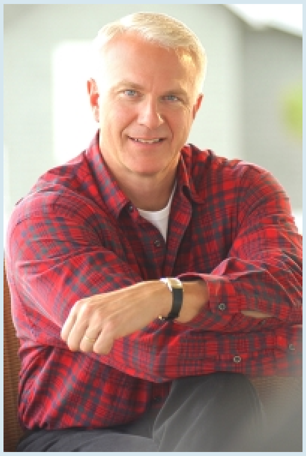
Premier Insurance Contracts, Inc
contact@prinsuco.com

Social Security



When you take Social Security benefits is a personal decision. There's no "one-size-fits-all" answer.

Introduction

As you approach retirement, one of the biggest financial decisions you'll need to make is when to begin receiving your Social Security benefits. Should you begin receiving a smaller Social Security benefit early, or should you opt to wait until full retirement age or even longer in order to receive a larger benefit?

There's no "one-size-fits-all" answer; when to begin receiving Social Security benefits depends on your personal circumstances, and there are many variables. For example, you may have to take Social Security benefits as early as possible if you need Social Security income to meet day-to-day living expenses, perhaps because of illness, disability, or unemployment. But if that's not the case--if you have other sources of retirement income or you want to continue working, for example, you may decide that waiting to claim Social Security benefits makes the most financial sense for you.

No matter what situation you're in, you'll want to take the time to make an informed, well-reasoned decision about when to begin receiving your Social Security benefits. Here are some questions to consider:

- How much will you receive from Social Security? That depends on your earnings history, and whether you decide to receive benefits at full retirement age, earlier, or later.
- How long will retirement last? You'll need to consider your life expectancy and other factors.
- What's the effect on your overall retirement income plan? How much Social Security income you'll need depends on your projected retirement expenses and the amount of retirement income you'll have from other sources.
- How will your spouse be affected? When you're married, it's important to plan together to maximize both retirement and survivor benefits.
- Do you plan to keep working after you begin receiving your Social Security benefits? If so, you'll need to consider how your Social Security benefit might be affected.
- What about taxes? If you have substantial income from other sources in addition to your Social Security benefits, part of your Social Security benefits may be taxable, so this may be a factor in your decision.

Social Security: How Much Will You Receive?

Social Security benefits are a major source of retirement income for most people. When you begin taking Social Security greatly affects the size of your benefit.

Your Social Security retirement benefit is based on the number of years you've been working and the amount you've earned. When you become entitled to retirement benefits at age 62, the Social Security Administration (SSA) calculates your primary insurance amount (PIA), upon which your retirement benefit will be based, using a formula that takes into account your 35 highest earnings years. At your full retirement age, you'll be entitled to receive 100% of that amount. This is known as your full retirement benefit.

What is your full retirement age?

Your full retirement age is 66 to 67, depending on your year of birth. Once you know your full retirement age, you can decide whether you want to receive a reduced benefit earlier (as early as age 62), a full benefit at full retirement age, or an increased benefit by waiting beyond your full retirement age to collect (you can delay benefits up until age 70).

If you were born in:	Your full retirement age is:
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 or later	67

Note: *If you were born on January 1 of any year, refer to the previous year to determine your full retirement age.*

How much will you get at various ages?

At full retirement age

At full retirement age, you will be eligible for a full Social Security benefit, provided, of course, that you have worked in a job covered by Social Security and meet other eligibility requirements.

Earlier than full retirement age

You can begin receiving Social Security benefits before your full retirement age, as early as age 62. However, if you begin receiving

