T.RowePrice®

RETIRE WITH CONFIDENCE®

Your Social Security Claiming Strategy

PREPARED FOR

ryan

PREPARED ON

On May 9, 2024

Social Security

For most Americans, Social Security is a significant component of their retirement income. Making informed selections related to your Social Security options can mean a material difference in your income over the course of your retirement years.

We provide the tools and expertise to help you decide on the Social Security strategy that may be the most beneficial to you. By giving us only a few pieces of information, you're helping us construct a snapshot of your Social Security strategies. Plus, we provide you with some considerations to help you make the most of this important benefit.

We hope you find the insights in this report valuable. Our goal is to help you make informed decisions that align with your investment and retirement planning objectives.

What will you find in the following pages?

This report contains a wealth of information. Some key highlights are:

- An introduction to Social Security, definitions of important terms, and an explanation about how your benefits are calculated.
- An analysis that compares your cumulative lifetime Social Security benefits for different strategies, across different timelines.
- A claiming strategy designed to fit your situation based on the information you provided.

Important points to consider

As you review your Social Security Solution report, please keep in mind:

1. This report is designed to illustrate the importance of an informed strategy for your situation, including the time when you start collecting Social Security benefits. Detailed analysis is needed to compare different strategies side by side, especially if you are married or divorced and considering spousal benefits.
2. The information provided in this report is for general and educational purposes only and is not intended to provide legal, tax, or investment advice. This material does not provide recommendations concerning Social Security claiming strategies; it is not intended to suggest that any particular strategy is the best one for you. Please consider your own circumstances before deciding which strategy is appropriate and seek independent legal, financial, and tax advice.
3. This report is based on current Social Security rules, benefits calculations, payout promises on existing funding levels, and the information you provided. The rules, calculation methodologies, and potential benefit amounts may change in the future. There is no guarantee that the Social Security strategy in this report will work as projected. The report is not intended, in any manner, to be an official statement of your Social Security benefits.
4. This report is not intended for those who receive a pension from a job but did not pay Social Security (FICA) taxes and may be subject to the applicability of the Windfall Earnings Provision (WEP) or a Government Pension Offset (GPO). In addition, the report is not intended for those who have already claimed, have Social Security Disability Insurance (SSDI), or have children who are eligible for Social Security benefits. If you are still working prior to Full Retirement Age (FRA) and are subject to the earnings test applied to Social Security benefits, elements of the strategy described in this report that take effect before FRA (such as claiming survivor benefits) may not be appropriate. The report may not capture other unique scenarios as well. See further details on page 11 regarding situations where strategies in this report might not work for you.

Social Security basics

It is important to think about when to begin receiving Social Security payments. You may retire from a career at age 62, but starting to receive benefits at age 62 may not be the best choice in light of your retirement goals, life expectancy, and other factors. The age at which you begin will impact your benefits for the rest of your life. And if you are married, it can potentially affect the benefits available to your spouse.

When determining the date to claim Social Security benefits, you should consider your health, life expectancy, income needs, possibility of future income from work, and concern about living beyond your financial resources. If you are married, you may also need to account for your spouse's potential Social Security benefits, life expectancy, and concern for outliving their assets. Analysis requires careful consideration of all the factors that will impact your Social Security benefits, including the taxation of those benefits. While it is important to have a strategy for taking Social Security benefits, it is critical to consider Social Security in conjunction with all of your retirement assets.

How your eligibility and benefit amounts are determined

Your benefits will depend on:

1. How much you earned over your working career
2. The age at which you apply for benefits

Social Security benefits are based on average earnings over your highest 35 years of income, with earnings through age 60 indexed to reflect increases in U.S. workers' average wage level. For example, if the wage level in the U.S. is twice as high when you turn 60 as when you were 40, the formula doubles your age 40 earnings. If you worked less than 35 years, the "missing" years are counted as zero.

