Make the Most of Social Security

Imagining tomorrow.

Fidelity Investments
### Did you know?

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
</table>
| Average annual Social Security benefit?                                | $17,856 (men)  
$14,004 (women)                                           |
| What percent fail to maximize their benefits?                          | 72%                                         |
| Maximum monthly benefit in 2017?                                        | $2,687                                      |
| How much “replacement income” can highest wage earners expect?          | 15%                                         |

Social Security decisions are inherently complex.

Delayed Retirement Credits  Non-covered pension

Survivor Benefits  Windfall Elimination Provision  FRA

WEP-PIA  “2/3% per month for up to 48 months”  Disability Benefits

“5/9% for up to 36 months, plus 5/12% for the next 12 months”

“People born on January 1 of any year should refer to the previous year to determine their FRA.”

Primary Insurance Amount  Earnings Record  Spousal Benefits

Retirement Benefits

“...benefits will be reduced by $1 for every $2 you earn over the annual limit, or $1 for every $3 you earn after FRA.”

Taxes may be owed on up to 85% of your benefits

Divorced Benefits  Delay Strategy

Government Pension Offset  PIA

“...If you remarry before age 60...”

“...If you were married for 10 years...”

“...If you work less than 35 years...”

For illustrative purposes only. All statements and quotes are from SSA.gov.
Let’s talk about Social Security

• The basics
• Calculating your benefit
• Your personal situation and claiming options
• Considerations before you claim
• Steps you can take
• Q&A
The basics
Isn’t it my money?

Payroll Taxes

6.2% (You) + 6.2% (Employer)

During Work Years

Current Workforce Money Pool

Claim your benefit, not your contribution into the fund

In Retirement

Will Social Security be there?
Social Security is a critical component of your retirement income plan.

A detailed plan that can help you determine how to use your financial resources to generate income to last the rest of your life.
Social Security income is best used to cover essential expenses.

Hard to beat its combination of:

- Monthly income
- Longevity protection
- Spousal coverage
- Cost-of-living adjustments (COLAs)

Essential Expenses
- Housing
- Food
- Health care

Discretionary Expenses
Get to know www.SSA.gov.
## Determining your Full Retirement Age (FRA)

You are eligible for full Social Security benefits when you reach your FRA

Unless you have a January 1 birthday!

<table>
<thead>
<tr>
<th>Year you were born</th>
<th>Your full retirement age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937 or earlier</td>
<td>65</td>
</tr>
<tr>
<td>1938</td>
<td>65 and 2 months</td>
</tr>
<tr>
<td>1939</td>
<td>65 and 4 months</td>
</tr>
<tr>
<td>1940</td>
<td>65 and 6 months</td>
</tr>
<tr>
<td>1941</td>
<td>65 and 8 months</td>
</tr>
<tr>
<td>1942</td>
<td>65 and 10 months</td>
</tr>
<tr>
<td>1943–1954</td>
<td>66</td>
</tr>
<tr>
<td>1955</td>
<td>66 and 2 months</td>
</tr>
<tr>
<td>1956</td>
<td>66 and 4 months</td>
</tr>
<tr>
<td>1957</td>
<td>66 and 6 months</td>
</tr>
<tr>
<td>1958</td>
<td>66 and 8 months</td>
</tr>
<tr>
<td>1959</td>
<td>66 and 10 months</td>
</tr>
<tr>
<td><strong>1960 or later</strong></td>
<td><strong>67</strong></td>
</tr>
</tbody>
</table>

Source: Social Security Administration.
How you qualify for retirement benefits

1. On your own work record
   - You earned 40 credits
   - 1 credit = $1,300 in wages

2. On a spouse’s work record
   - Your current spouse
   - OR
   - An ex-spouse

3. On a deceased spouse’s work record
   - Survivor benefits
   - Current spouse
   - Ex-spouse

When to claim? Generally, the later, the better

- **Age 60**: Earliest age for surviving spouse benefits
- **Age 62**: Earliest age to claim, lock in 25%–30% reduction, can reduce surviving spouse benefit
- **Age 65**: Medicare eligibility
- **Age 66–67** (Full Retirement Age): Full Social Security benefit available
- **Age 70**: Maximum benefit, maximum surviving spouse benefits

Permanent reduction if claiming before FRA

Delayed retirement credits

Source: Social Security Administration.
When you claim Social Security can have a significant impact on your portfolio.

