



# FILING FOR SOCIAL SECURITY

FLEXIBILITY AND CHOICES FOR YOUR RETIREMENT INCOME

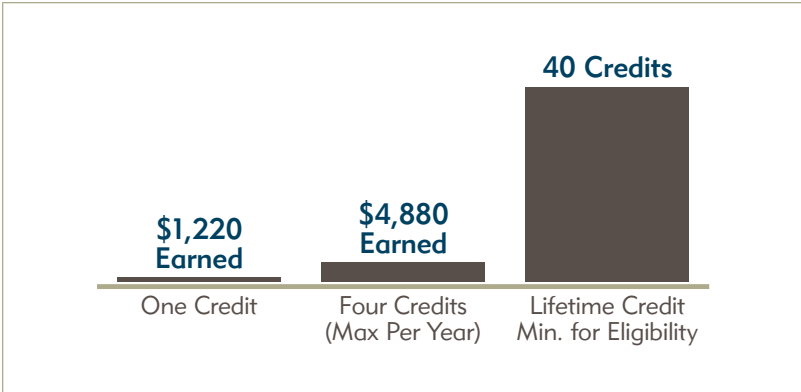


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Social Security was created in the mid-1930s to offer economic security during financial and economic crises in the U.S. It was intended to be a supplement for retirement, but today it is the single largest federal program and the sole means of support for many retirees.

**ELIGIBILITY**

To be eligible to receive benefits, you must earn 40 work credits during your working lifetime. You earn credits as you earn income. In 2015, you will receive one credit for every \$1,220 of earnings. Once you have earned \$4,880, you have received full work credits for this year. It takes about 10 years of work to accumulate 40 work credits.



Hypothetical example for illustrative purposes only.

## YOUR BENEFIT

Your Social Security benefits are based on your lifetime earnings. The Social Security Administration averages your 35 highest earnings years as the basis of your Primary Insurance Amount (PIA), also referred to as your Full Retirement Benefit.

You can receive your Full Retirement Benefit at your Full Retirement Age (FRA). For an estimate of your Full Retirement Benefit amount, see your Social Security statement.

Social Security statements can now be accessed online at [www.socialsecurity.gov/myaccount](http://www.socialsecurity.gov/myaccount).

## FULL RETIREMENT AGE

Your FRA is the single most important number you need to know when deciding when to file, how to file, and what kind of benefits you will receive from Social Security. The Social Security Administration determines your FRA based on the year in which you were born. Please understand, it is not your stop-work age.

### FIND YOUR FRA

Year of Birth	FRA
1943–1954	66
1955	66, 2 months
1956	66, 4 months
1957	66, 6 months
1958	66, 8 months
1959	66, 10 months
1960 or later	67

More information can be found at <http://www.ssa.gov/pubs/ageincrease.htm>

## EARLY RETIREMENT BENEFITS

If you choose, you can file for and begin receiving Social Security benefits at age 62. However, your benefit will be reduced based on the number of months you filed before your FRA. Reasoning? When you file early, the Social Security Administration anticipates paying your benefit for a longer period of time. Therefore, it pays you less each month.

For example, if your FRA is 66 and you elect to file for benefits at age 62, your PIA will be reduced 25% for filing 48 months prior to your FRA.

Year of Birth	FRA	Early Retirement Benefit (as % of full retirement benefit)
1943–1954	66	75.00%
1955	66, 2 months	74.17%
1956	66, 4 months	73.33%
1957	66, 6 months	72.50%
1958	66, 8 months	71.67%
1959	66, 10 months	70.83%
1960 or later	67	70.00%

Benefit reductions vary by FRA. To compute the effect of early retirement, go to [http://www.ssa.gov/OACT/quickcalc/early\\_late.html#calculator](http://www.ssa.gov/OACT/quickcalc/early_late.html#calculator)

