

Joint Retirement & Social Security Analysis

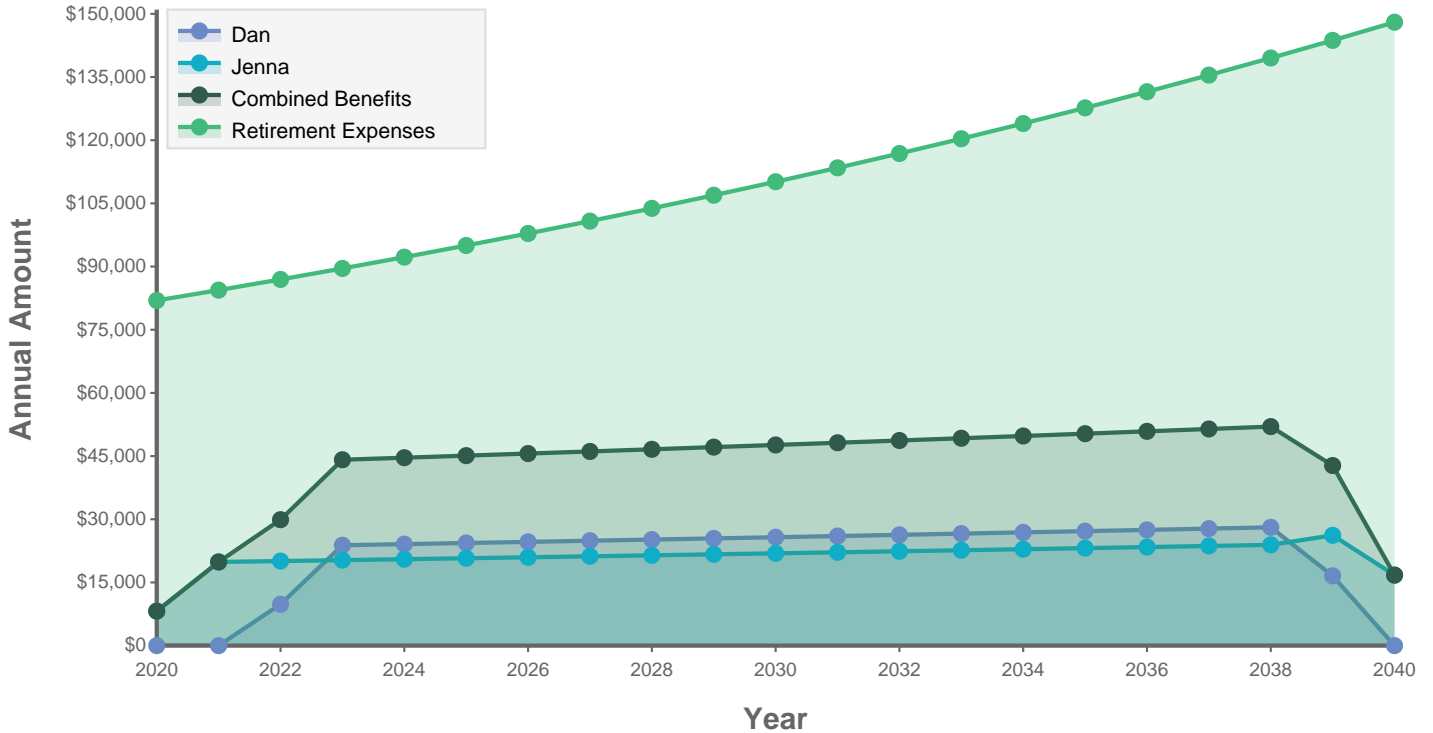
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Prepared by: **Dan Johnson**

Date: **04/19/2017**

Retirement & Social Security Analysis

Joint Social Security Benefits (Regular)