It’s a balancing act.

<table>
<thead>
<tr>
<th>Social Security</th>
<th>Your portfolio</th>
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<tr>
<td>FRA (Full Retirement Age)</td>
<td>$1,800</td>
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<td>Age 70</td>
<td>$2,232</td>
</tr>
<tr>
<td>Age 62</td>
<td>$1,260</td>
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Hypothetical example to illustrate how different Social Security claiming dates deliver different income amounts. Assumes FRA is 67. Essential expense need is $4,000 per month.
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Hypothetical example to illustrate how different Social Security claiming dates deliver different income amounts. Assumes FRA is 67. Essential expense need is $4,000 per month.
Calculating your benefit
Your 35 highest years of earnings: the basis for the calculation

Use your earnings record to make key decisions

- How much longer do you want to work?
- Do you want to “replace” low earnings years?
- Can you replace any $0 years with future wages?
### Map out a plan for your earnings history: continuous career

<table>
<thead>
<tr>
<th>Year</th>
<th>#</th>
<th>Earnings</th>
<th>Year</th>
<th>#</th>
<th>Earnings</th>
<th>Year</th>
<th>#</th>
<th>Earnings</th>
<th>Year</th>
<th>#</th>
<th>Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>1</td>
<td>$578</td>
<td>1990</td>
<td>11</td>
<td>$36,500</td>
<td>2000</td>
<td>21</td>
<td>$66,000</td>
<td>2010</td>
<td>31</td>
<td>$78,000</td>
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<tr>
<td>1982</td>
<td>3</td>
<td>$12,400</td>
<td>1992</td>
<td>13</td>
<td>$39,570</td>
<td>2002</td>
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<td>$68,125</td>
<td>2012</td>
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<td>1983</td>
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<td>24</td>
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<tr>
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<td>1994</td>
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<tr>
<td>1986</td>
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<td>$19,500</td>
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<td>17</td>
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<td>2006</td>
<td>27</td>
<td>$72,800</td>
<td>2016</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>8</td>
<td>$25,000</td>
<td>1997</td>
<td>18</td>
<td>$57,300</td>
<td>2007</td>
<td>28</td>
<td>$73,600</td>
<td>2017</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td>9</td>
<td>$27,610</td>
<td>1998</td>
<td>19</td>
<td>$62,000</td>
<td>2008</td>
<td>29</td>
<td>$75,000</td>
<td>2018</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>10</td>
<td>$29,430</td>
<td>1999</td>
<td>20</td>
<td>$65,300</td>
<td>2009</td>
<td>30</td>
<td>$76,500</td>
<td>2019</td>
<td>40</td>
<td></td>
</tr>
</tbody>
</table>

Hypothetical example. For illustrative purposes only.
Map out a plan for your earnings history: career with breaks

<table>
<thead>
<tr>
<th>Year</th>
<th>#</th>
<th>Earnings</th>
<th>Year</th>
<th>#</th>
<th>Earnings</th>
<th>Year</th>
<th>#</th>
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<th>Earnings</th>
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</thead>
<tbody>
<tr>
<td>1980</td>
<td>1</td>
<td>$578</td>
<td>1990</td>
<td>11</td>
<td>$0</td>
<td>2000</td>
<td>21</td>
<td>$16,000</td>
<td>2010</td>
<td>31</td>
<td>$45,000</td>
</tr>
<tr>
<td>1982</td>
<td>3</td>
<td>$12,400</td>
<td>1992</td>
<td>13</td>
<td>$23,570</td>
<td>2002</td>
<td>23</td>
<td>$0</td>
<td>2012</td>
<td>33</td>
<td>$47,500</td>
</tr>
<tr>
<td>1985</td>
<td>6</td>
<td>$7,500</td>
<td>1995</td>
<td>16</td>
<td>$31,450</td>
<td>2005</td>
<td>26</td>
<td>$0</td>
<td>2015</td>
<td>36</td>
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<tr>
<td>1986</td>
<td>7</td>
<td>$13,500</td>
<td>1996</td>
<td>17</td>
<td>$34,680</td>
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<td>$0</td>
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<td>$0</td>
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<td>39</td>
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<tr>
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<td>10</td>
<td>$0</td>
<td>1999</td>
<td>20</td>
<td>$15,300</td>
<td>2009</td>
<td>30</td>
<td>$43,500</td>
<td>2019</td>
<td>40</td>
<td>$0</td>
</tr>
</tbody>
</table>

