>
<td>23,177</td>
</tr>
<tr>
<td>1999</td>
<td>25,703</td>
<td>25,703</td>
</tr>
<tr>
<td>2000</td>
<td>28,197</td>
<td>28,197</td>
</tr>
<tr>
<td>2001</td>
<td>29,851</td>
<td>29,851</td>
</tr>
<tr>
<td>2002</td>
<td>30,982</td>
<td>30,982</td>
</tr>
<tr>
<td>2003</td>
<td>32,430</td>
<td>32,430</td>
</tr>
<tr>
<td>2004</td>
<td>34,617</td>
<td>34,617</td>
</tr>
<tr>
<td>2005</td>
<td>36,544</td>
<td>36,544</td>
</tr>
<tr>
<td>2006</td>
<td>38,822</td>
<td>38,822</td>
</tr>
<tr>
<td>2007</td>
<td>41,162</td>
<td>41,162</td>
</tr>
<tr>
<td>2008</td>
<td>42,601</td>
<td>42,601</td>
</tr>
<tr>
<td>2009</td>
<td>42,492</td>
<td>42,492</td>
</tr>
<tr>
<td>2010</td>
<td>Not yet recorded</td>
<td>Not yet recorded</td>
</tr>
</tbody>
</table>

Best 35 Years

### 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...
  - At age 70, your payment would be about...
  - At age 62, your payment would be about...
  - ...$ 1,554 a month
  - ...$ 1,938 a month
  - ...$ 1,072 a month

- **Disability**
  - You have earned enough credits to qualify for benefits. If you became disabled after...
  - Your payment would be about...
  - ...$ 1,449 a month

- **Family**
  - If you get retirement or disability benefits, your spouse and children also may qualify for benefits.
  - Your child...
  - Your spouse who is caring for your child...
  - Your spouse if benefits start at full retirement age...
  - Total family benefits cannot be more than...
  - ...$ 1,373 a month
  - ...$ 1,477 a month
  - ...$ 2,725 a month

- **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...
  - Your spouse who is caring for your child...
  - Your spouse if benefits start at full retirement age...
  - Total family benefits cannot be more than...
  - ...$ 1,373 a month
  - ...$ 1,477 a month
  - ...$ 2,725 a month

Online Statements or Retirement Estimator

[www.ssa.gov](http://www.ssa.gov)

Source: Social Security Administration (www.ssa.gov).
The Tradeoff for Individual Benefits

<table>
<thead>
<tr>
<th>Age</th>
<th>Full Retirement Age</th>
<th>Increased Benefits</th>
<th>Reduced Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>62</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65</td>
<td>65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1937 or earlier</td>
<td>1943-1954</td>
<td>1960 and later</td>
<td></td>
</tr>
</tbody>
</table>

Source: Social Security Administration (www.ssa.gov).
Collecting Early: The Cost

Cost of Collecting Early

<table>
<thead>
<tr>
<th>Collect at Age</th>
<th>Percentage of FRA Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>62</td>
<td>75%</td>
</tr>
<tr>
<td>63</td>
<td>80%</td>
</tr>
<tr>
<td>64</td>
<td>87%</td>
</tr>
<tr>
<td>65</td>
<td>93%</td>
</tr>
<tr>
<td>66 (FRA)</td>
<td>100%</td>
</tr>
</tbody>
</table>

Collecting Early: Consider These Questions

Working
- Are you actually retiring?
- Will you work, even part-time, before FRA?

Longevity
- How is your health?
- Is there a expectation of longevity?

Spouse
- Are you married?
- What is the age difference between spouses?
- Whose benefits can the spouse collect?
## Collecting Early: Continuing to Work

### 2015 Retirement Earnings Limit

<table>
<thead>
<tr>
<th>Your Age</th>
<th>2015 limit</th>
<th>What Happens Above the Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under FRA</td>
<td>$15,720/year</td>
<td>$1 of benefits withheld per $2 of earnings above limit</td>
</tr>
<tr>
<td>Year reach FRA</td>
<td>$41,880/year</td>
<td>$1 of benefits withheld per $3 in earnings above limit for months prior to reaching FRA</td>
</tr>
<tr>
<td>Month reach FRA and beyond</td>
<td>None</td>
<td>Nothing</td>
</tr>
</tbody>
</table>

Applies to any retirement benefits collected before FRA. Earnings limit looks at wages only.