Joint Social Security Analysis Summary

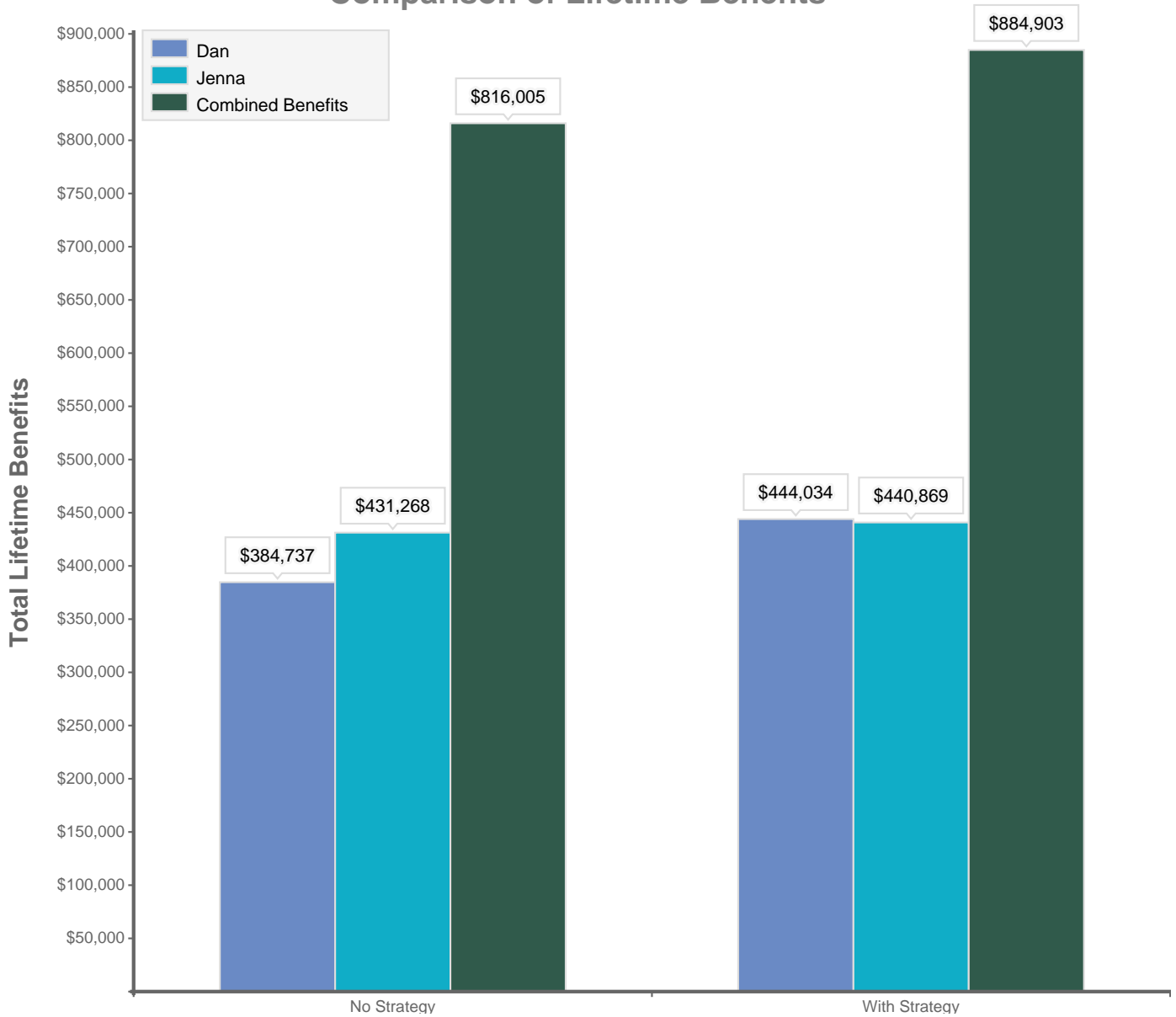
For Dan, the highest value of lifetime Social Security benefits is achieved if personal retirement benefits start on 08/01/2022 at the age of **69**. For Jenna, the highest value of lifetime Social Security benefits is achieved if personal retirement benefits start at the age of **70**. Additionally, starting year 2039, Jenna will be able to collect the survivor benefits. This strategy would lead to an increase in combined lifetime benefits of **\$68,898**. The chart above uses these start dates to create a combined distribution that maximizes the value of Social Security benefits. For more information see the analysis on the following page.

Action Plan:

- Dan starts personal Social Security benefits on 08/01/2022 at the age of 69.
- Jenna starts taking personal benefits on 8/01/2020 at the age of 70.
- Starting the year of 2039, Jenna will be able to collect the survivor benefits.
- Jenna receives Dan's survivor benefits upon Dan's passing in .

You should file for benefits about 3 months before you expect to receive your first payment.