Hypothetical example. For illustrative purposes only.
Step 1: Calculating your average indexed monthly earnings

The baseline for determining your benefit is called your **average indexed monthly earnings (AIME)**

- **Worker needs 40 “credits” to qualify** *

- **Apply an earnings index to calculate your AIME**

- **Total the highest 35 years of earnings**

*One credit = $1,300 in FICA wages/earnings (for 2017) 
Source: Social Security Administration.*
Step 2: Calculating your Primary Insurance Amount

Primary Insurance Amount (PIA) is calculated from your AIME. It is your estimated Social Security payment on your statement.

PIA is paid only when you claim benefits at your Full Retirement Age.

Source: Social Security Administration.
If you claim your benefit early, there is a permanent reduction in income.

Claim early at age 62

- 52 months early
- \(~27\%\) Permanent reduction

FRA 66 and 4 months

Claim early at age 62

- 60 months early
- \(30\%\) Permanent reduction

FRA Age 67

Calculation based on Social Security reduction factors for claiming before FRA.
If you wait to claim, you earn delayed retirement credits.

Benefits are increased permanently if you wait to claim:

- **7.5% per year** if you were born 1941–1942
- **8.0% per year** if you were born 1943 or later

<table>
<thead>
<tr>
<th>If your FRA is 66</th>
<th>If your FRA is 67</th>
</tr>
</thead>
<tbody>
<tr>
<td>And you claim at age 70</td>
<td>And you claim at age 70</td>
</tr>
<tr>
<td><strong>32% increase</strong></td>
<td><strong>24% increase</strong></td>
</tr>
</tbody>
</table>

Note: If born on January 1 of any year, refer to the credit percentage for the previous year.
Source: Social Security Administration.
Your personal situation and claiming options
Are you entitled to spousal benefits?

You have a work record and a spouse.

- Any additional spousal benefit is added on.
- Your benefit is paid first.

You do not have a work record, but do have a spouse.

- Cannot exceed 50% of spouse’s PIA
- Your benefit is based on your spouse’s earning history.

Your benefit will be reduced if you claim before your FRA.
Planning with your spouse requires thoughtful coordination and timing.

**General Rules:**

- “Worker” must already be claiming Social Security retirement benefit.
- Spouse must be age 62+.*
- Spouse’s benefit amount based on his/her own FRA (not the worker’s).
- No increase in payment due to delayed retirement credits.

**Important strategies to consider:**

- Optimizing overall household income
- Maximizing the surviving spouse benefit
- Best timing if there is a large age gap between the spouses
- Who claims first if earnings history is about the same

*Spouse can be any age if caring for worker’s “entitled child” who is under age 16 or disabled
Source: Social Security Administration
Can you claim on an ex-spouse’s record?

Yes, if you meet certain conditions:

- Were married 10 consecutive years or longer
- Have been divorced for 2 years or longer
- You have not remarried
- Both you and your ex are at least age 62

Your benefit will be reduced if you claim before your FRA.

Your benefit is paid first.

Any additional ex-spousal benefit is added on.

Cannot exceed 50% of ex-spouse’s PIA

Your benefit will be reduced if you claim before your FRA.
What happens when one spouse dies?

There are different rules for “survivor spouse” benefits:

**Your current spouse dies**

- You “step into his/her shoes”

**Your ex-spouse dies**

- You “step into his/her shoes” if you were married 10 years or longer and you have not remarried (before age 60).

