

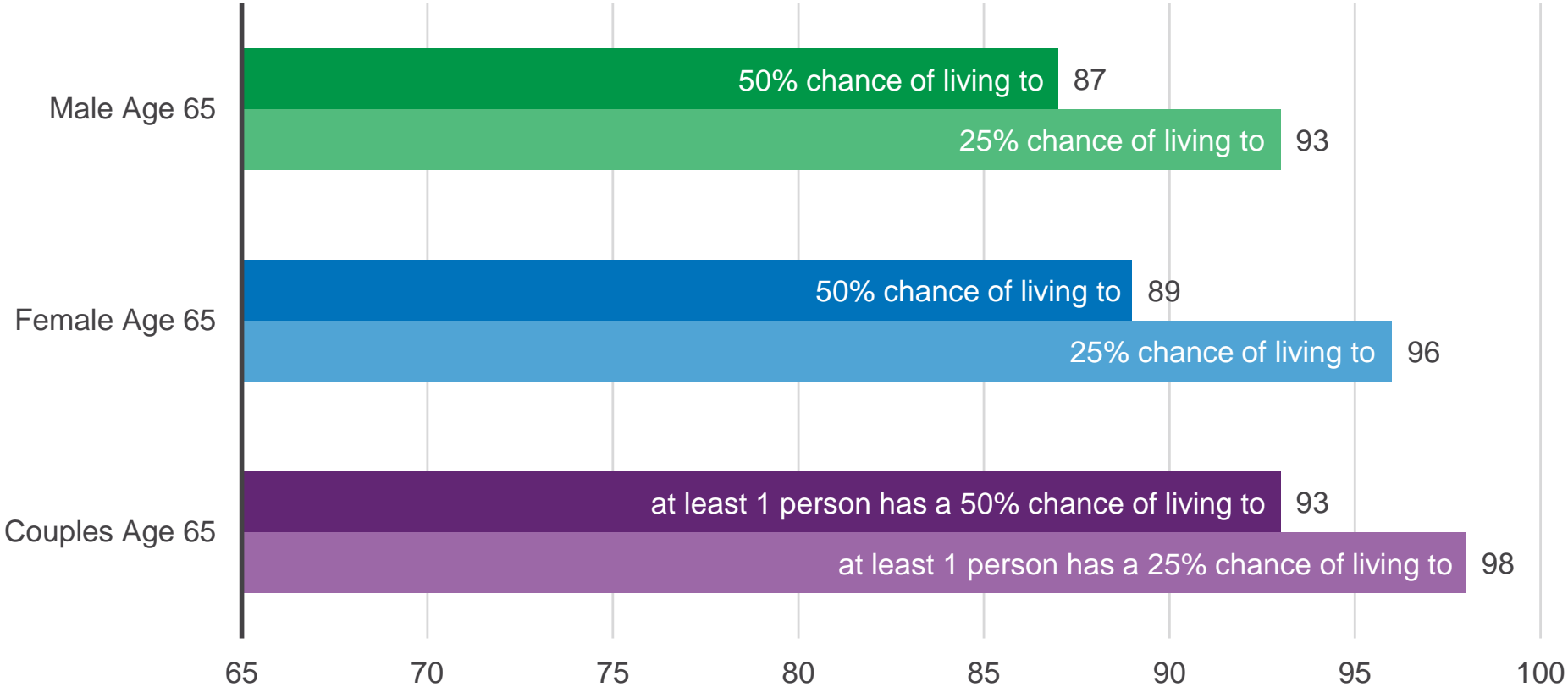
**BLACKROCK®**

## **Securing Your Retirement**

**Transforming Social Security Into a Winning Retirement Strategy**

# Living Longer

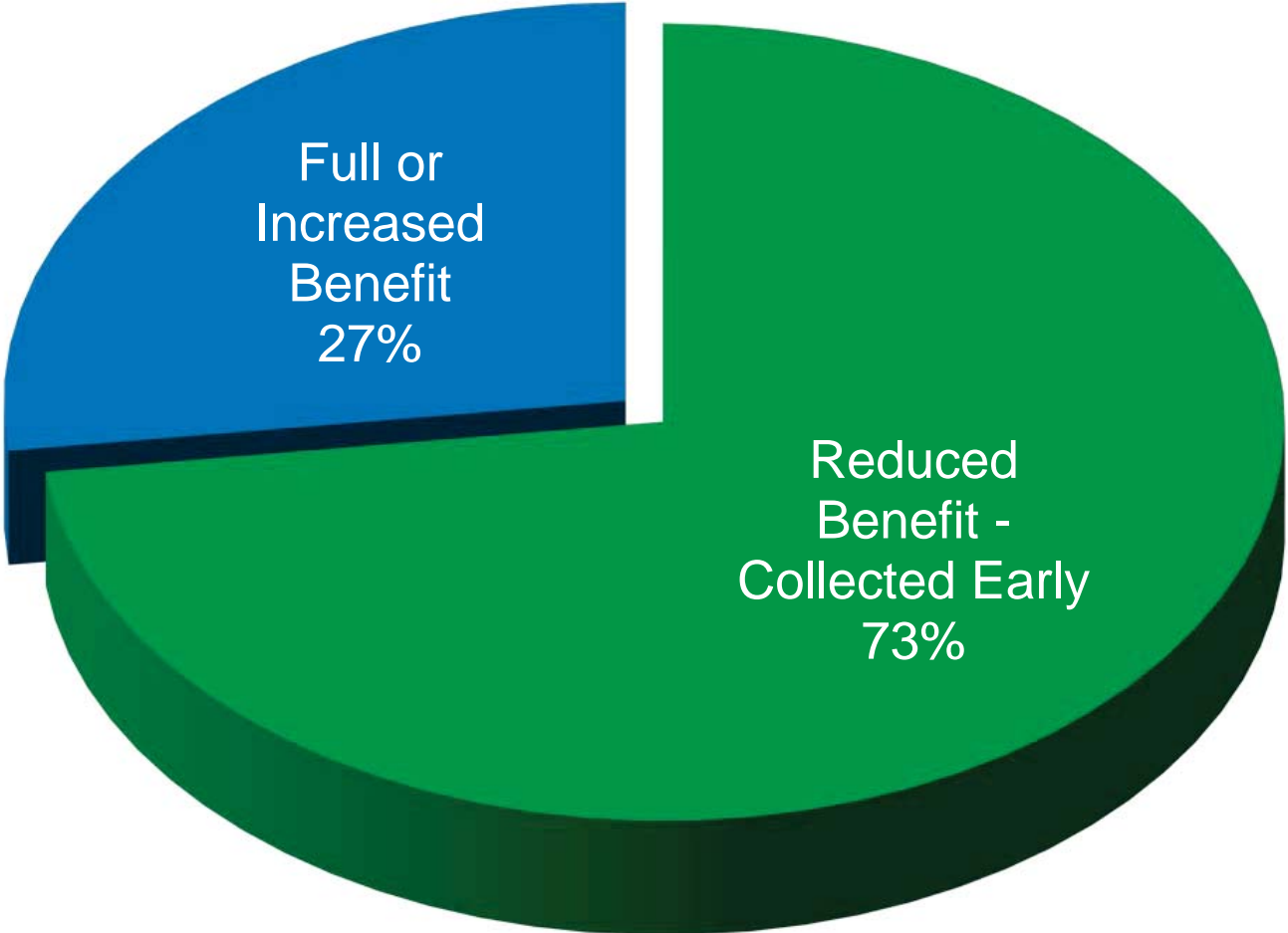
## Life Expectancy Upon Retirement at Age 65



**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



Source: Social Security Administration's Annual statistical supplement, 2013.

# Rules of Retirement Benefits

---

Individual Benefits

# Individual Benefits

## Your Earnings Record

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
1986	578	578
1987	1,427	1,427
1988	2,534	2,534
1989	4,215	4,215
1990	5,813	5,813
1991	7,199	7,199
1992	9,045	9,045
1993	11,245	11,245
1994	13,585	13,585
1995	15,837	15,837
1996	18,115	18,115
1997	20,718	20,718
1998	23,177	23,177
1999	25,703	25,703
2000	28,197	28,197
2001	29,851	29,851
2002	30,982	30,982
2003	32,430	32,430
2004	34,617	34,617
2005	36,544	36,544
2006	38,822	38,822
2007	41,162	41,162
2008	42,601	42,601
2009	42,492	42,492
2010	Not yet recorded	Not yet recorded

