YOUR 2018 OVERVIEW OF
SOCIAL SECURITY

This booklet is being provided as a supplement to the Social Security and insurance sales presentation titled “Strategies to Potentially Increase Your Social Security Benefits.” It is intended as an overview on Social Security, not as a complete resource. Those seeking information on their particular situation are encouraged to contact the Social Security Administration and to contact their tax or legal professional. Not affiliated or endorsed by any government agency.

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How Does Social Security Work?

As a financial safety net for older Americans, Social Security was established in 1935 by the Social Security Act. Before that, support for the elderly wasn't a federal concern - it mostly fell to states, towns, and of course, families.

The program is based on contributions that workers make into the system. While you're employed, you pay into Social Security and then you receive benefits later on when it's your turn to retire. Contributions take the form of the Federal Insurance Contributions Act (FICA) taxes that are withheld from most paychecks.

This material is provided as a general overview of the topics discussed. Your financial professional may provide information, but not guidance or advice related to your Social Security benefits. You should visit your local Social Security administration office for guidance regarding your own individual situation. More information can be found at www.ssa.gov. The following is a general overview of Social Security:

- Of the 12.4% paid on your behalf, 6.2% is paid by you; 6.2% is paid by your employer.
- In 2018, you earn 1 credit for every $1,320 in annual earnings, up to a maximum of 4 credits per year. See section titled: "2018 Social Security Changes" for more information.
- Must work at least 10 years; 40 credits are necessary to become eligible to receive benefits.
- Your Social Security benefit is determined by your highest 35 years of earnings.
- In 2018, the maximum taxable income is $128,400. See section titled: "2018 Social Security Changes" for more information.

Source - http://www.socialsecurity.gov/pubs/EN-05-10072.pdf

When Should You Apply For Social Security?

Although Social Security has been around for more

than seven decades, many Americans admit they really don't have a basic understanding about the rules that affect the size of their retirement benefit. Deciding when to begin receiving benefits can affect your monthly benefit amount for years to come, thus it is important to understand all your options for yourself and your family.

There are calculators to help you examine benefits available to you at various ages and help you determine what strategy will fit best for your individual circumstances. It's a complicated decision and warrants careful consideration. This is one time when the help of a trusted financial professional could be invaluable because they may be able to help you evaluate the effects on your monthly benefit amount and possible lifetime amounts you could receive.

The decision you make regarding when to begin taking your Social Security benefits could potentially be even more important than in the past due to a new rule change implemented by the Social Security Administration. Effective December 8, 2010,
a new time restraint has been placed for when individuals can "re-do" their Social security Income election. Recipients now have only 12 months from the date they file their income application claim to make an election fix or "re-do."

Source - https://www.ssa.gov/planners/retire/withdrawal.html

2018 Social Security Changes

Each year, the Federal government makes changes to rules related to your Social Security benefits. It's important to stay current with all changes that may affect your retirement and financial planning. The changes for 2018 are as follows.

2018 Cost Of Living Adjustment Increase

Beginning in January 2018, monthly Social Security benefits have increased 2.0 percent under the Cost Of Living Adjustment (COLA). This marks the third-biggest COLA increase since 2009. As a result, the average retired worker will receive an extra $27 per month.

Estimated Average Monthly Social Security Benefits Payable in January 2018		
	Before 2.0% COLA	After 2.0% COLA
All Retired Workers	$1,377	$1,404
Aged Couple, Both Receiving Benefits	$2,294	$2,340
Widowed Mother and Two Children	$2,717	$2,771
Aged Widow(er) Alone	$1,310	$1,336
Disabled Worker, Spouse and One or More Children	$2,011	$2,051
All Disabled Workers	$1,173	$1,197

Source - https://www.ssa.gov/news/press/factsheets/colafacts2018.pdf

Maximum Monthly Benefit Increase

The maximum possible monthly benefit for a worker retiring at the Full Retirement Age of 66 will increase $101 from $2,687 to $2,788.

Source - https://www.ssa.gov/news/press/factsheets/colafacts2018.pdf

Maximum Earnings Cap Increase

The amount of workers' earnings subject to Social Security taxes is capped each year and is known as maximum taxable earnings. Most workers pay 6.2% of their earnings into Social Security which employers match until their salary exceeds the taxable maximum.

In 2018, the maximum earnings subject to Social Security taxes has been increased from $127,200 to $128,400. This means workers will contribute 6.2% of their earnings to Social Security until their income exceeds $128,400 in 2018. Those who earn more than the taxable maximum will not have those earnings taxed by Social Security or used to calculate their retirement benefits.