To be eligible for retirement benefits, you must earn at least 40 "Social Security credits," which essentially means you worked at least 10 years. If you do not qualify for retirement benefits based on your own earnings record, you may qualify for spousal, divorced spouse, survivor, or surviving divorced spouse benefits based on your marital status.

Note: If you opt to enter your most recent salary instead of monthly Social Security benefit amount into the tool, we make assumptions about your earnings history. Specifically, we model a steady stream of gross earnings retrospectively and going forward to estimate your highest 35 years of earnings. Also, we apply earnings growth based on the Average Wage Index (AWI) from the Social Security Administration. If your earnings history differed significantly from these assumptions, then your projected benefit may differ.

How does starting age impact your benefits?

Various factors can influence the amount of your Social Security retirement benefits. One of the most significant is the age you begin taking your benefits. You can see below the range of benefits you will receive depending on the age you begin taking them.

The table below was created from information you provided.

ryan

Assuming a life expectancy of 95

Monthly benefits if begun at 62	**$2,113**
Monthly benefits if begun at Full Retirement Age 67	**$3,000**
Monthly benefits if begun at 70	**$3,720**

All amounts shown throughout this report are in current dollars. This means that no Cost of Living Adjustment (COLA) is applied and the amounts represent the value of a dollar today. These amounts may differ from your actual future Social Security benefits which may reflect an annual Cost of Living Adjustment (COLA).

Not only does the age you begin taking benefits impact your monthly payments, it also affects your longevity risk, or the risk of outliving your resources. If you choose to begin receiving Social Security benefits before your Full Retirement Age (FRA), your monthly benefits will be reduced. If you delay taking your benefits until after your Full Retirement Age (FRA), your monthly benefits will be increased. In other words, beginning earlier can result in receiving more but smaller payments, and beginning later can result in receiving fewer but larger payments.

Since ryan was born in 1970, FRA is 67 and any benefit taken before age 67 will be reduced by 5/9% per month for up to 36 months, plus 5/12% per month for the remaining months of the early claim.

So, if benefits are taken at age 62, the monthly benefit would be $2,113. If benefits are taken at FRA, the monthly benefit would be $3,000.

If benefits are delayed further, they will be increased by 2/3% per month up to age 70. Delaying benefits until age 70 will increase the monthly benefit to $3,720.

If you are married and both of you qualify for benefits, the calculations would be the same for your spouse. All benefit levels are expressed in today's dollars and reflect the current promises of the Social Security system, which can be altered by the U.S. Congress at any time.

Primary Strategy considerations

The details of Your Primary Strategy appear later in this report. It was created to achieve the highest possible cumulative lifetime benefits.

If you are married, survivor benefits are also important. A survivor will only receive one payment, not both. While it will be the higher of the two, it will almost always be less than the amount the two of you would have been receiving together. Because this means a reduction in monthly benefits at the time of death for one spouse, it is critical to consider survivor benefits, as well as cumulative lifetime benefits.

Cumulative Lifetime Benefits	**$1,201,800**
Maximum Monthly Benefit during your joint lifetime	**$3,720**

You may be able to find more income

Your Primary Strategy seeks to maximize your cumulative lifetime benefits.

Based on the information you provided, you may be able to generate

$349,488 More

in cumulative lifetime benefits by using your Primary Strategy than if you begin benefits early.

Your Primary Strategy details

- ryan begins survivor benefits in the estimated amount of $715 in September 2030 at age 60.
- ryan switches to benefits based on their earnings record in the estimated amount of $3,720 for September 2040 at age 70. Benefits are paid in the following month.

Why your specific strategy was generated

The Social Security rules surrounding survivor benefits can be complicated. Many of the rules for survivor benefits are like those for spousal benefits. Switching strategies, which entail beginning one type of benefit and switching to another at a later time, may increase your cumulative lifetime benefits. One example of a switching strategy is switching from survivor benefits to your own retirement benefits. If you are eligible and switching benefit types is projected to increase your cumulative lifetime benefits, we include it in your Primary Strategy.