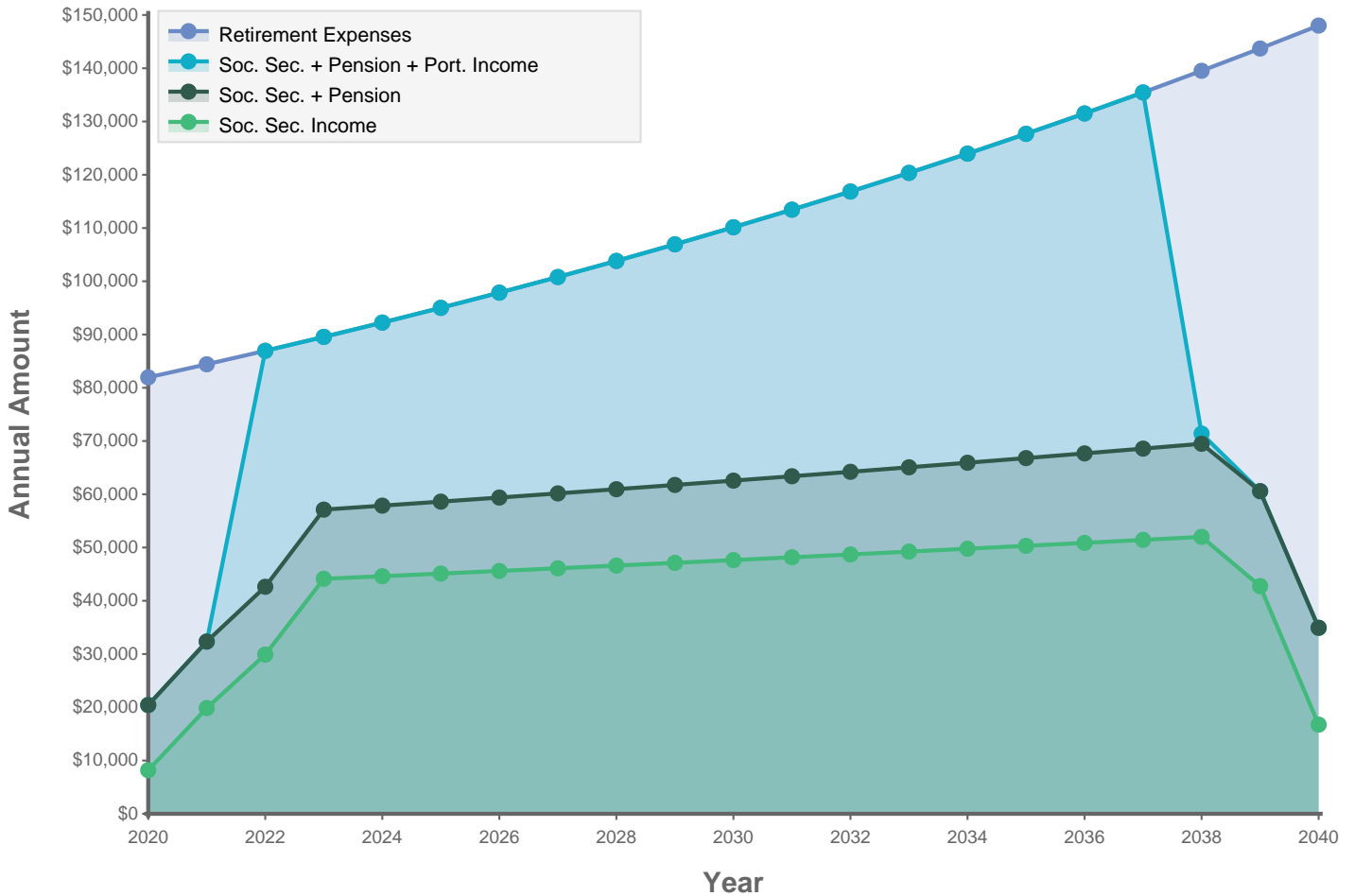
Comparison of Lifetime Benefits



Comparison Summary

The chart below shows you the benefits of applying the recommended strategy for Social Security benefits. The difference in estimated benefits over your combined lifetime comes to \$68,898. The recommended strategy was arrived by running numerous combinations of strategies, benefits start dates for both of you, and applying the benefits of spousal benefits wherever applicable. Here 'No Strategy' assumes that you both start taking Social Security benefits at your respective full retirement age (based on date of birth) and take them based on your individual work record.