## DELAYED RETIREMENT CREDITS

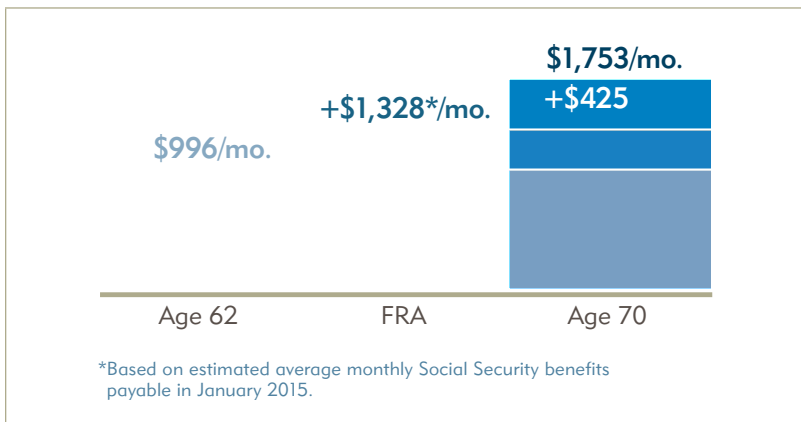
Just as Social Security reduces your benefit if you file early, conversely, it increases your benefit if you file after your FRA. Why? It assumes it will pay you for a shorter period of time.

If you were born in 1943 or after, you will receive an 8% increase in benefits – per year – for each year you delay benefits until age 70. After 70, delayed credits cease; therefore, it is never recommended to delay benefits after age 70.

Year of Birth	FRA	Delayed Retirement Benefit (as % of full retirement benefit)
1943–1954	66	132.00%
1955	66, 2 months	130.67%
1956	66, 4 months	129.33%
1957	66, 6 months	128.00%
1958	66, 8 months	126.67%
1959	66, 10 months	125.33%
1960 or later	67	124.00%

To calculate the effect of delayed retirement, go to [http://www.ssa.gov/OACT/quickcalc/early\\_late.html#calculator](http://www.ssa.gov/OACT/quickcalc/early_late.html#calculator)

### Early Versus Delayed Retirement

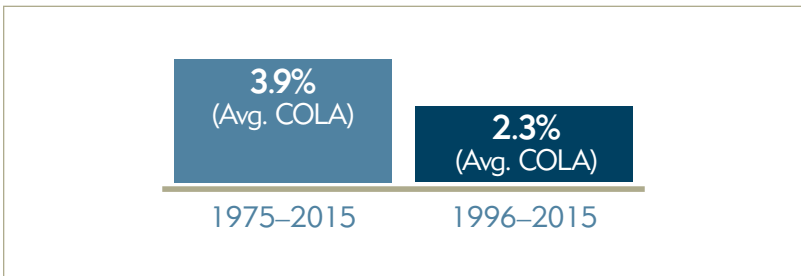


Hypothetical example for illustrative purposes only.

## CONSIDER THIS...

**Cost of Living Adjustment (COLA)** – Automatic cost of living adjustments went into effect in 1975. Any increases in benefits are linked to the Consumer Price Index for Urban Wage Earners (CPI-W).

In 1980, benefits were increased by 14.3% when inflation was at an all-time high. Thirty years later in 2010 and 2011, Social Security had back-to-back years of 0% inflation. The average COLA since 1975 is 3.9%, yet the 20-year average is only 2.3%.



**Cost of Health Care** – Health care costs represent a larger share of total spending in retirement. The average person over the age of 65 spends 13% on health care compared to 8% for those aged 55-65.<sup>1</sup>

A 65-year-old couple retiring today can expect to spend \$220,000 on health care during retirement.<sup>2</sup> That amount assumes you qualify for Medicare coverage and does not include costs like over-the-counter drugs, most dental services and long-term care. It also assumes retirement ends in 20 years – around age 85. Imagine the increase in costs if you live past 85. Per the Social Security Administration, 25% of 65-year-olds today will live past 90 and 10% will live past 95.

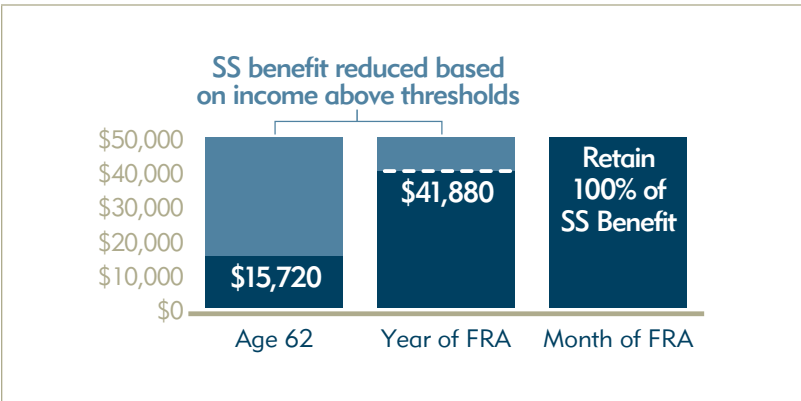
Sources:

<sup>1</sup> U.S. Bureau of Labor Statistics, Consumer Expenditures Survey, September 2013.