**Best 35 Years**

## Your Estimated Benefits

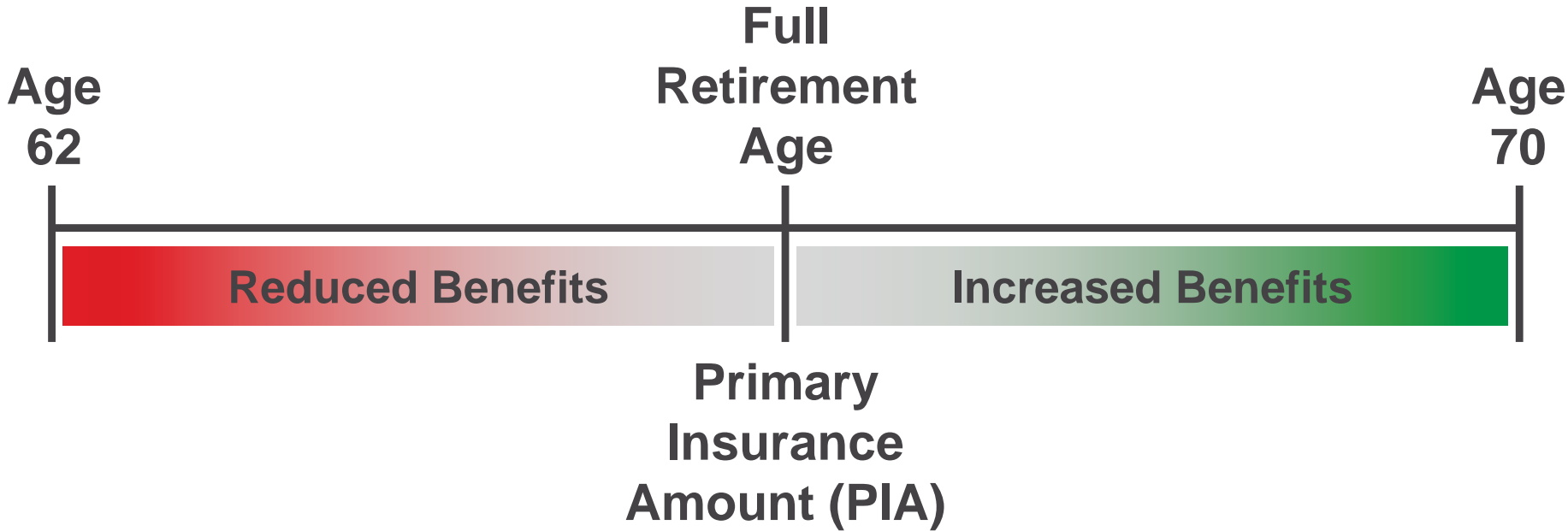
<b>*Retirement</b>	You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until...	
	your full retirement age (67 years), your payment would be about.....	\$ 1,554 a month
	age 70, your payment would be about.....	\$ 1,938 a month
<b>*Disability</b>	You have earned enough credits to qualify for benefits. If you became disabled right now, age 62, your payment would be about.....	\$ 1,072 a month
	your payment would be about.....	\$ 1,419 a month
<b>*Family</b>	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.	
<b>*Survivors</b>	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.....	\$ 1,107 a month
	Your spouse who is caring for your child.....	\$ 1,107 a month
	Your spouse, if benefits start at full retirement age.....	\$ 1,477 a month
	Total family benefits cannot be more than.....	\$ 2,720 a month
Your spouse or minor child may be eligible for a special one-time death benefit of \$255.		

...\$ 1,554 a month  
 ...\$ 1,938 a month  
 ...\$ 1,072 a month

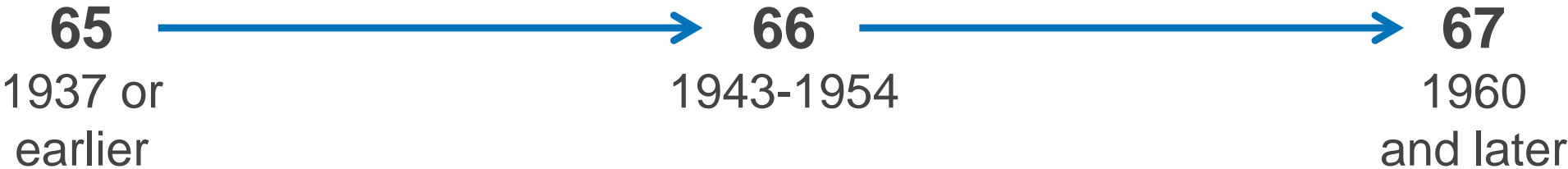
**Online Statements or Retirement Estimator**  
[www.ssa.gov](http://www.ssa.gov)

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

# The Tradeoff for Individual Benefits



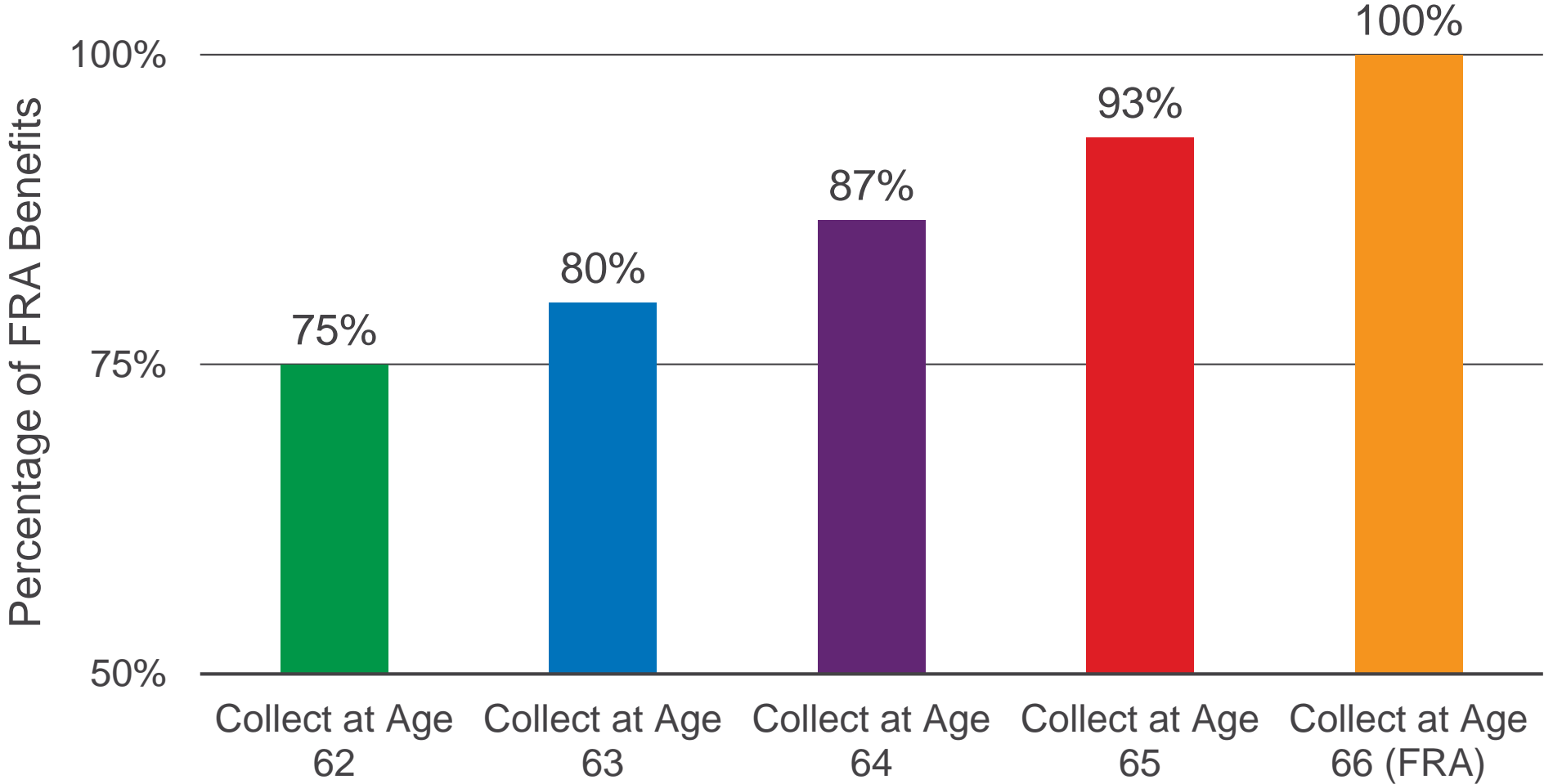
## Full Retirement Age (FRA)



Source: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)).

# Collecting Early: The Cost

## Cost of Collecting Early



Source: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)). Assumes full retirement age of 66.

# 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

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

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

Source: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)).