Annual Retirement Income and Expenses



The chart above shows your projected expenses during retirement. It also shows you the income from Social Security, pensions (if any), as well as withdrawal from your retirement portfolio. Your portfolio grows via investment gain as well as any future contributions. If in a given year, your income from Social Security and pensions is less than your expenses, that income gap is filled via a withdrawal from your portfolio account. This report helps you identify any income gap and allows you to better plan for your income, expenses, and investments. In case of significant income gaps, here are a few options worth exploring:

- **Delaying retirement:** This may increase your Social Security benefits via delayed retirement credit, increase portfolio balance, and obviously it shortens the length of time for retirement expenses.
- **A more modest lifestyle:** This means you plan for reduced expenses during retirement. Obviously, that would improve your financial outcome.
- **Suitable portfolio allocation:** This means that you need to have a diversified portfolio based on your risk aversion to different types of investments, your time to retire, and also ensuring that your portfolio is invested in low-cost and better return products.
- **Reverse mortgage:** In some cases, reverse mortgage could be a potential solution to generate income from the house you own.

Combined Annual Retirement Income By Start Age

Year	Age for Dan	Age for Jenna	Benefits (Dan)	Own Benefits (Jenna)	Spousal Benefits (Jenna)	Sel. Benefits (Jenna)	Total Benefits	Ret. Exp.	Pension	Income Gap	Port. Withdr.	Port. Contr.	Port. Gain	Port. Bal.
2020	67	70		\$8,184		\$8,184	\$8,184	\$81,955	\$12,240					
2021	68	71		\$19,858		\$19,858	\$19,858	\$84,413	\$12,484					
2022	69	72	\$9,823	\$20,077		\$20,077	\$29,900	\$86,946	\$12,734	\$44,311	\$44,311	\$1,000	\$20,484	\$532,585
2023	70	73	\$23,834	\$20,298		\$20,298	\$44,132	\$89,554	\$12,989	\$32,433	\$32,433	\$2,448	\$20,104	\$522,704
2024	71	74	\$24,096	\$20,521		\$20,521	\$44,617	\$92,241	\$13,248	\$34,374	\$34,374	\$2,497	\$19,633	\$510,459
2025	72	75	\$24,361	\$20,747		\$20,747	\$45,108	\$95,008	\$13,513	\$36,386	\$36,386	\$2,547	\$19,065	\$495,685
2026	73	76	\$24,629	\$20,975		\$20,975	\$45,604	\$97,858	\$13,784	\$38,470	\$38,470	\$0	\$18,289	\$475,504
2027	74	77	\$24,900	\$21,205		\$21,205	\$46,106	\$100,794	\$14,059	\$40,628	\$40,628	\$0	\$17,395	\$452,271
2028	75	78	\$25,174	\$21,439		\$21,439	\$46,613	\$103,818	\$14,341	\$42,863	\$42,863	\$0	\$16,376	\$425,784
2029	76	79	\$25,451	\$21,675		\$21,675	\$47,126	\$106,932	\$14,627	\$45,178	\$45,178	\$0	\$15,224	\$395,830
2030	77	80	\$25,731	\$21,913		\$21,913	\$47,644	\$110,140	\$14,920	\$47,575	\$47,575	\$0	\$13,930	\$362,185
2031	78	81	\$26,014	\$22,154		\$22,154	\$48,168	\$113,444	\$15,218	\$50,057	\$50,057	\$0	\$12,485	\$324,613
2032	79	82	\$26,300	\$22,398		\$22,398	\$48,698	\$116,848	\$15,523	\$52,626	\$52,626	\$0	\$10,879	\$282,866
2033	80	83	\$26,590	\$22,644		\$22,644	\$49,234	\$120,353	\$15,833	\$55,285	\$55,285	\$0	\$9,103	\$236,684
2034	81	84	\$26,882	\$22,893		\$22,893	\$49,775	\$123,964	\$16,150	\$58,038	\$58,038	\$0	\$7,146	\$185,792
2035	82	85	\$27,178	\$23,145		\$23,145	\$50,323	\$127,682	\$16,473	\$60,886	\$60,886	\$0	\$4,996	\$129,902
2036	83	86	\$27,477	\$23,400		\$23,400	\$50,876	\$131,513	\$16,802	\$63,834	\$63,834	\$0	\$2,643	\$68,711
2037	84	87	\$27,779	\$23,657		\$23,657	\$51,436	\$135,458	\$17,138	\$66,883	\$66,883	\$0	\$73	\$1,901
2038	85	88	\$28,085	\$23,917		\$23,917	\$52,002	\$139,522	\$17,481	\$70,039	\$1,901	\$0	\$0	\$0
2039	86	89	\$16,563	\$26,191		\$26,191	\$42,754	\$143,708	\$17,831	\$83,123	\$0	\$0	\$0	\$0