Source - https://www.ssa.gov/news/press/factsheets/colafacts2018.pdf

Earnings Limit Raised

The The Social Security Earnings Limit for people age 65 and younger who continue to work and collect Social Security Benefits has been raised from $16,920 per year to $17,040 per year in 2018. If you earn more than $17,040 in 2018 you will have $1 in benefits withheld for every $2 in earned income over the limit.
For those who will be turning age 66 in 2018 the Social Security Earnings Limit increased from $44,880 per year to $45,360 per year. If you earn more than $45,360 in 2018 you will have $1 in benefits withheld for every $3 in earned income over the limit.
Beginning the month you turn the full retirement age of 66 there is no limit on what you can earn and your benefit will be recalculated to give you credit for any withheld earnings.

Retirement Earnings Test Exempt Amounts

	2017	2018
Under Full Retirement Age*	$16,920/yr. ($1,410/mo.)	$17,040/yr. ($1,420/mo.)
The Year an Individual Reaches Full Retirement Age**	$44,880/yr. ($3,740/mo.)	$45,360/yr. ($3,780/mo.)

* One dollar in benefits will be withheld for every $2 in earnings above the limit.
** Applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every $3 in earnings above the limit.

Source - https://www.ssa.gov/news/press/factsheets/colafacts2018.pdf

Social Security Credit Increase (QC)

A Quarter of Coverage (QC), also known as a “Social Security Credit,” is the basic unit for determining if you’re insured under the Social Security Program.

The amount of earnings required for a quarter of coverage (QC) in 2018 has been raised from $1,300 to $1,320. Keep in mind, no matter how high your earnings may be, you cannot earn more than 4 QCs in one year.

Source - https://www.ssa.gov/news/press/factsheets/colafacts2018.pdf

Disability Earned Income Increase

In 2018, people with disabilities who qualify for and receive Social Security benefits can now earn more and still qualify for benefits.

Non-Blind disabled individuals can now earn $1,180 monthly and Blind Individuals can earn $1,970 per month and still receive benefits.

Substantial Gainful Activity (SGA):	2017	2018
Non-Blind	$1,170/mo.	$1,180/mo.
Blind	$1,950/mo.	$1,970/mo.
Trial Work Period (TWP)	$ 840/mo.	$ 850/mo.

Source - https://www.ssa.gov/news/press/factsheets/colafacts2018.pdf

Social Security Full Retirement Age

The age at which you can receive your full retirement benefit is called your full retirement age (FRA). Full retirement age determines when you can receive your full Social Security retirement benefit. If you choose to begin receiving retirement benefits earlier, your benefit will be a reduced percentage of the amount you would have received if you had waited. You can also receive an increased benefit by delaying until after your full retirement age.

Full Retirement Age

For a long time, full retirement age was fixed at 65 years. In a major overhaul designed to improve the solvency of the system back in 1983, Congress passed a law that increased the full retirement age for people born after 1937. The age in which you are eligible to receive full retirement benefits will depend on when you were born. The following table gives the full retirement age under current law:

Full Retirement Age	
Year of Birth	Full Retirement Age
1937 and earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Source - www.ssa.gov/planners/retire/retirechart.html

For purposes of this chart (both determining the year of birth and the month in which full retirement age is reached), people born on the first day of a month are treated as if they were born at the end of the preceding month.

Delayed Retirement

If you choose to delay receiving benefits beyond your full retirement age, your benefit will be increased by a certain percentage depending on the year you were born. The increase will be added in automatically each month from the time you reach full retirement age until you start taking benefits or reach age 70, whichever comes first.

Early Retirement

You may start receiving Social Security benefits as early as age 62 but by doing so, the amount of your benefits will be reduced by a little over one half of one percent for each month you start your Social Security before reaching your full retirement age. For example, if your full retirement age is 66 and you sign up for Social Security when you are 62, you would only receive 75% of your full benefits. Depending on your lifespan, this decision could drastically reduce the amount of benefits you will be entitled to receive over your lifetime.