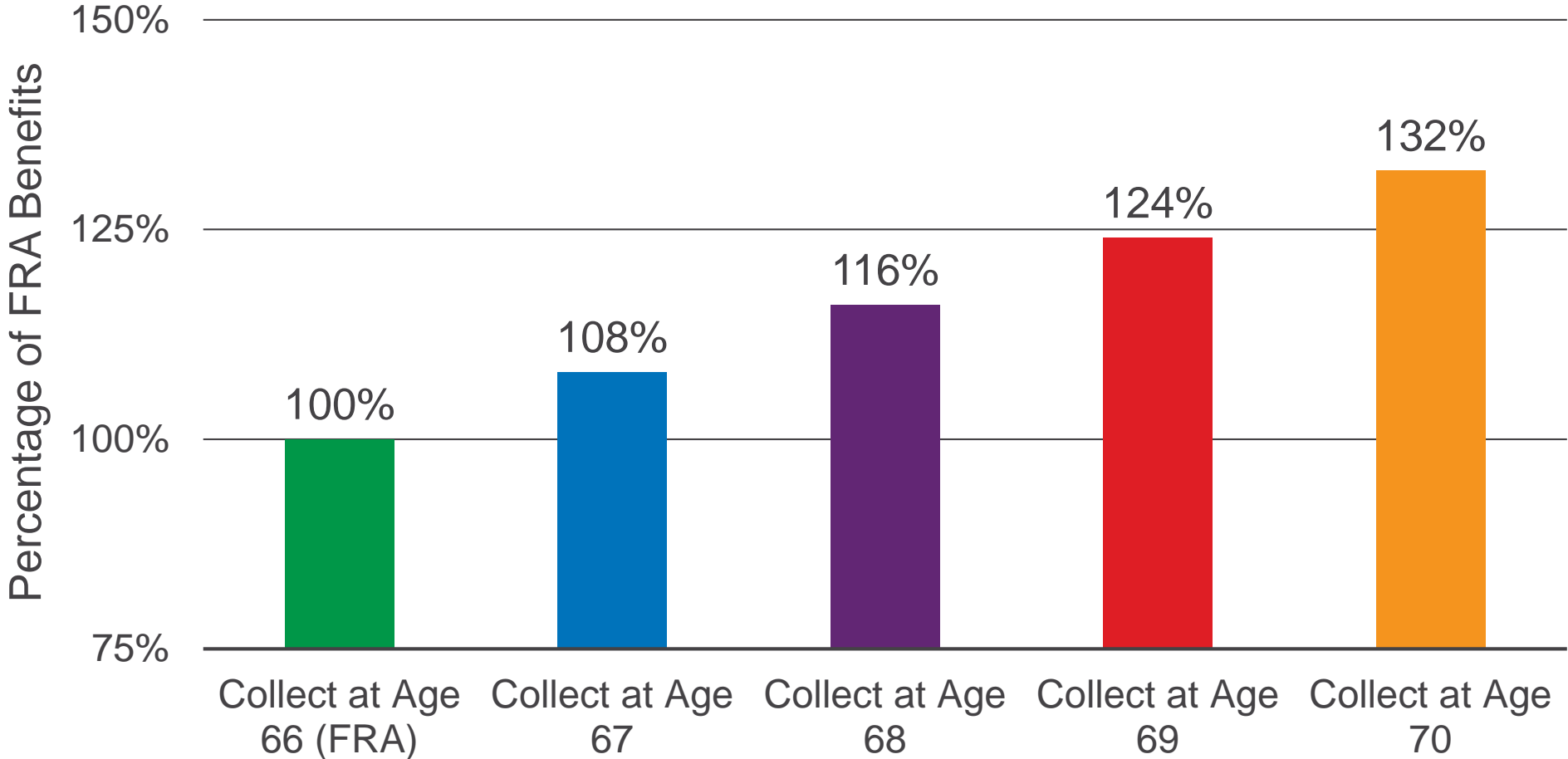
# Changing Your Mind

SOCIAL SECURITY ADMINISTRATION		Form Approved OMB No. 0960-0015	
<b>REQUEST FOR WITHDRAWAL OF APPLICATION</b>		TOE 420	
<p><b>IMPORTANT NOTICE.—</b> This is a request to cancel your application. If it is approved, the decision we made on your application will have no legal effect, all rights attached to an application, including the rights of reconsideration, hearing, and appeal will be forfeited, and any payments we made to you or anyone else on the basis of that application will have to be returned. You must then reapply if you want a determination of your Social Security rights at any time in the future but any subsequent application may not involve the same retroactive period. This procedure is intended to be used only when your decision to file has resulted, or will result, in a disadvantage to you. Your local Social Security office will be glad to explain whether, and how, this procedure will help you.</p>		Do not write in this space	
NAME OF WAGE EARNER, SELF-EMPLOYED INDIVIDUAL, OR ELIGIBLE INDIVIDUAL		SOCIAL SECURITY NUMBER	
PRINT YOUR NAME (First name, middle initial, last name)		DATE OF APPLICATION	TYPE OF BENEFIT
		TYPE OF APPLICATION	
<p>I hereby request the withdrawal of my application, dated as above, for the reasons stated below. I understand that (1) this request may not be cancelled after 60 days from the mailing of notice of approval; and (2) if a determination of my entitlement has been made, there must be repayment of all benefits paid on the application I want withdrawn, and all other persons whose benefits would be affected must consent to this withdrawal. I further understand that the application withdrawn and all related material will remain a part of the records of the Social Security Administration and that this withdrawal will not affect the proper crediting of wages or self-employment income to my Social Security earnings record.</p>			
Give reason for withdrawal. (If you need more space, use the reverse of this form.)			
<p>1. <input type="checkbox"/> I intend to continue working. (I have been advised of the alternatives to withdrawal for applicants under full retirement age and still wish to withdraw my application.)</p>			
<p>2. <input type="checkbox"/> Other (Please explain fully): _____</p> <p>_____</p> <p>_____</p>			
			<input type="checkbox"/> Continued on reverse
SIGNATURE OF PERSON MAKING REQUEST			
Signature (First name, middle initial, last name) (Write in ink)		Date (Month, day, year)	
<b>SIGN HERE</b> ▶		Telephone Number (include area code)	
Mailing Address (Number and Street, Apt. No., P.O. Box, or Rural Route)			
City and State	ZIP Code	Enter Name of County (if any) in which you now live	
<p><b>Witnesses are required ONLY if this request has been signed by mark (X) above. If signed by mark (X), two witnesses to the signing who know the person making the request must sign below, giving their full addresses.</b></p>			
1. Signature of Witness		2. Signature of Witness	
Address (Number and Street, City, State and ZIP Code)		Address (Number and Street, City, State and ZIP Code)	
FOR USE OF SOCIAL SECURITY ADMINISTRATION			
<input type="checkbox"/> APPROVED	<input type="checkbox"/> NOT APPROVED BECAUSE _____	<input type="checkbox"/> BENEFITS NOT REPAYED	<input type="checkbox"/> CONSENT(S) NOT OBTAINED
		<input type="checkbox"/> OTHER (Attach special determination)	
SIGNATURE OF SSA EMPLOYEE		TITLE	DATE
		<input type="checkbox"/> CLAIMS AUTHORIZER	<input type="checkbox"/> OTHER (Specify)

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

# Collecting Late: The Guaranteed Increase

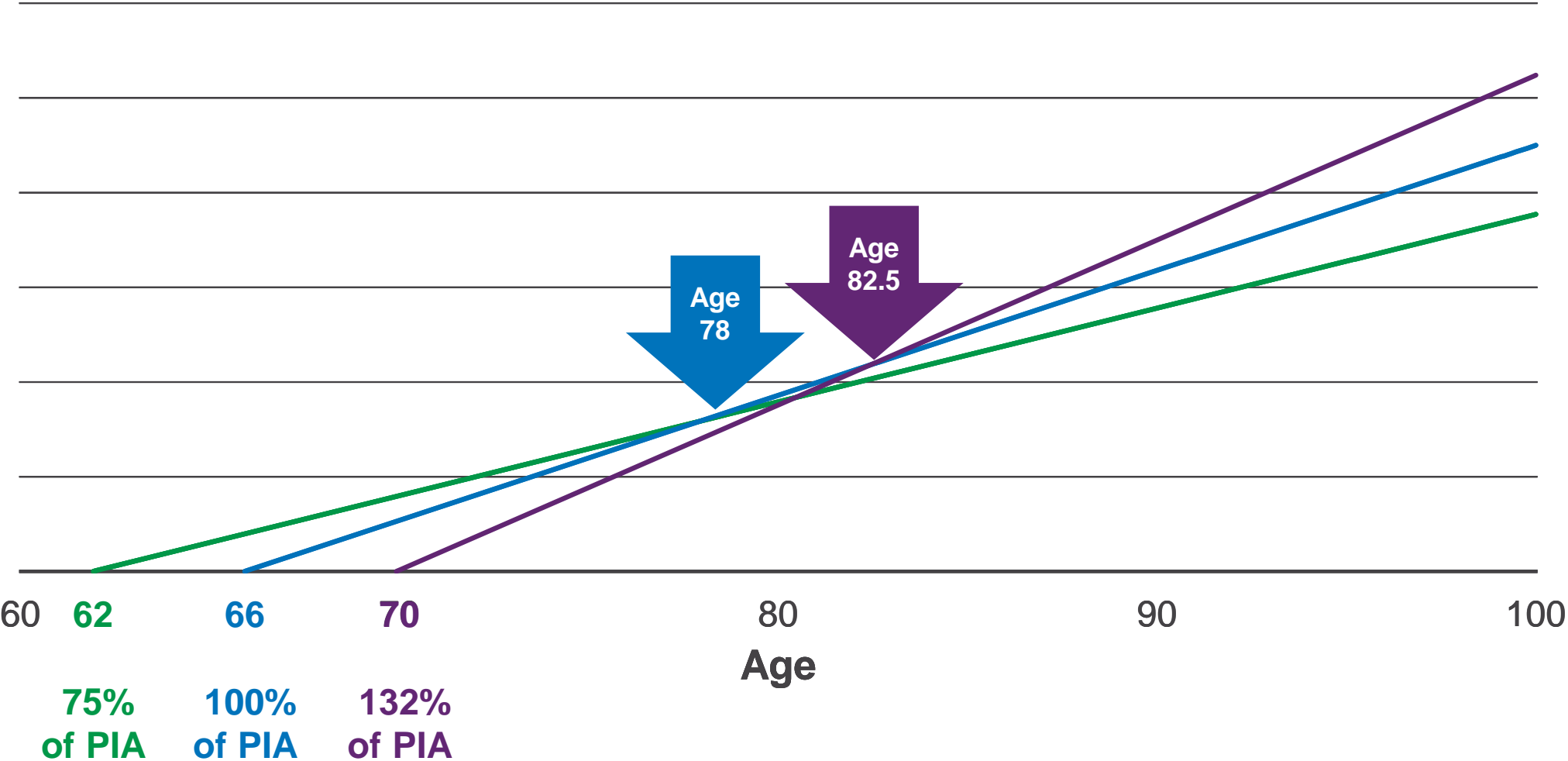
## Increases for Collecting Late



Source: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)). Assumes full retirement age of 66 and individual born in 1943 or later.