Source: Social Security Administration (www.ssa.gov).
Changing Your Mind

Source: Social Security Administration (www.ssa.gov).
Collecting Late: The Guaranteed Increase

Increases for Collecting Late

<table>
<thead>
<tr>
<th>Collect at Age 66 (FRA)</th>
<th>Collect at Age 67</th>
<th>Collect at Age 68</th>
<th>Collect at Age 69</th>
<th>Collect at Age 70</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>108%</td>
<td>116%</td>
<td>124%</td>
<td>132%</td>
</tr>
</tbody>
</table>

Source: Social Security Administration (www.ssa.gov). Assumes full retirement age of 66 and individual born in 1943 or later.
A Question of Longevity

Break Even Analysis

- **Age 78**: 75% of PIA
- **Age 82.5**: 132% of PIA

60 62 66 70 80 90 100

Age

75% of PIA 100% of PIA 132% of PIA
Rules of Retirement Benefits

Spousal and Survivor Benefits
Spousal Benefits

John
PIA: $2,200

Jane
PIA: $0

$1,100

Filing and Suspending

Age 62
File

FRA
Collect

Age 70

Suspend
Collect

Source: Social Security Administration (www.ssa.gov).
### Spousal Benefits

#### Maximum Spousal Benefit Amount

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage of FRA Spousal Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 62</td>
<td>70%</td>
</tr>
<tr>
<td>Age 63</td>
<td>75%</td>
</tr>
<tr>
<td>Age 64</td>
<td>83%</td>
</tr>
<tr>
<td>Age 65</td>
<td>92%</td>
</tr>
<tr>
<td>Age 66 (FRA)</td>
<td>100%</td>
</tr>
<tr>
<td>Age 67</td>
<td>100%</td>
</tr>
<tr>
<td>Age 68</td>
<td>100%</td>
</tr>
<tr>
<td>Age 69</td>
<td>100%</td>
</tr>
<tr>
<td>Age 70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Social Security Administration (www.ssa.gov).
Adding Spousal Benefits to Individual Benefits

John
PIA: $2,200

Jane
PIA: $600

Source: Social Security Administration (www.ssa.gov).
Women Are Collecting Their Husband’s Benefits

- Husband’s Benefits Only 25%
- Own Benefits Only 46%
- Own and Husband’s Benefits 29%

John
- PIA: $2,200
- John’s Benefits (63, 6 months)
  - $1,833
- Survivor Benefits
  - $1,833

Jane
- PIA: $600
- Survivor Benefits
  - $1,833

Source: Social Security Administration’s Annual statistical supplement, 2013. Assumes full retirement age of 66 and primary insurance amount of $2,200.
Collection Strategies
Married Couple – Collect at Age 62

John
PIA: $2,200
Lives through age 75

Jane
PIA: $600
Lives through age 82

Age 62 66 (FRA) 70 74

John
Collect Individual Benefits - $1,650

Jane
Collect Individual Benefits - $450
Collect Adjusted Spousal Benefits - $350

John’s Benefits  Jane’s Benefits  Spousal Benefits  Survivor Benefits  Total
$277,200  $75,600  $58,800  $152,460  $564,060
Married Couple – Collect at Age 66 (FRA)

John
PIA: $2,200
Lives through age 75

Jane
PIA: $600
Lives through age 82

<table>
<thead>
<tr>
<th>Age</th>
<th>John</th>
<th>Jane</th>
</tr>
</thead>
<tbody>
<tr>
<td>62</td>
<td>Collect Individual Benefits - $2,200</td>
<td>Collect Individual Benefits - $600</td>
</tr>
<tr>
<td>70</td>
<td>Collect Adjusted Spousal Benefits - $500</td>
<td></td>
</tr>
<tr>
<td>74</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Both Age 62                      Both FRA
$564,060                        $580,800
**Married Couple – Collect at Age 70**

**John**
- PIA: $2,200
- Lives through age 75

**Jane**
- PIA: $600
- Lives through age 82

---

<table>
<thead>
<tr>
<th>Age 62</th>
<th>66 (FRA)</th>
<th>70</th>
<th>74</th>
</tr>
</thead>
<tbody>
<tr>
<td>John</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$2,904</td>
<td></td>
</tr>
<tr>
<td>Jane</td>
<td></td>
<td>$792</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$308</td>
<td></td>
</tr>
</tbody>
</table>

- Both Age 62: $564,060
- Both FRA: $580,800
- Both Age 70: $532,224
Married Couple – Large Difference in Benefits

**John**
- PIA: $2,200
- Lives through age 75

**Jane**
- PIA: $600
- Lives through age 82

<table>
<thead>
<tr>
<th>Age 62</th>
<th>66 (FRA)</th>
<th>70</th>
<th>74</th>
</tr>
</thead>
<tbody>
<tr>
<td>John</td>
<td></td>
<td></td>
<td>$2,904</td>
</tr>
<tr>
<td></td>
<td></td>
<td>File &amp; Suspend</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jane</td>
<td>Collect Individual Benefits - $450</td>
<td>Collect Adjusted Spousal Benefits - $500</td>
<td></td>
</tr>
</tbody>
</table>

Both Age 62 | $564,060  
Both FRA | $580,800  
Both Age 70 | $532,224  
Strategy | $588,624  
Married Couple – Large Difference in Benefits