Combined Annual Retirement Income By Start Age

Year	Age for Dan	Age for Jenna	Benefits (Dan)	Own Benefits (Jenna)	Spousal Benefits (Jenna)	Sel. Benefits (Jenna)	Total Benefits	Ret. Exp.	Pension	Income Gap	Port. Withdr.	Port. Contr.	Port. Gain	Port. Bal.
2040	87	90		\$16,745		\$16,745	\$16,745	\$148,019	\$18,188					

Total Benefits		\$440,869	\$444,034	\$0	\$444,034	\$884,903								
Present Value of Benefits		\$299,393	\$305,070	\$0	\$305,070	\$604,463								

Present Value and Discount Rate

Present value and the discount rate used to calculate it are two very important considerations in deciding on a Social Security plan. Present value is simply the current worth of the money you will receive in future. You may buy something today for less than \$1 (say \$0.97) what \$1 will buy in a year from now. That means the current or present value of a future \$1 has been discounted to \$0.97 at a discount rate of 3%. It also means that if you invested \$0.97 today in something that gives a little over 3% return, your money will grow to \$1 in a year from now. The present value or current worth of your future Social Security payments in different scenarios is used to decide the best scenario. In general, you get more in regular Social Security benefits if you wait until age 70. But that also means that you will get benefits for lesser number of years because delaying does not mean you will live longer, and you cannot enjoy this money sooner. While the simple sum of potential lifetime benefits starting at a particular age may be more than a different age, it is the present value that determines which one is really worth more. How do we decide what discount rate is good for calculating the present value of Social Security benefits? Since Social Security benefits are guaranteed by the US government, the interest rate for 10-year Treasury notes is considered to be a good proxy.

Information Used for Retirement & Social Security Analysis

Information For Dan:

Date of birth
07/31/1953

Life expectancy
86 years

Life expectancy method
IRS table

Social Security Information

Estimated monthly Soc. Sec. benefit in today's \$s
\$1,500

COLA (Cost of living adj.)
1.10%

Disabled currently?
No

Government Pension Information

Eligible for pension from a government agency?
Yes

Estimated monthly pension benefits
\$1,000 annual change: 2.00%

Estimated monthly pension (non govt.)
\$0 annual change: 0.00%

Number of years Social Security taxes paid
30 year(s)

Other Information

Discount rate (10-year treasury)
2.7%

Expenses during retirement

Housing expenses
\$2,500 per month

Healthcare expenses
\$1,200 per month

Life expenses(food, clothes, util...)
\$1,500 per month

Travel & entertainment expenses
\$750 per month

Other monthly expenses
\$300 per month

Average annual inflation rate
3%

Information For Jenna:

Date of birth(s)
07/31/1950

Life expectancy(s)
90 years

Life expectancy method(s)
Specific value

Est. monthly Soc. Sec. benefit in today's \$s
\$1,200

Currently disabled?
No

Government Pension Information - Spouse

Eligible for pension from a government agency
No

Other Information (S)

Strategy Information:

File and suspend?
No

Restricted option?
No

Assumptions and Disclosures for Social Security Analysis

This report provides an estimate of Social Security benefits projections by calendar year using following assumptions:

Life expectancy:

The duration of Social Security payout is based on the life expectancy. People likely to live longer should consider delaying Social Security payments past full retirement age while those with shorter life expectancy may consider taking payments sooner.

Total Benefits vs Present Value of Benefits:

Total benefits represent the numerical sum of all the Social Security payments until the expected end of life for a particular scenario. The present value, on the other hand, is the discounted value of these payments as of today. The discount rate used to calculate the present value is what was entered. It is possible that the scenario with highest total benefits may not be same as the scenario with highest present value of benefits.

Adjustments to Social Security Benefits:

The Social Security payments stream in a particular scenario is based on the start date for payments and full retirement age. Payments starting before the full retirement age are less than those at full retirement age, while those starting after full retirement age are higher. This adjustment is reflected in the results. If you are working while taking Social Security payments before your full retirement age, then your benefit will be further reduced. But it could mean higher benefits later since benefits are recalculated at full retirement age. However, this report takes into account only the reduction in benefits. It does not recalculate/adjust the benefits at full retirement age. The reduction is also based on the income limit before the full retirement age and during the full retirement age. These income limits are announced each year.