# A Question of Longevity

## Break Even Analysis



# Rules of Retirement Benefits

---

Spousal and Survivor Benefits

# Spousal Benefits

**John**

PIA: \$2,200

**Jane**

PIA: \$0

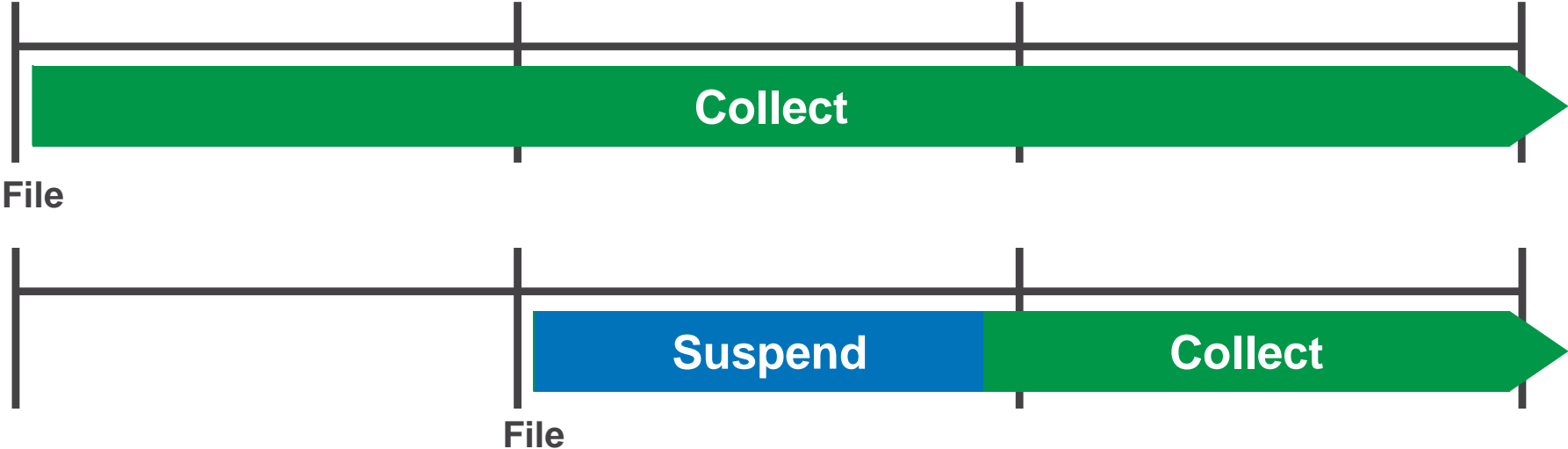
**50% x \$2,200  
\$1,100**

## Filing and Suspending

Age 62

FRA

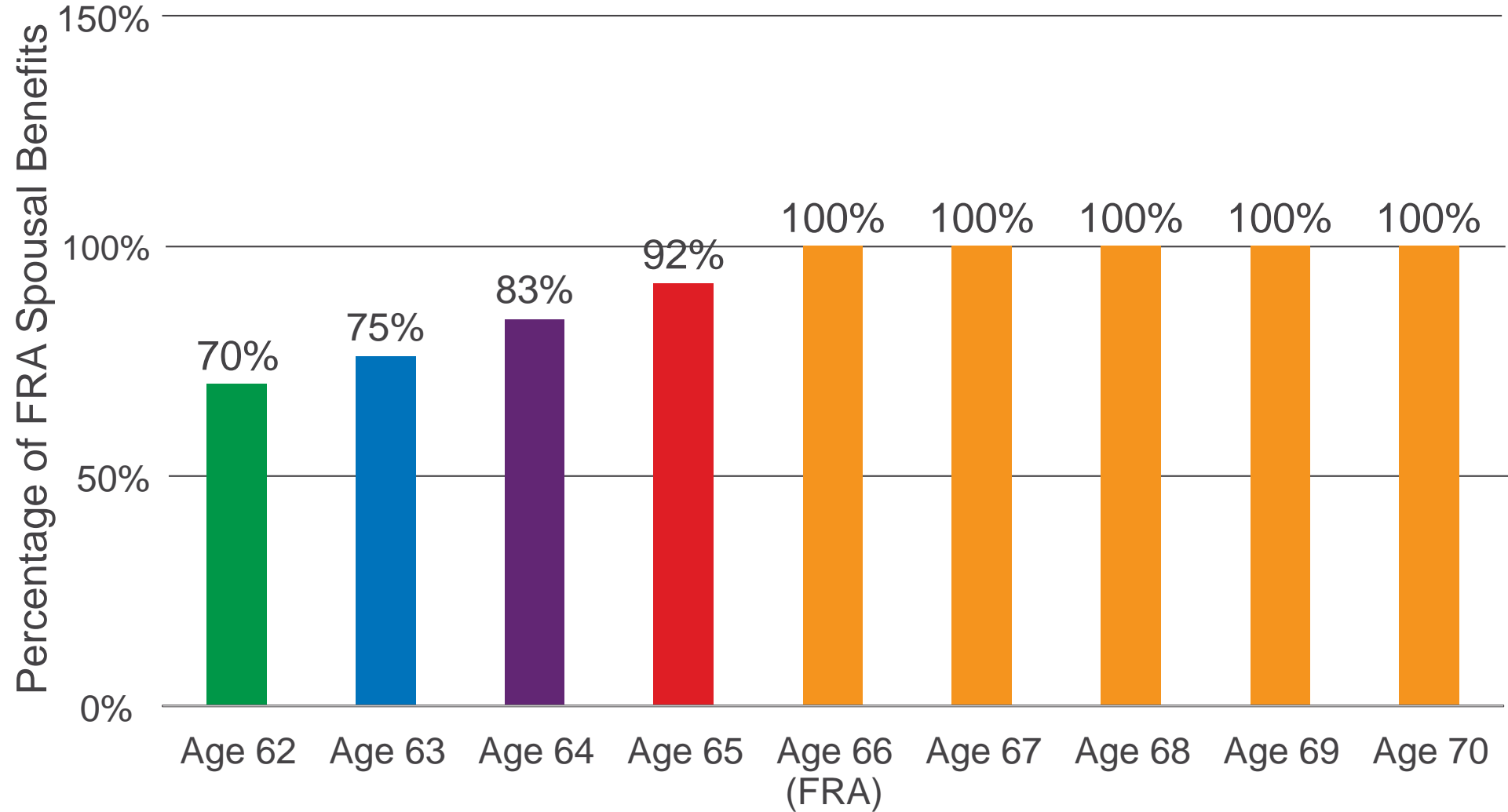
Age 70



Source: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)).

# Spousal Benefits

## Maximum Spousal Benefit Amount



Source: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)).

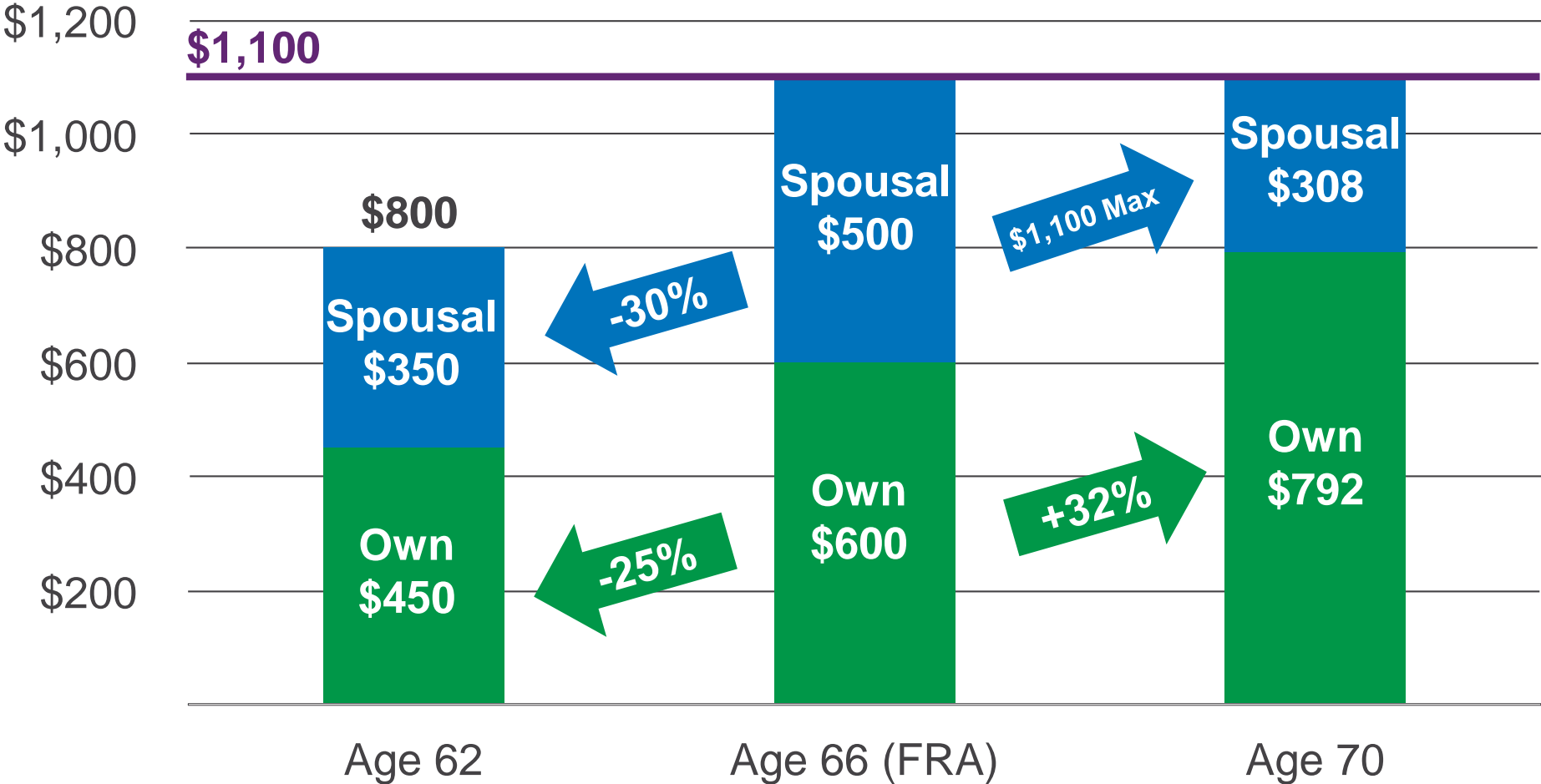
# Adding Spousal Benefits to Individual Benefits