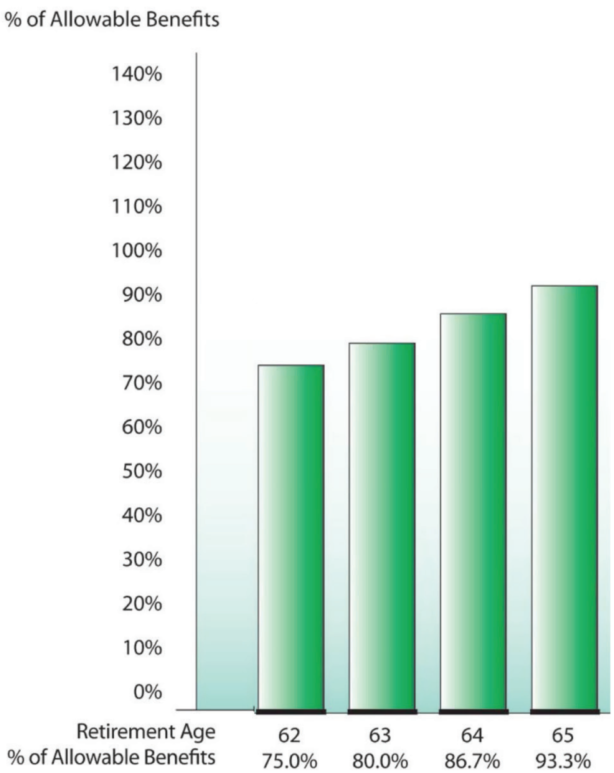
NOTE: The reduction will be greater in future years as the full retirement age increases. In order to understand how Social Security benefits are calculated, you need to be familiar with two terms: “Full Retirement Age” (FRA) and “Primary Insurance Amount” (PIA). Your full retirement age depends on the year you were born. Your primary insurance amount is the amount of retirement benefits you would receive per month if you started taking them at your full retirement age and is determined by your earnings history.

www.ssa.gov/pubs/EN-05-10070.pdf

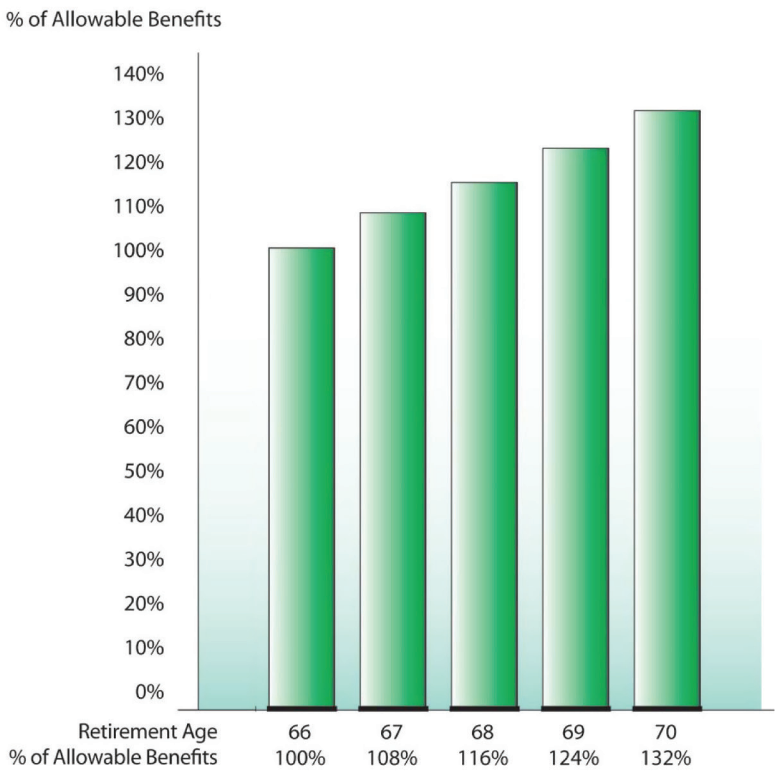
Information based on the assumption of being born between 1943-1954 with full retirement age being age 66.

The chart below illustrates the amount of discount your PIA will incur as a result of taking benefits prior to reaching FRA, as well as the amount of premium will be added to your PIA if you elect to delay benefits after reaching FRA up to age 70.

Early Benefits Chart



Late Benefits Chart



Coordinated Sources for Early/Late Benefit Comparison Chart:

Source - www.ssa.gov/oact/ProgData/ar_drc.html www.ssa.gov/retire2/agereduction.htm#chart

Spousal Benefits: How It Works

As a spouse, you may be able to claim Social Security benefits based on your own work record, or you can collect a "spousal benefit" that may provide you with 50% of the amount of your spouse's Social Security benefit. If you are eligible for both your own retirement benefits and spousal benefits, you will receive whichever is higher. As a non-working spouse, you are allowed to file for benefits prior to full retirement age, but those benefits would be paid out at a reduced rate. The following are some things to keep in mind regarding spousal benefits:

- You must be at least age 62 to qualify for benefits.
- Your spouse must file for benefits. Unless you are divorced, you can't collect spousal benefits until your spouse has filed for their own benefits.
- The maximum spousal benefit is 50%. At full retirement age, you will receive 50% of your spouse's benefits.
- At full retirement age, one option available to you is to receive spousal benefits and delay taking your own. This is called a "Restricted Application" which allows you to earn *Delayed Retirement Credits* and receive a higher benefit later. NOTE: As of new rules effective in 2016, a "Restricted Application" is only available for people born January 1, 1954 or earlier. For full details, see section titled: "The Bipartisan Budget Act of 2015 – How It Affects Your Social Security Benefits."
- If you claim any benefit before full retirement age, that benefit will be permanently reduced.