John
PIA: $2,200
Lives through age 85

Jane
PIA: $600
Lives through age 92

Age 62  66 (FRA)  70  74

John
File & Suspend
$2,904

Jane
Collect Individual Benefits - $450
Collect Adjusted Spousal Benefits - $500

Both Age 62  Both FRA  Both Age 70  Strategy
$858,060  $976,800  $1,012,704  $1,051,104
Married Couple – Small Difference in Benefits

John
PIA: $2,200
Lives through age 85

Jane
PIA: $1,400
Lives through age 92

<table>
<thead>
<tr>
<th>Age 62</th>
<th>66 (FRA)</th>
<th>70</th>
<th>74</th>
</tr>
</thead>
<tbody>
<tr>
<td>John</td>
<td>File &amp; Suspend</td>
<td>$2,904</td>
<td></td>
</tr>
<tr>
<td>Jane</td>
<td>Collect Spousal - $1,100</td>
<td>$1,848</td>
<td></td>
</tr>
</tbody>
</table>

Both Age 62: $930,060
Both FRA: $1,048,800
Both Age 70: $1,156,320
Strategy: $1,209,120
**Wendy**

PIA: $2,200

Survivor: $2,500

Lives through age 92

---

**Age 62**

Survivor Benefits - $1,788

**FRA**

$2,904

---

**Age 70**

$1,016,004

---

**Strategy**
Additional Beneficiaries – Divorced Spouse

Spousal Benefits
- Married to ex-spouse for 10+ years
- Unmarried
- Both are at least age 62
- Divorced for at least 2 years*

Survivor Benefits
- Married to ex-spouse for 10+ years
- Unmarried or married after age 60
- At least age 60

*2 years does not apply if the individual was eligible for spousal benefits at the time of divorce.

Source: Social Security Administration (www.ssa.gov).
Taxation of Social Security benefits

Provisional Income = \frac{1}{2} \text{ Social Security Benefits} + \text{Modified Adjusted Gross Income}

<table>
<thead>
<tr>
<th>Single</th>
<th>Married, Filing Jointly</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$25,000</td>
<td>$32,000</td>
</tr>
<tr>
<td>$34,000</td>
<td>$44,000</td>
</tr>
</tbody>
</table>

- 0% of Benefits are Taxable
- 0-50% of Benefits are Taxable
- 7-85% of Benefits are Taxable

Source: Social Security Administration (www.ssa.gov).
Next steps

1. Understand the fundamental rules

2. Recognize the options and benefits available

3. Work with your financial professional to make the best collection decision for your retirement plan
Important Notes

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1/15 USR-4967
Your pension could reduce your spousal or survivor benefits

Pension
$1,500

\[ \times \frac{2}{3} \]

Offset
$1,000

Spousal Benefits
$1,100

\[ \downarrow \]

$100

Survivor Benefits
$2,200

\[ \downarrow \]

$1,200
Windfall Elimination Provision (WEP)

Your pension could reduce your own benefits

<table>
<thead>
<tr>
<th>Age</th>
<th>Age</th>
<th>Age</th>
<th>Age</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>32</td>
<td>42</td>
<td>52</td>
<td>62</td>
</tr>
</tbody>
</table>

Teacher

Lockheed Martin

PIA = 90% of the first $826* of AIME + 32% of the next $4,154* of AIME + 15% of AIME over $4,980*

WEP PIA = 40% of the first $826* of AIME + 32% of the next $4,154* of AIME + 15% of AIME over $4,980*

* Changed annually by changes in the national indexing average wage. Numbers for 2015.

Source: Social Security Administration (www.ssa.gov).
Additional Beneficiaries

You
Your Retirement Age Spouse

Your Unmarried Child
50% of your PIA*
- Under age 18 (19 if in high school)
- Any age if disabled before age 22

Your Younger Spouse
50% of your PIA*
- Caring for your child who is under age 16 or disabled before age 22

*Subject to family maximum.

Source: Social Security Administration (www.ssa.gov).
Married Couple – Intermediate Difference in Benefits

John
PIA: $2,200
Lives through age 75

Jane
PIA: $1,000
Lives through age 82

Age 62  66 (FRA)  70  74

John
Collect Spousal - $500
$2,904

Jane
Collect Individual Benefits - $750
$100

Both Age 62  Both FRA  Both Age 70  Strategy
$863,820  $976,800  $1,054,944  $1,060,704

John
Lives through age 75

Jane
Lives through age 82

Collect Spousal - $500
Collect Individual Benefits - $750

Strategy
$1,060,704
Wendy
PIA: $1,000
Survivor: $2,500
Lives through age 92

Age 60  62  66 (FRA)  70  72

Individual - $750
Collect Survivor Benefits - $2,500

Age 62
$753,300

FRA
$810,000

Age 70
$690,000

Strategy
$846,000