**John**

PIA: \$2,200

**Jane**

PIA: \$600

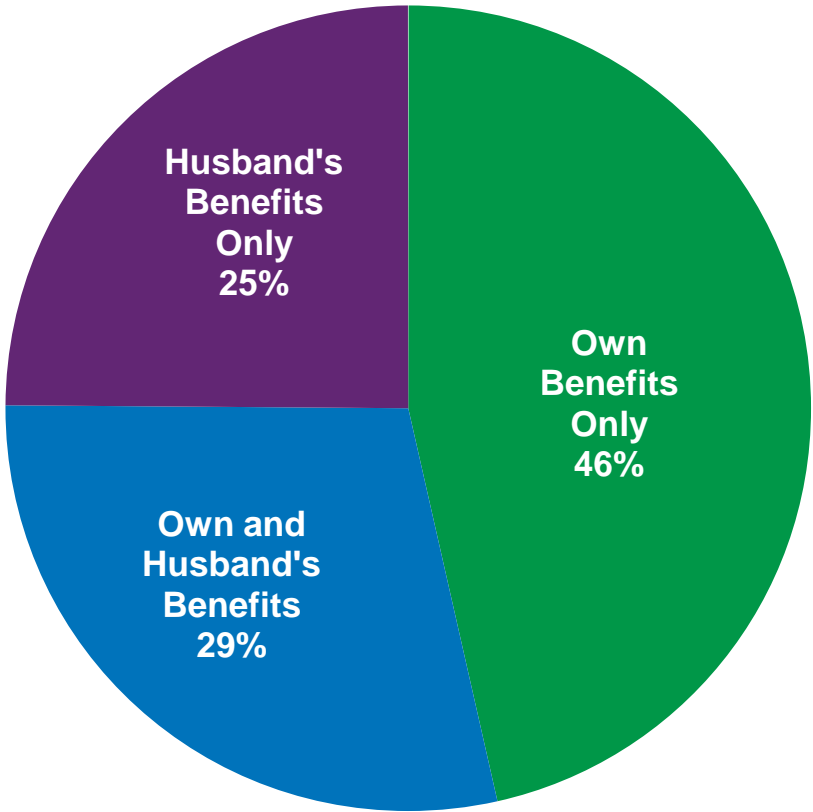


Source: Social Security Administration (www.ssa.gov).