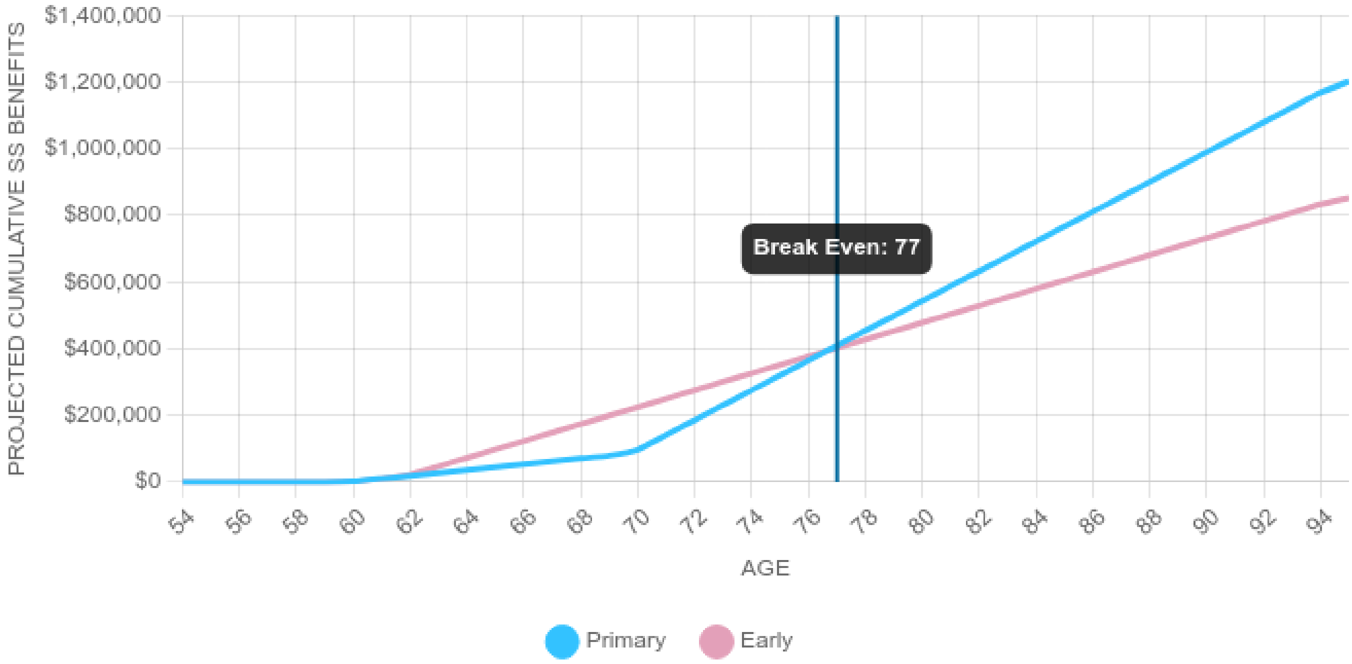
Your Full Retirement Age for survivor benefits may be different from your Full Retirement Age for retirement benefits. This potential difference has been accounted for in your Primary Strategy.

You are entitled to the larger of either your benefit based on your own earnings record (if applicable) or your deceased spouse's benefit. You can begin a survivor benefit as early as age 60, while you can only begin benefits based on your own earnings record (if applicable) at age 62. However, if you begin survivor benefits before your Full Retirement Age, your benefit will be reduced. Your Primary Strategy has applied these rules to seek the highest cumulative lifetime benefits.

There is a small, one-time death benefit you may be eligible for after the death of a spouse. If you haven’t inquired about that benefit, please contact the Social Security Administration.

Lifetime benefits based on life expectancy

Here is how your solution protects you from "longevity risk" or the event of living longer than the life expectancy you provided.



At age 77, the Primary Strategy starts to generate more in cumulative lifetime benefits than the Early Strategy over your selected life expectancies. Note that the breakeven age is reflective of the primary client who used the tool.