<sup>2</sup> Fidelity, 2014

**Working in Retirement** – If you decide to work and collect benefits before your FRA, Social Security may withhold part or all of your annual benefits. However, your withheld benefits are not gone forever. Once you reach your FRA, benefits will be permanently increased to account for the months they were withheld.

- If you work and start collecting benefits at age 62, your benefits will be reduced \$1 for every \$2 you earn above the earnings threshold of \$15,720 (in 2015).
- In the year you turn your FRA, benefits will be reduced \$1 for every \$3 you earn above the earnings threshold of \$41,880 (in 2015).
- In the month you turn your FRA and afterward, there are no further reductions in benefits.



Hypothetical example for illustrative purposes only.

**Other Retirement Income** – If you are a public employee – such as a federal civil service employee, state or local government employee, police officer, firefighter, teacher – and will receive a pension, your Social Security benefit may be reduced if your employer does not withhold Social Security taxes from your salary. In this situation, the Windfall Elimination Provision determines the impact on your Social Security benefit.

The Government Pension Offset applies to dependents of public employees. Under this law, if you will receive a pension and your employer does not withhold Social Security from your salary, your spouse's spousal or survivor Social Security benefits may be reduced.

Lastly, if you will receive a pension from the private sector, ask your Human Resources department if a Social Security Offset will reduce your pension benefit.

**Benefit Taxation** – Your Social Security benefits may or may not be subject to income taxes. In 2014, about 40 percent of Social Security recipients had to pay income taxes on their benefit.

Depending on your provisional income, up to 85% of your Social Security benefit is subject to income taxes. Provisional income is the sum of your adjusted gross income, nontaxable interest and 50% of your Social Security benefits.



## YOU AND SOCIAL SECURITY

### Worker

What is your FRA? (see page 3 of this booklet) \_\_\_\_\_

What is your Full Retirement Benefit?  
(see your Social Security statement) \_\_\_\_\_

At what age do you plan to retire from work? \_\_\_\_\_

At what age do you plan to file for Social Security? \_\_\_\_\_

What is the increase or decrease to your Full Retirement Benefit?  
\_\_\_\_\_

### Married Couples

Are you or your spouse at FRA? \_\_\_\_\_

When do you and your spouse plan to file for Social Security? \_\_\_\_\_

Are either of you eligible for spousal benefits?  
(see your Social Security statement) \_\_\_\_\_

**Divorced Individuals**

Have you filed for benefits? \_\_\_\_\_

Were you married to your ex-spouse for 10+ years? \_\_\_\_\_

Are you remarried? \_\_\_\_\_

Have you been divorced for at least 2 consecutive years? \_\_\_\_\_

Are both of you at least 62 years old? \_\_\_\_\_

Has your ex-spouse filed for his/her own benefits? \_\_\_\_\_

**Survivors**

Was your spouse receiving benefits at the time of death? \_\_\_\_\_

Were you married for at least nine months? \_\_\_\_\_

If you were married fewer than nine months, did your spouse die in the line of duty? \_\_\_\_\_

Are any minor children of your spouse in your care? \_\_\_\_\_

Are you at least 60 years old? \_\_\_\_\_

Have you remarried? \_\_\_\_\_

If so, when did you remarry? \_\_\_\_\_

**Additional Considerations**

What do you expect to spend on health care in retirement? \_\_\_\_\_

Do you plan on working after filing for benefits? \_\_\_\_\_

If so, do you plan to file for early benefits? \_\_\_\_\_

Do you have earnings not covered by Social Security? \_\_\_\_\_

What is your provisional income? \_\_\_\_\_

**Provisional Income = AGI + Nontaxable Interest  
+ 50% of Social Security Benefits**

Will you spend your Social Security benefits on living expenses? \_\_\_\_\_

If not, will you invest your benefits? \_\_\_\_\_

**AN ADVISOR CAN OPTIMIZE YOUR SOCIAL SECURITY STRATEGY BY HELPING YOU DETERMINE:**

- When to file and begin collecting your Social Security benefits
- When to begin withdrawing other retirement income and in what order
- How much to withdraw each year
- Tax implications of your options

- This is a general overview of certain rules related to Social Security and the ideas presented are not individualized for your particular situation. This information is based on current law which can be changed at any time.
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