# Survivor Benefits

## Women Are Collecting Their Husband's Benefits



### John

PIA: \$2,200

### Jane

PIA: \$600

John's Benefits (63, 6 months) → Survivor Benefits \$1,833

John's Benefits (70) → Survivor Benefits \$2,904

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**

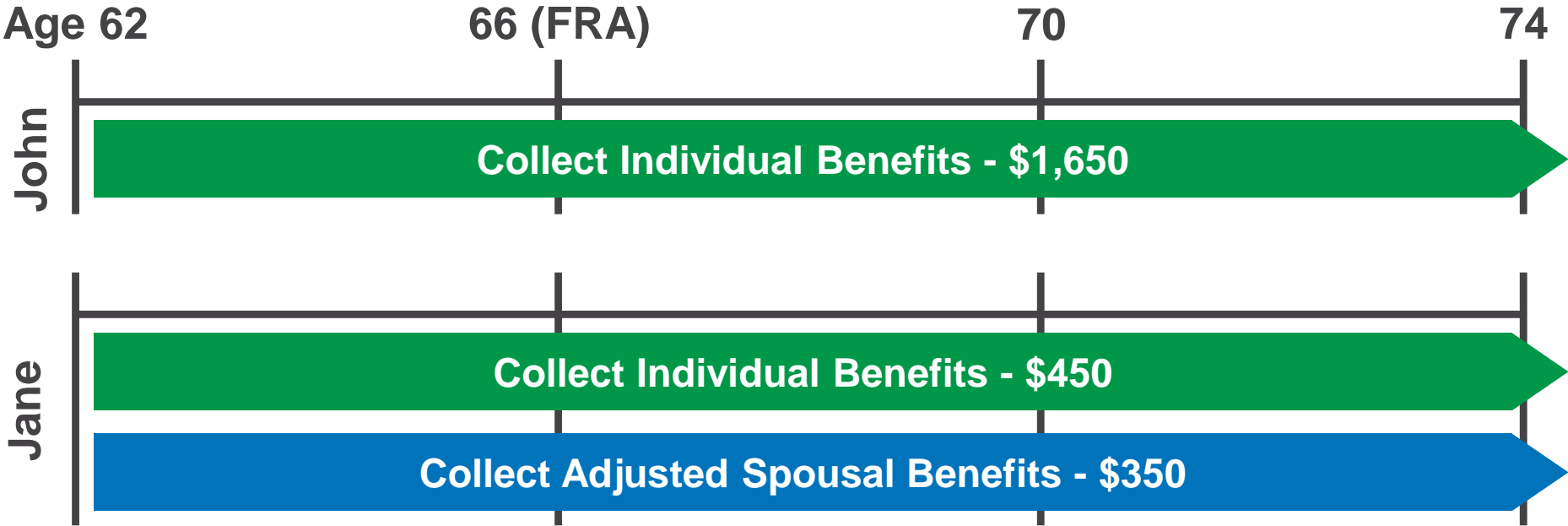
PIA: \$2,200

Lives through age 75

**Jane**

PIA: \$600

Lives through age 82



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**

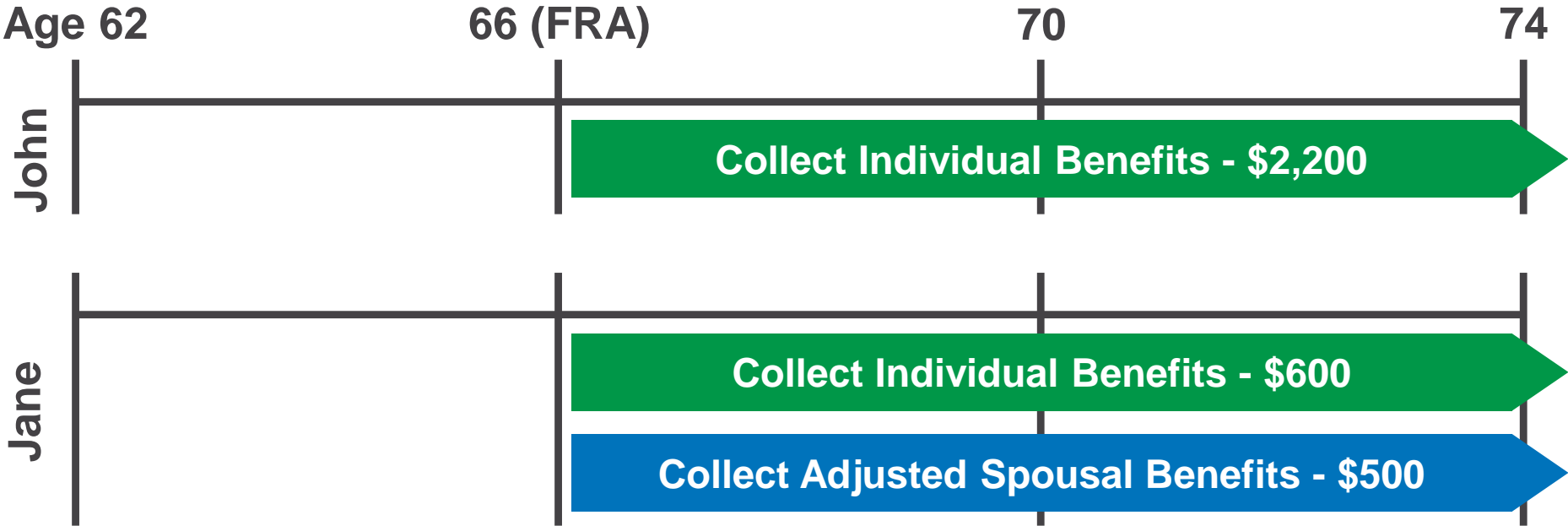
PIA: \$2,200

Lives through age 75

**Jane**

PIA: \$600

Lives through age 82



Both Age 62

\$564,060

Both FRA

\$580,800

# Married Couple – Collect at Age 70

**John**

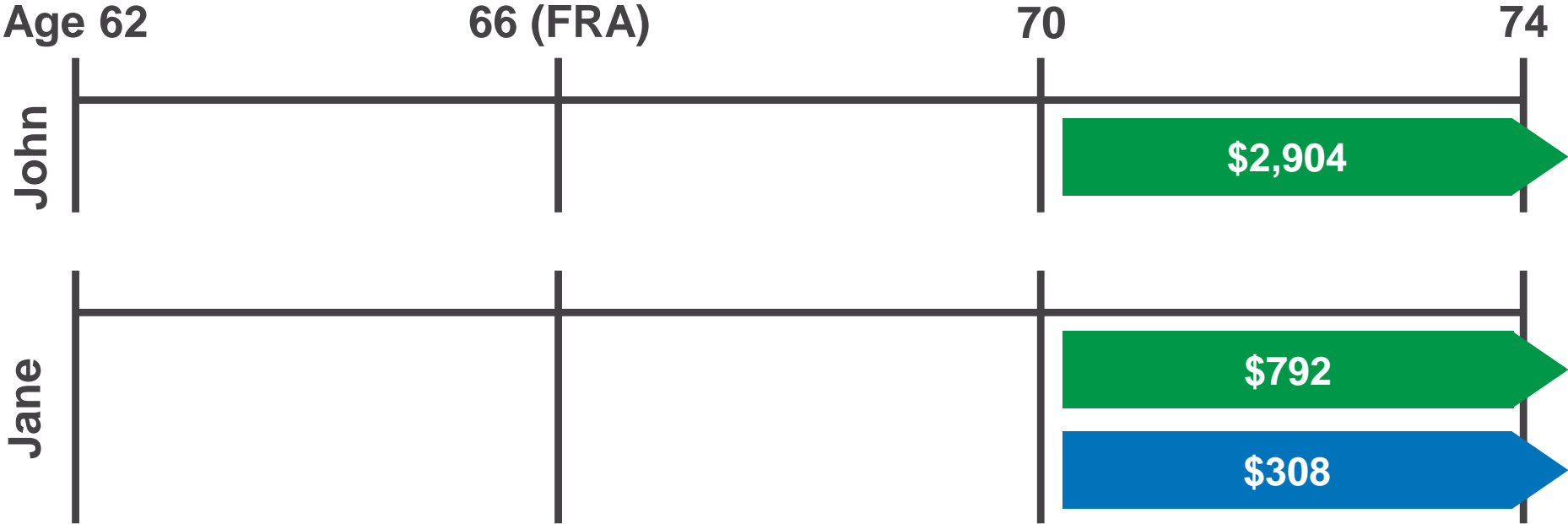
PIA: \$2,200

Lives through age 75

**Jane**

PIA: \$600

Lives through age 82



Both Age 62

\$564,060

Both FRA

\$580,800

Both Age 70

\$532,224

# Married Couple – Large Difference in Benefits

**John**

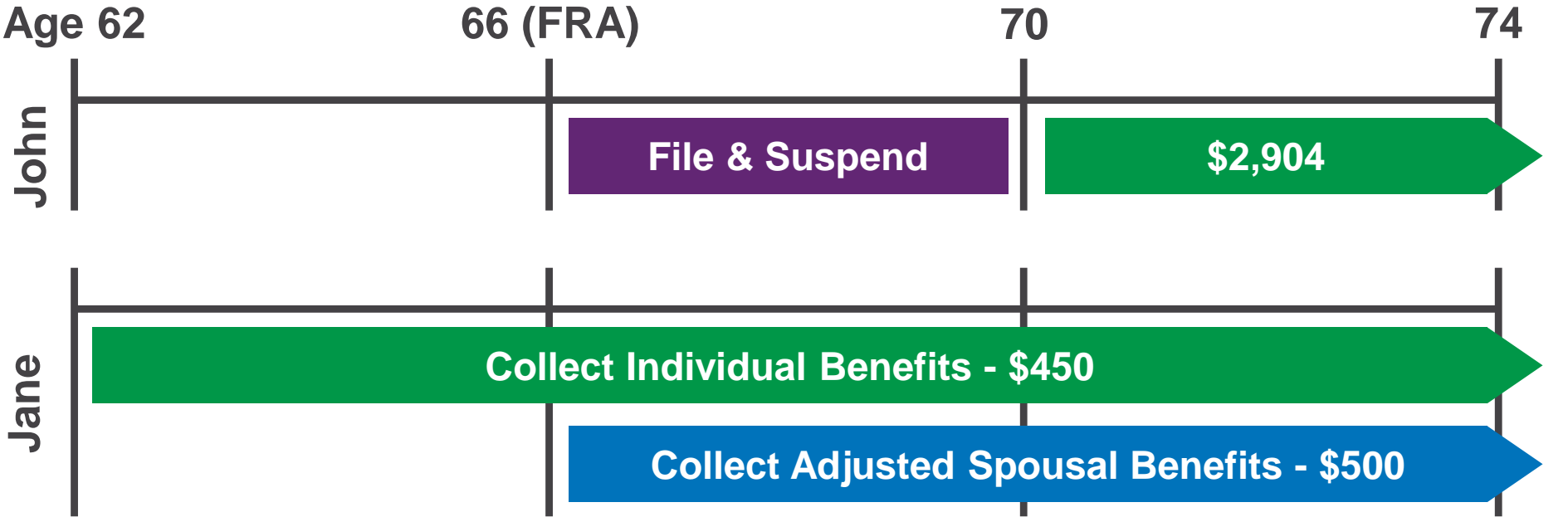
PIA: \$2,200

Lives through age 75

**Jane**

PIA: \$600

Lives through age 82



Both Age 62  
\$564,060

Both FRA  
\$580,800

Both Age 70  
\$532,224

Strategy  
**\$588,624**

# Married Couple – Large Difference in Benefits

**John**

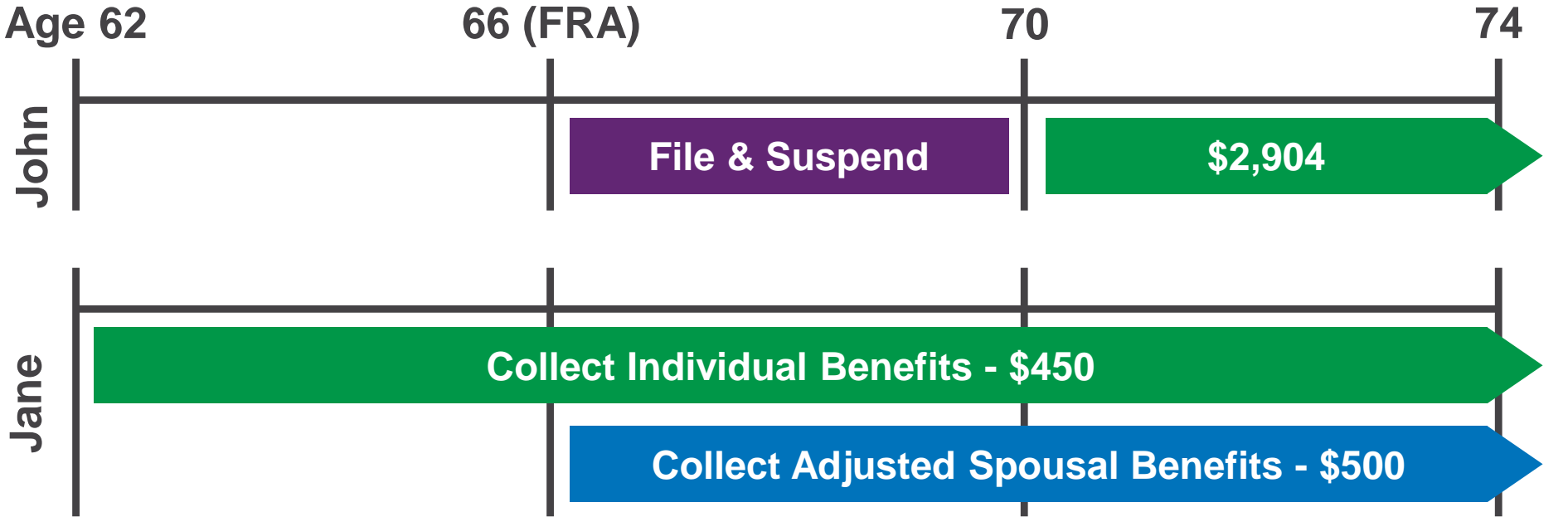
PIA: \$2,200

Lives through age 85

**Jane**

PIA: \$600

Lives through age 92



Both Age 62  
\$858,060

Both FRA  
\$976,800

Both Age 70  
\$1,012,704

Strategy  
**\$1,051,104**

# Social Security Tool Output

REPORT GENERATED ON 5/17/12

## SOCIAL SECURITY BENEFITS ESTIMATOR

**BLACKROCK**<sup>®</sup>

Prepared for John Smith | Prepared by Jane Doe

### Estimated Monthly Benefits

#### WIFE'S EARNINGS HISTORY

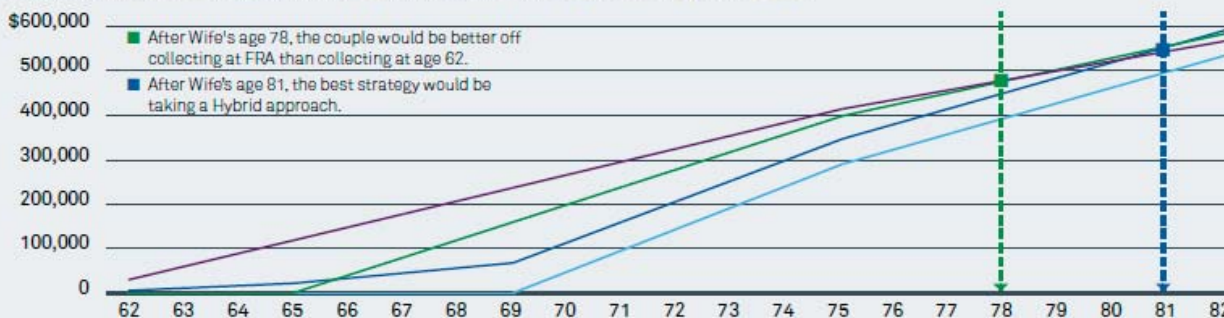
Retirement Age	Monthly Benefits
62	\$450
66 (FRA)	\$600
70	\$792
Full Spousal Benefits for Husband	\$300

#### HUSBAND'S EARNINGS HISTORY

Retirement Age	Monthly Benefits	Adjusted Spousal Benefits for Wife <sup>1</sup>	Survivor Benefits for Wife
62	\$1,650	\$350	\$1,815
66 (FRA)	\$2,200	\$500	\$2,200
70	\$2,904	\$308	\$2,904
Full Spousal Benefits for Wife	\$1,100		

### Estimated Lifetime Benefits

#### SCENARIO 1: LONGEVITY ASSUMPTIONS: HUSBAND 75, WIFE 82



	Both Collect at Age 62 <sup>2</sup>	Both Collect at FRA	Both Collect at Age 70 <sup>3</sup>	Custom Hybrid
Wife's Benefits	\$75,600	\$72,000	\$57,024	\$75,600
Wife's Spousal Benefits	\$58,800	\$60,000	\$22,176	\$60,000
Husband's Benefits	\$277,200	\$264,000	\$209,088	\$209,088
Husband's Spousal Benefits	\$0	\$0	\$0	\$0
Wife's Survivor Benefits	\$152,460	\$184,800	\$243,936	\$243,936
<b>Total Benefits Received</b>	<b>\$564,060</b>	<b>\$580,800</b>	<b>\$532,224</b>	<b>\$588,624</b>

### Husband's Information

Year of Birth	1950
Full Retirement Age (FRA)	66
Primary Insurance Amount (Benefit at FRA)	\$2,200
Monthly Government Pension Benefits <sup>3</sup>	\$500

### Wife's Information

Year of Birth	1950
Full Retirement Age (FRA)	66
Primary Insurance Amount (Benefit at FRA)	\$600
Monthly Government Pension Benefits <sup>3</sup>	\$200

### Assumed Growth Rate

Cost-of-Living Adjustment (COLA)	3%
Investment Return	2%

### Hybrid Assumptions

Age Husband Collects	70
Age Husband Collects Spousal	-
Age Wife Collects	62
Age Wife Collects Spousal	66

<sup>1</sup> Spousal benefits are 50% of the spouse's FRA benefits, but are reduced by any amount the individual is entitled to based on his or her own record as well as by two-thirds of any applicable government pension. They are further reduced if spousal benefits are collected prior to the individual reaching FRA. <sup>2</sup> If the higher earner is younger, but reaches age 62 before the lower earner has reached FRA, estimates of spousal benefits are discounted based on when the higher earner reaches age 62. <sup>3</sup> The Government Pension Offset amount, which is 2/3 of this value, has been subtracted from the spousal and survivor benefits for this individual.