The table below shows the approximate value of the lifetime benefits you could expect to receive if you take benefits early, at Full Retirement Age (FRA), or if you adopt the Primary Strategy based on the life expectancy you provided. The Short Life Span is 10 years shorter than the life expectancy you provided and the Long Life Span is 10 years longer than the life expectancy you provided.

	EARLY STRATEGY	PRIMARY STRATEGY	FRA STRATEGY
SHORT LIFE SPAN	$598,813	$755,400	$708,060
GIVEN LIFE SPAN	$852,313	$1,201,800	$1,068,060
LONG LIFE SPAN	$1,105,813	$1,648,200	$1,428,060

Table of benefits by age

This table shows the monthly, annual, and cumulative benefits you could expect, based on your Primary Strategy. All amounts shown in the table below and throughout this report are in current dollars. This means that no Cost of Living Adjustment (COLA) is applied and the amounts represent the value of a dollar today. These amounts will likely differ from your actual future Social Security benefits which will reflect any annual Cost of Living Adjustments (COLA).

		BENEFITS SCHEDULE		
YEAR	CLIENT AGE	MONTHLY CLIENT BENEFITS	ANNUAL BENEFITS	CUMULATIVE BENEFITS
2030	60	$715	$2,145	$2,145
2031	61	$715	$8,580	$10,725
2032	62	$715	$8,580	$19,305
2033	63	$715	$8,580	$27,885
2034	64	$715	$8,580	$36,465
2035	65	$715	$8,580	$45,045
2036	66	$715	$8,580	$53,625
2037	67	$715	$8,580	$62,205
2038	68	$715	$8,580	$70,785
2039	69	$715	$8,580	$79,365
2040	70	$3,720	$17,595	$96,960
2041	71	$3,720	$44,640	$141,600
2042	72	$3,720	$44,640	$186,240
2043	73	$3,720	$44,640	$230,880
2044	74	$3,720	$44,640	$275,520
2045	75	$3,720	$44,640	$320,160
2046	76	$3,720	$44,640	$364,800
2047	77	$3,720	$44,640	$409,440
2048	78	$3,720	$44,640	$454,080
2049	79	$3,720	$44,640	$498,720
2050	80	$3,720	$44,640	$543,360
2051	81	$3,720	$44,640	$588,000
2052	82	$3,720	$44,640	$632,640
2053	83	$3,720	$44,640	$677,280
2054	84	$3,720	$44,640	$721,920
2055	85	$3,720	$44,640	$766,560
2056	86	$3,720	$44,640	$811,200
2057	87	$3,720	$44,640	$855,840
2058	88	$3,720	$44,640	$900,480
2059	89	$3,720	$44,640	$945,120
2060	90	$3,720	$44,640	$989,760
2061	91	$3,720	$44,640	$1,034,400
2062	92	$3,720	$44,640	$1,079,040
2063	93	$3,720	$44,640	$1,123,680
2064	94	$3,720	$44,640	$1,168,320
2065	95	$3,720	$33,480	$1,201,800

When the strategy might not work for you

Your Primary Strategy may not be your most beneficial choice if you live significantly longer or shorter than projected (due to a potential shift in cumulative lifetime benefits), or if you continue to work and are younger than Full Retirement Age.

If you continue to work and are younger than Full Retirement Age:

- Social Security benefits based on your earnings record will be subject to an earnings test, which could reduce those benefits. The earnings test does not apply after you reach Full Retirement Age.
- If the earnings test will result in the loss of most or all of these benefits, you should consider waiting until Full Retirement Age (or until you stop working, whichever is sooner) to file for benefits.

While there can be potential benefits to delaying your claim, you may be required to draw more heavily from other assets before taking Social Security. The Primary Strategy does not consider potential returns on investments you could make using Social Security benefits, so if you are not worried about outliving your assets and you are comfortable with higher investment risk, that could be a reason to claim earlier than the Primary Strategy. In addition, if you have limited other resources and no longer work, you may want to choose an earlier claiming age for cash flow purposes.