Source - www.ssa.gov/retire2/yourspouse.htm

Widowed – Survivor Benefits

As a survivor, your benefit as a widow or widower can start any time between age 60 and full retirement age. If your benefits start at an earlier age, they will be reduced a fraction of a percent for each month before full retirement age. If you are over full retirement age, your benefit will be 100% of your deceased spouse's benefit. Bear in mind that if your deceased spouse elected early benefits, your benefits will be based on that reduced amount.

Consequently, if they delayed benefits to a later age (up to age 70), your benefit will be based on that increased amount. If you were both full retirement age at the time of death, you will receive the greater of either your benefit or 100% of your deceased spouse's benefit. If you receive a widow's or widower's benefit and will qualify for retirement benefits that's more than your survivor's benefit, you can switch to your own retirement benefit as early as age 62 or as late as age 70.

Note: Keep in mind that the maximum survivor's benefit is limited to what the worker would have received if they were still living.

Source - www.ssa.gov/planners/survivors

Divorced Spouse Benefits

If you are divorced, but your marriage lasted 10 years or longer, you can receive Social Security benefits on your ex-spouse's record (even if he or she has remarried). Although you can apply for benefits as early as age 62, benefits would be paid out at a reduced amount. Following your divorce, after a two year period, it is no longer necessary for your ex-spouse to apply for benefits for you to receive yours. If you remarry, you generally cannot collect benefits on your former spouse's record unless your later marriage ends by death, divorce, or annulment.

As a divorced spouse, you can choose to receive only your divorced spouse's benefits and delay receiving your retirement benefits until a later date. This is called a "Restricted Application" which allows you to receive a higher benefit later based on delayed retirement credits. NOTE: As of new rules effective in 2016, a "Restricted Application" is only available for people born January 1, 1954 or earlier. For full details, see section titled: "The Bipartisan Budget Act of 2015 – How It Affects Your Social Security Benefits."

Source - www.ssa.gov/planners/retire/yourdivspouse.html

The Taxation of Social Security Benefits

Due to tax amendments that were passed first in 1983 and again in 1993, the rules changed regarding the taxation of Social Security benefits. Today, some individuals are placed in the position of paying taxes on as much as 85% of their Social Security benefits. This occurs if you have too much PROVISIONAL INCOME that must be reported on your tax return. Provisional income includes all items which are normally part of your adjusted gross income which includes: wages, pensions, dividends, and interest. In addition to these amounts, tax-exempt interest income AND 50% of your Social Security benefits are included.

This information is designed to provide general information on the subjects covered. It is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties, or to promote, market, or recommend any tax plan or arrangement. Please note that our organization, its affiliated companies, and their representatives do not give legal or tax advice. We encourage you to seek advice from your tax advisor or attorney prior to making decisions regarding your individual situation.

Filing Status	Provisional Income	Percentage of Social Security that is taxable
Single, head of household, qualifying widower, and married filing separately (where the spouses lived apart the entire year)	Below $25,000	All Social Security income is tax-free.
	$25,000 - $34,000	Up to 50% of Social Security benefit may be taxable.
	More than $34,000	Up to 85% of Social Security benefit may be taxable.
Married couple filing jointly	Below $32,000	All Social Security income is tax-free.
	$32,000 - $44,000	Up to 50% of Social Security benefit may be taxable.
	More than $44,000	Up to 85% of Social Security benefit may be taxable.

For more information please see IRS Publication 915, **Social Security and Equivalent Railroad Retirement Benefits.**

One possible solution to lower the amount of tax you pay on your Social Security benefits lies with creating a strategy to help reduce your overall taxable income. This may be accomplished by changing the types of your financial vehicles that pay interest/dividends and purchasing an insurance product that can help reduce your income taxes while providing income payments in the future for your retirement.

There is an insurance product available that can assist you in converting your “countable” income into “non-countable” income. An annuity is a financial vehicle that provides tax deferral on interest accumulation that could potentially help by reducing the amount of money that counts toward your threshold income, thus lowering, and sometimes possibly even eliminating, the amount of taxes you pay on your Social Security benefits.