# Married Couple – Small Difference in Benefits

**John**

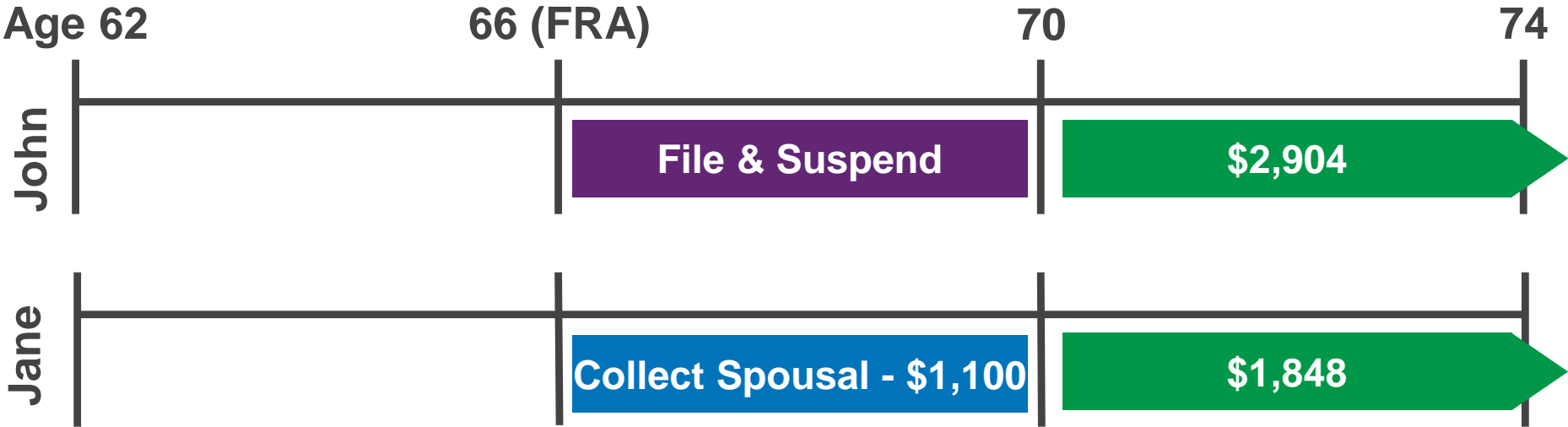
PIA: \$2,200

Lives through age 85

**Jane**

PIA: \$1,400

Lives through age 92



Both Age 62  
\$930,060

Both FRA  
\$1,048,800

Both Age 70  
\$1,156,320

Strategy  
**\$1,209,120**

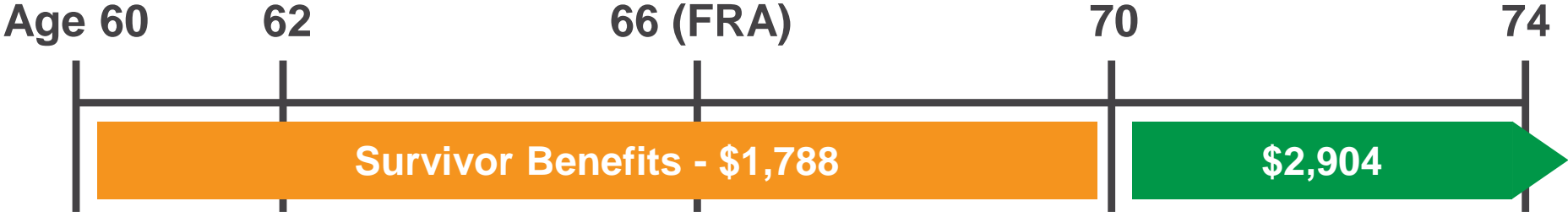
# Widow – Significant Individual Benefits

**Wendy**

PIA: \$2,200

Survivor: \$2,500

Lives through age 92



Age 62  
\$753,300

FRA  
\$810,000

Age 70  
\$801,504

Strategy  
**\$1,016,004**

# 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

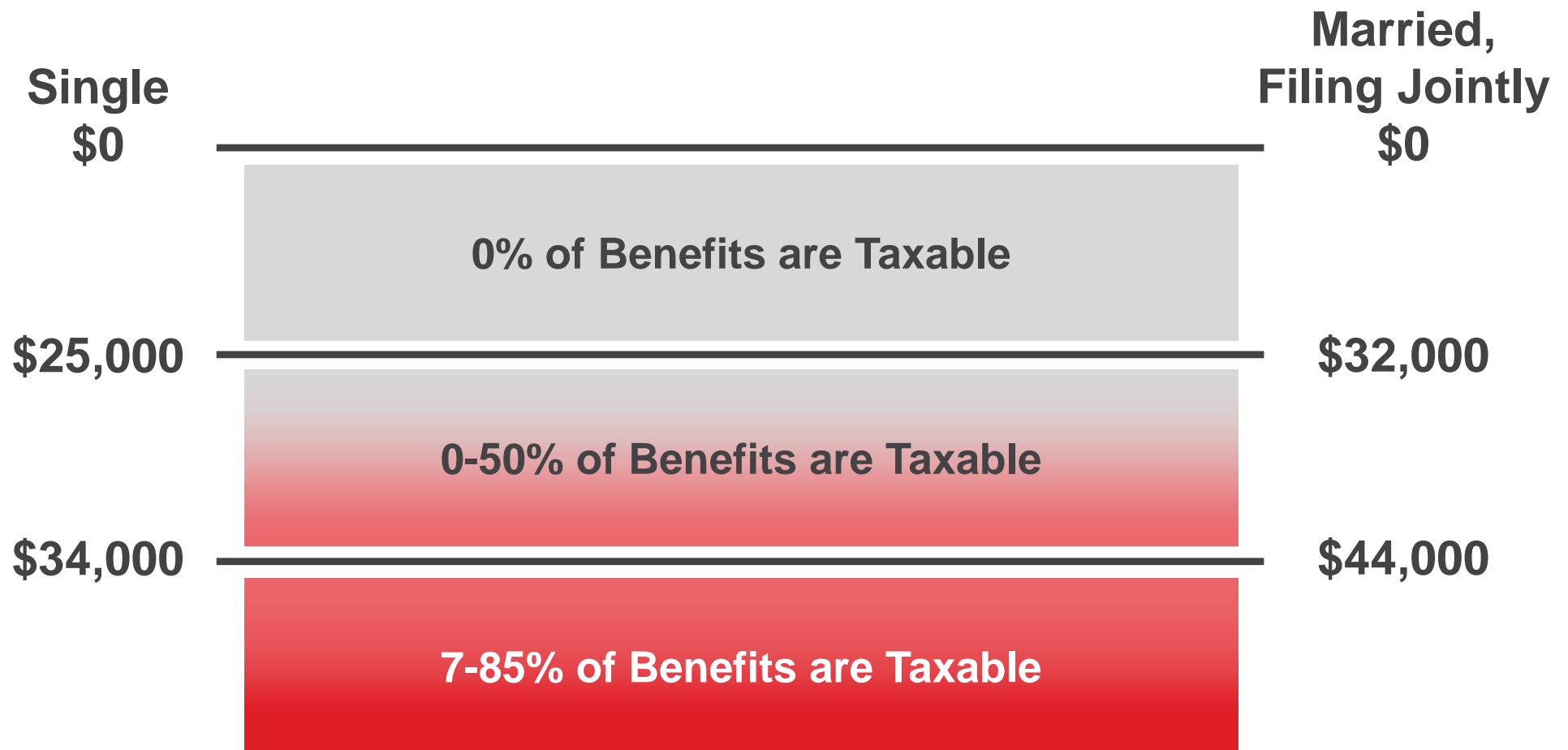
\*2 years does not apply if the individual was eligible for spousal benefits at the time of divorce.

Source: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)).

# Taxation of Social Security benefits

**Provisional Income =**

**$\frac{1}{2}$  Social Security Benefits + Modified Adjusted Gross Income**



Source: Social Security Administration ([www.ssa.gov](http://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

This material is provided for educational purposes only and does not constitute investment advice. The information contained herein is based on current tax laws, which may change in the future. BlackRock cannot be held responsible for any direct or incidental loss resulting from applying any of the information provided in this publication or from any other source mentioned. The information provided in these materials does not constitute any legal, tax or accounting advice. Please consult with a qualified professional for this type of advice.