This strategy assumes that you do not have children who could receive Social Security benefits based on your earnings record(s). In addition, it assumes that you haven't claimed Social Security benefits yet.

It also assumes that you won't receive a pension from work not covered by Social Security. Generally, this means you had a job for which you did not pay FICA taxes (Social Security contributions) and where you received a pension. Also, this means that you may be subject to the applicability of the Windfall Earnings Provisions (WEP) or a Government Pension Offset (GPO). Finally, the strategy assumes that you aren't eligible for Social Security Disability Insurance (SSDI). If these assumptions do not apply to you, the Primary Strategy may not be your most beneficial strategy for claiming Social Security benefits.

Why taxes matter

If Social Security is your only income, it is likely that your benefits will not be taxed. But if you have other income, income from a pension, withdrawals from a 401(k), or investment income, you may owe federal income taxes on up to 85% of your benefits. Many states do not tax Social Security benefits, but some do.[1]

The actual federal tax you will pay on the taxable portion of Social Security benefits depends on your total taxable income and the relevant tax rates (i.e., brackets).

At least some of your Social Security benefits will not be subject to taxes, and higher monthly benefits (resulting from claiming later) may enable you to rely less on income sources that are fully taxable. That could reduce your total tax burden in the long run. While this may not be the most important factor in your Social Security claiming decision, your strategy should consider your full retirement income plan and related taxes.

1 In addition to income tax on Social Security benefits, the benefits could impact the taxability of other income such as causing the net investment income tax to apply, or changing what rate applies to capital gains.

Key Terms

You may find some of these key terms throughout your report.

Children's (or Family) Benefits: Benefits received by dependent children that supplement family income.

Cost of Living Adjustment (COLA): An increase in Social Security benefits to counteract inflation.

Cumulative Lifetime Benefits: Lifetime payout of Social Security benefits.

Current Dollars: When results of the calculations are shown in current dollars, there is no inflation rate applied and they represent the value of a dollar today. Note that results are not discounted to consider potential returns from investing Social Security benefits received.

Divorced Spouse Benefits: Benefits paid to a divorced spouse of an eligible worker.

Early Strategy: Claiming benefits at the earliest possible time (age 62 or if you're over age 62, as soon as possible).

Earnings Record: The history of your earnings for the years you have worked in your lifetime. If money was withheld from your earnings for "Social Security" (a component of "FICA Taxes"), your earnings are covered by Social Security.

Earnings Test: The reduction in benefits taken if you continue to work while receiving benefits before you reach Full Retirement Age (FRA). Once you reach FRA, the earnings test does not apply to your income, and there is no limit on your earnings.

FICA Taxes: Taxes under the Federal Insurance Contributions Act (FICA) that include old-age, survivors, and disability insurance taxes (also known as Social Security taxes).

Full Retirement Age (FRA): The age at which you are eligible for your full monthly benefit.

Key Terms (Continued)

Government Pension Offset (GPO): A provision that reduces and may eliminate the amount of spousal and survivor benefits paid to an individual who is eligible for a pension from work not covered by Social Security taxes.

Longevity Risk: The risk of running out of resources in your lifetime.

Non-Covered Pension: Some workers, especially state government employees including teachers, are eligible for a pension for work where Social Security taxes were not withheld from or paid on earnings. Such a pension is known as a non-covered pension.

Spousal Benefits: Benefits paid to the spouse of an eligible worker. You must be at least age 62 to claim spousal benefits.

Social Security Disability Insurance (SSDI): The SSDI program pays benefits to individuals and certain family members if “insured”. This means that they worked long enough – and recently enough - and paid Social Security taxes on their earnings. The program pays benefits to adults and children who meet the requirements for a qualifying disability and have limited income and resources.

Survivor Benefits: Benefits paid to the surviving spouse of a deceased eligible worker. The earliest a surviving spouse can receive these benefits is age 60.

Windfall Elimination Provision (WEP): A provision that may reduce Social Security benefits based on your earnings history if you are eligible to receive a pension from work not covered by Social Security.