- Only when the higher-earning spouse dies first

Your benefit will be reduced if you claim before your FRA.
Planning on your own requires your time and attention to the details…

…and maximizing your guaranteed income.

Important strategies to consider:

• Optimize or maximize your Social Security payments.
• Know your options with an ex-spouse’s earnings record.
• Find out about surviving spouse benefits, if applicable.
• Understand the implications of claiming and working.
Considerations before you claim
What’s your Social Security “breakeven” age?

It's the age that helps you determine when it would be most financially beneficial to start taking Social Security, assuming you’ll live a long time.

“Money-Ahead” doesn’t last for long; B/E around age 80

Source: ssa.gov and Fidelity calculations. Starting point based on SSA’s Quick Calculator for an individual turning 62 in 2016 with earnings of $118,500.
What if you have both Social Security and a state employee pension plan?

Your Social Security benefits will be reduced or eliminated.

<table>
<thead>
<tr>
<th>Windfall Elimination Provision (WEP)</th>
<th>Government Pension Offset (GPO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Applies if you’ve earned 40 credits for Social Security and have a pension from a non–Social Security employer</td>
<td>• Reduces or eliminates spousal or widow(er) benefits if you have a pension</td>
</tr>
<tr>
<td>• A different formula is used to calculate PIA.</td>
<td>• Public workers receive their full pension benefits first…</td>
</tr>
<tr>
<td>• Reductions are not reflected on your statement.</td>
<td>• … and may receive some Social Security spousal benefits after offset is applied.</td>
</tr>
</tbody>
</table>
# How does working affect benefits?

It depends on how much you make.

<table>
<thead>
<tr>
<th></th>
<th>In 2018, you may earn up to:</th>
<th>Make more, and benefits are withheld...</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>You are <strong>younger than FRA</strong> for the entire year</td>
<td>$17,040/yr $1,420/mo</td>
</tr>
<tr>
<td>2</td>
<td>You will <strong>reach FRA</strong> in this year</td>
<td>$45,360 $3,780/mo prior</td>
</tr>
<tr>
<td>3</td>
<td>You reach <strong>the month of your FRA</strong></td>
<td>No limit on earnings</td>
</tr>
</tbody>
</table>

Source: Social Security Administration for 2017 tax year.
Are benefits taxed?

It depends on your “combined income.”

<table>
<thead>
<tr>
<th>Tax Filing</th>
<th>Combined Income</th>
<th>Taxable % of Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>$25,000–$34,000</td>
<td>Up to 50%</td>
</tr>
<tr>
<td></td>
<td>&gt; $34,000</td>
<td>Up to 85%</td>
</tr>
<tr>
<td>Joint</td>
<td>$32,000–$44,000</td>
<td>Up to 50%</td>
</tr>
<tr>
<td></td>
<td>&gt; $44,000</td>
<td>Up to 85%</td>
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Source: IRS and Social Security Administration for 2015 tax year. Updated publications are generally available in January.
IRS Publication 915—includes important worksheets to estimate your taxable Social Security benefits

IRS Form SSA-1099—annual Social Security Benefits Statement

IRS Form W—4V—choose a withholding amount from Social Security benefits
Why is Medicare integrated with Social Security?

- Medicare and Social Security are managed centrally.
- You can apply for Medicare through Social Security.
- Costs for Medicare premiums are automatically deducted from Social Security payments.

Source: Social Security and Medicare websites.
Steps you can take
Step 1: Find your Social Security statement

- Go to SSA.GOV to download and print your current version.
- You may receive it in the mail, or get an email notification.
Step 2: Organize your financial picture

Use the budget worksheet to:

- Estimate your essential expenses
- Include your Social Security estimate
- Assess the impact on your portfolio to “pay for” retirement
Step 3: Schedule a retirement income planning meeting today

Fidelity Representatives
Our service is free and offered as an employee benefit to you.

Make an appointment today to meet in person

Or meet over the phone:
888-715-5959

Build confidence to make decisions for your retirement.
Thank you

The information herein is general in nature and should not be considered legal or tax advice. Consult an attorney or tax professional regarding your specific situation.

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