**BLACKROCK** is a registered trademark of BlackRock, Inc. or its subsidiaries in the United States and elsewhere.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

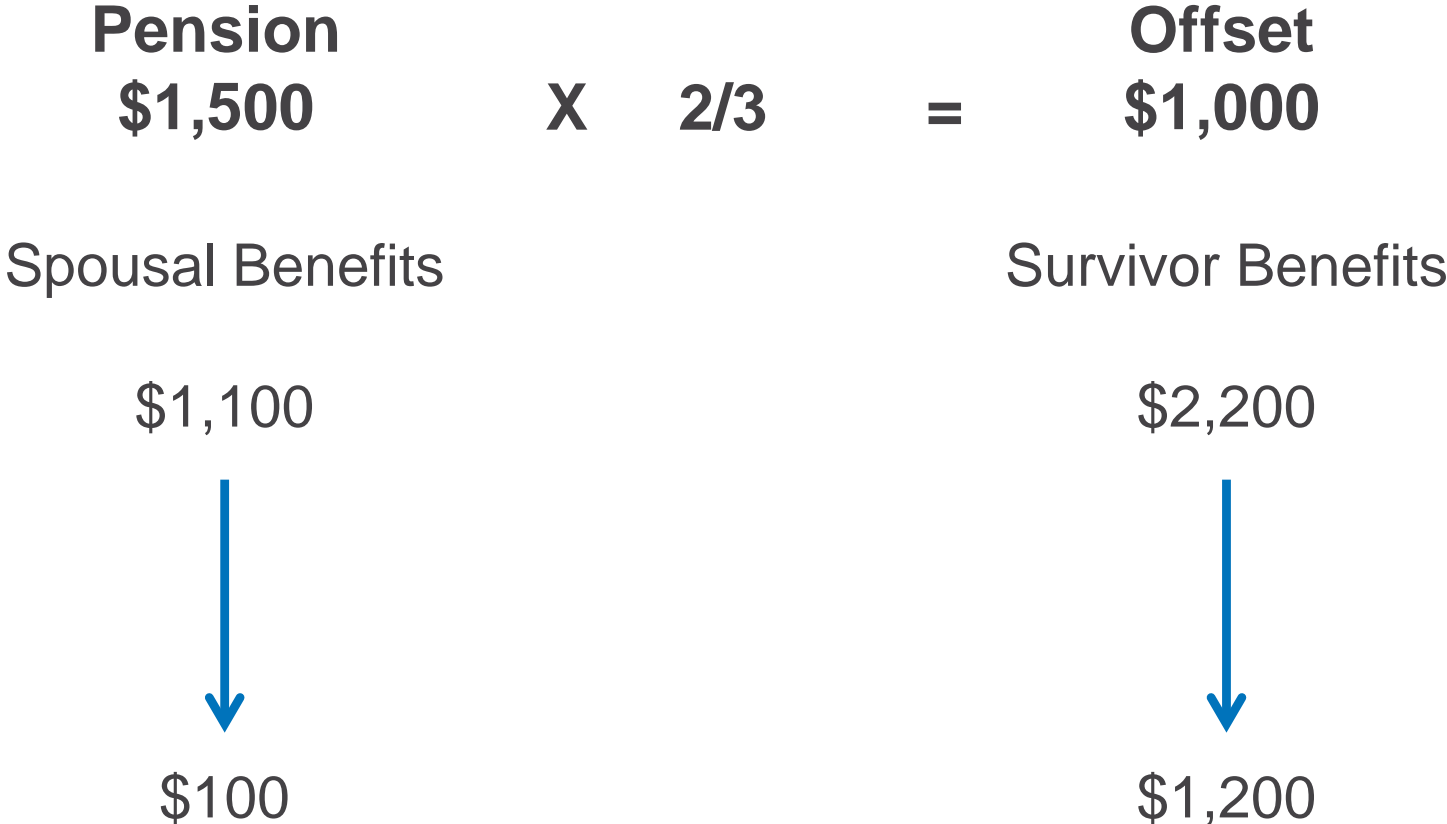
© 2015 BlackRock, Inc.

1/15      USR-4967

**BLACKROCK<sup>®</sup>**

# Government Pension Offset (GPO)

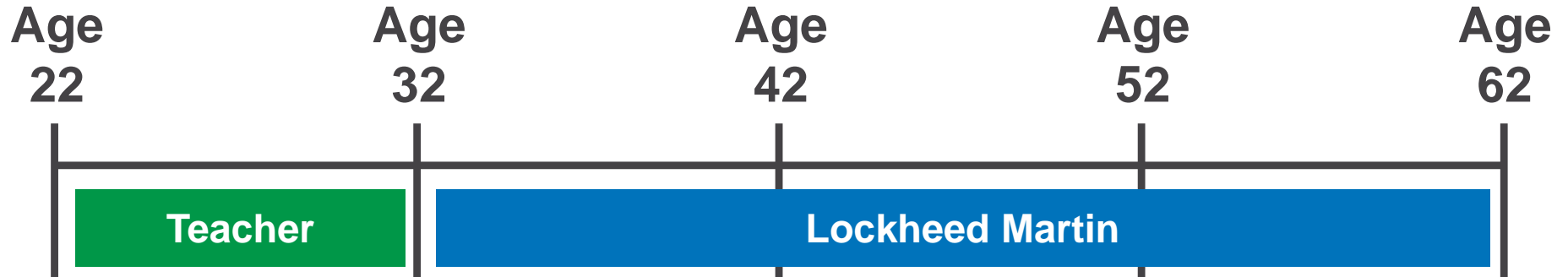
Your pension could reduce your spousal or survivor benefits





# Windfall Elimination Provision (WEP)

Your pension could reduce your own benefits



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

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

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

Source: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)).

## Additional Beneficiaries

**You**  
**Your Retirement Age Spouse**

```
graph TD; A["You  
Your Retirement Age Spouse"] --> B["Your Unmarried Child  
50% of your PIA*"]; A --> C["Your Younger Spouse  
50% of your PIA*"]; B --> D["▶ Under age 18 (19 if in high school)  
▶ Any age if disabled before age 22"]; C --> E["▶ Caring for your child who is under age 16 or disabled before age 22"];
```

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

# Married Couple – Intermediate Difference in Benefits

**John**

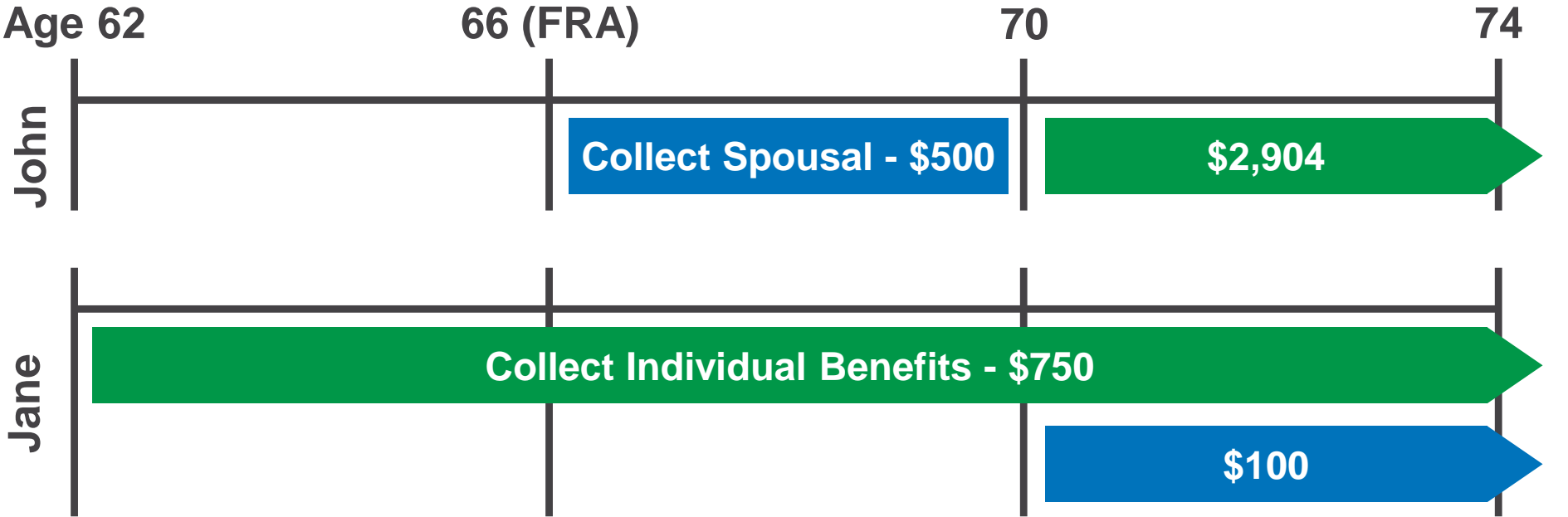
PIA: \$2,200

Lives through age 75

**Jane**

PIA: \$1,000

Lives through age 82



Both Age 62  
\$863,820

Both FRA  
\$976,800

Both Age 70  
\$1,054,944

Strategy  
**\$1,060,704**

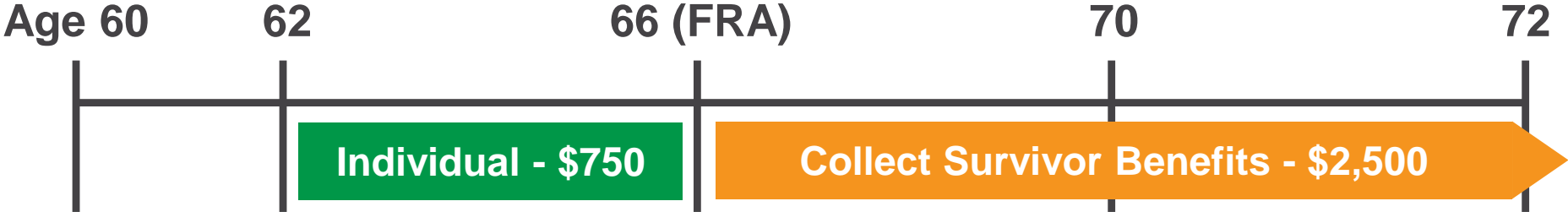
# Widow – Lower Individual Benefits

**Wendy**

PIA: \$1,000

Survivor: \$2,500

Lives through age 92



Age 62  
\$753,300

FRA  
\$810,000

Age 70  
\$690,000

Strategy  
**\$846,000**