Social Security Benefits and Cost of Living Adjustment (COLA):

The calculations for the monthly Social Security amount at full retirement age are based on a person's income history. If you are still working, this amount may change substantially over time. The Cost of Living Adjustment (COLA) is the annual increase in Social Security payments. This increase is based on inflation and is announced each year by The Social Security Administration. Social Security projections in this report are calculated using a constant value of COLA that was entered. In reality, COLA is not constant and may change from year to year. As a result, actual Social Security payments could be substantially different from those presented here.

Social Security Benefits For Couples:

For certain couples, joint annual Social Security benefit schedules are available for two scenarios: one, when one spouse files for Social Security at his/her full retirement age and immediately suspends taking benefits until a future date; two when neither spouse uses file and suspend. In the first case, the older spouse files and suspends, allowing the younger spouse to delay his/her own benefits until a future date (to a higher value) and take reduced spousal benefits sooner. In case of file and suspend, if client files and suspends, then the annual Social Security benefits schedules for client are produced for each month after full retirement age until age 70. But the schedule that produces maximum present value for lifetime benefits is the one that gets selected for the combined schedule. In this case, the annual benefit schedules for the spouse are generated from age 62 through age 70 in monthly increments. If the spouse applies for benefits before attaining Full Retirement Age (FRA), she is "deemed" to be applying for both her own benefits, and if eligible, spousal benefits. Her own retirement benefits and spousal benefits are calculated separately and added together. If she has not attained FRA (and her husband has filed), her spousal benefits are reduced by 25/36% for each of the first 36 months and by 5/12% for each additional month that benefits are begun before she attains FRA. Consideration is also given to spouse's own benefits vs spouse's spousal benefits. Additionally, if one spouse files and suspends, the other spouse claiming spousal benefits may file a restricted claim for spousal benefits only after attaining the full retirement age. Effective November 2, 2015, Social Security rules for spousal and dependent children benefits have changed significantly. In general, an individual can claim spousal benefits only when the other spouse is actually taking benefits. Dependent children benefits are also available only when the eligible parent is actually taking Social Security benefits.

Social Security Analysis Disclosures...

Spousal Benefits:

Spousal benefits can be claimed by only one spouse at a time even if both spouses are eligible for spousal benefits on each other's earning record. Spousal benefits are automatically adjusted depending upon the benefits start age for the spouse claiming spousal benefits and the full retirement age of the other spouse. In case the spouse claiming spousal benefits starts taking benefits prior to his own full retirement age, then he is deemed to have taken his own retirement benefit and he's paid the higher of own benefit and the spousal benefit. This will reduce his own retirement benefit and his retirement benefit will not grow as it is not considered as delayed. Adjustments for 'restricted' option (spouse claiming spousal benefits after reaching full retirement age) are also applied automatically. Additionally, survivor benefits for different scenarios are calculated using the full retirement age of the other spouse. Survivor benefits (if applicable) are calculated assuming the surviving spouse doesn't remarry and is at least 60 at the time of death of the deceased spouse.

Government Pension:

Under the Windfall Elimination Provision (WEP), if you work for an employer who does not withhold Social Security taxes from your salary, such as a government agency or an employer in another country, any pension you get based on that work may reduce your Social Security benefits if Social Security taxes were paid for less than 30 years. Additionally, if you're eligible for government pension and spousal Social Security benefits based on your spouse's work record, your spousal benefits may be reduced. Under the Government Pension Offset (GPO) Law, your spousal benefits may be reduced by 2/3rd of the pension amount. This report takes into account any WEP related adjustments to Social Security benefits.

Taxation of Benefits:

This report does not account for any taxes on Social Security benefits. If you have substantial income in addition to your Social Security benefits, your benefits will be taxed. If you file a federal tax return as an 'individual' and your income is more than \$25,000, you have to pay taxes. If you file a joint return, you may have to pay taxes if you and your spouse have a combined income that is more than \$32,000. If you are married and file a separate return, you will probably always pay taxes on your benefits.

The schedule of Social Security payments under different scenarios follows the rules established by the Social Security Administration. SilverWealth is not associated with or endorsed by the Social Security Administration, or any other government agency. This report is for financial guidance purposes only. It does not guarantee any future benefits. Actual benefits may vary significantly.