It should be noted that annuities are a long-term product meant to provide income through retirement with one benefit being that they can provide tax deferral on interest growth and should not be purchased solely on the tax deferral feature. In addition, they also can provide guarantees against the loss of principal and credited interest as well as the reassurance of a death benefit for listed beneficiaries.

Guarantees are backed by the financial strength and claims paying ability of the issuing insurance company. Any distributions are subject to ordinary income tax, and, if taken prior to age 59 and 1/2, a 10% federal tax penalty. Any transaction that involves a recommendation to liquidate funds held in a securities product, including those within an IRA, 401(k) or other retirement plan for the purchase of an annuity, can be conducted only by individuals currently affiliated with a properly registered broker/dealer or registered investment advisor.

The Bipartisan Budget Act of 2015 – How It Affects Your Social Security Benefits

The Bipartisan Balanced Budget Act of 2015 has introduced substantial changes to Social Security claiming rules.

These changes specifically impact the File and Suspend and Restricted Application - two claiming options that enabled married couples to earn Delayed Retirement Credits that helped to optimize their Social Security benefits under the old law.

File-and-Suspend – No Longer Available As Of May 1, 2016.

Prior to the new law, File-and-Suspend enabled a couple to maximize their benefits by allowing the primary earner to file at Full Retirement Age (FRA) which then allowed their spouse to receive their portion of spousal benefits. The primary earner would then suspend their own benefits until they reached the age of 70 to take advantage of added retirement benefits. This filing option will no longer be available as of May 1, 2016.

Restricted Application – To Be Phased Out By Year 2020

Restricted Application allows a spouse who has reached full retirement age (FRA), and is eligible for his/her own retirement benefit, to collect only their spousal benefit based on the spouse's earning record. This enabled the spouse's own retirement benefit to grow by earning Delayed Retirement Credits. At a later date, or by age 70, the spouse can then switch to his/her own maximized retirement benefit. For those who turned age 62 prior to 2016 (people born January 1, 1954 or earlier), it is still possible to file a Restricted Application before it's phased out by year 2020.

What These Changes Mean For You

- If you are already receiving Social Security benefits, you will not be affected by the new filing rules.
- If you are widowed, the new filing rules do not apply to you. You can still choose the timing of when to start your Survivor or Individual benefits.
- If you were born on or before Jan. 1, 1954, you will still be able to file a Restricted Application, and earn Delayed Retirement Credits, before this option is phased out in 2020.
- If you were born on or before May 1, 1950, and not currently receiving retirement benefits, you'll need to elect to suspend your benefit by April 30, 2016, to take advantage of the File-and-Suspend Rules before they expire. NOTE: You can file three months in advance of your birthday.
- If you turned 62 by December 31, 2015, you can still use File-and Suspend when you reach your full retirement age of 66.

Effective Dates and Claiming Deadlines for Various File-and-Suspend and Restricted Application Scenarios

<table>
<tr><th></th><th colspan="2">CURRENTLY MARRIED</th><th colspan="2">UNMARRIED DIVORCED SPOUSE (PREVIOUSLY MARRIED > 10 YEARS)</th><th>PARENT WITH DEPENDENT / DISABLED</th><th>SURVIVING SPOUSE</th><th>INDIVIDUAL</th></tr>
<tr><th></th><th>File & Suspend</th><th>Restricted Application</th><th>File & Suspend</th><th>Restricted Application</th><th>File & Suspend</th><th>File & Suspend or Restricted Application</th><th>File & Suspend</th></tr>
<tr><td>AGE 65 1/2 OR OLDER BY OCTOBER 29, 2015 (BORN APRIL 30, 2015 OR EARLIER)</td><td>Still available at FRA* must file by April 29, 2015</td><td rowspan="2">Still available at FRA* if otherwise eligible for spousal benefits</td><td rowspan="3">Not applicable</td><td rowspan="2">Still available at FRA* as long as former spouse also > age 62</td><td>Still available at FRA* must file by April 29, 2015</td><td rowspan="3">New rules not applicable. Can still be independetly choose timing of when to start survivor and individual retirement benefits</td><td>Must be FRA* and complete file-and-suspend by April 29, 2016 for future reinstatement</td></tr>
<tr><td>AGE 62-OR-OLDER IN 2015 (BORN 1953 OR EARLIER OR ON JANUARY 1, 1954)</td><td rowspan="2">Not eligible</td><td rowspan="2">Not eligible but can still Start-Stop-Start</td><td rowspan="2">No future lump sum reinstatement</td></tr>
<tr><td>UNDER AGE 62 IN 2015 (BORN JANUARY 2, 1954 OR LATER)</td><td>Not eligible</td><td>Not eligible</td></tr>
</table>

*FRA = Full retirement age = 66 for those born 1954 or earlier