Three advantages of Social Security

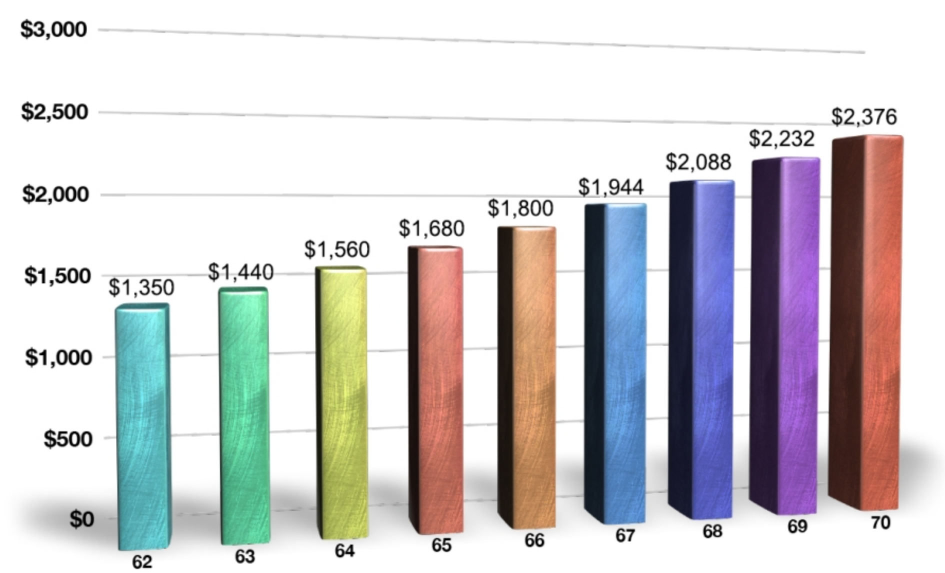
- *A steady stream of lifetime income that you can't outlive*
- *Automatic annual inflation adjustments (COLA)--if the cost of living rises, your benefit will increase by a certain percentage to help offset the effects of inflation*
- *Benefits for eligible family members--after you retire, certain members of your family may also be eligible for benefits based on your Social Security record, and your survivors may continue to receive income after your death*

benefits early, your Social Security benefit will be less than if you had waited until your full retirement age to begin receiving benefits. Specifically, your retirement benefit will be reduced by 5/9ths of 1% for every month between your retirement date and your full retirement age, up to 36 months, then by 5/12ths of 1% thereafter. For example, if your full retirement age is 66, this means that you'll receive about 25% less than your full retirement benefit if you retire at age 62 (30% less if your full retirement age is 67). This reduction is permanent--you won't be eligible for a benefit increase once you reach full retirement age. However, even though your monthly benefit will be less, you might receive the same or more total lifetime Social Security benefits as you would have had you waited until full retirement age to start collecting benefits. That's because even though you'll receive less money per month, you might receive benefits over a longer period of time.

Later than full retirement age

You will permanently increase your retirement benefit for each month that you delay receiving Social Security retirement benefits past your full retirement age. Your benefit will increase by a predetermined percentage for each month you delay retirement up to the maximum age of 70. For anyone born in 1943 or later, the monthly percentage is 2/3 of 1%, so the annual percentage is 8%. So, for example, if your full retirement age is 66 and you delay receiving benefits for 4 years, your benefit at age 70 will be 32% higher than at age 66.

For example, the chart below shows how much a monthly benefit of $1,800 at full retirement age would be worth if taken earlier or later than full retirement age:



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How can you estimate your own benefit?

You can estimate your benefits under current law by using the benefit calculators available on the Social Security website, socialsecurity.gov. You can also sign up for a *my* Social Security account so that you can view your online Social Security Statement there. Your statement contains a detailed record of your earnings, as well as estimates of retirement, survivor's, and disability benefits, along with other information about Social Security that will be very useful when planning for retirement. If you're not registered for an online account and are not yet receiving benefits, starting at age 60 you'll receive a statement in the mail annually.

How Long Will Retirement Last?

If you're married, you'll want to consider the joint life expectancies of you and your spouse.

You'll need to make sure that you have enough retirement income to last for the rest of your life. But how many years will retirement last? You can never know for sure, but you can make an educated guess by using tools or statistical tables to calculate your life expectancy. You may also want to consider information such as your current health and your family's health history. Once you have that information, you can use it to help you decide when to take your Social Security benefits. For example, if you have a serious health condition, you may decide to take benefits earlier. On the other hand, if you can reasonably expect to live well into your 80s or even 90s, you may decide to delay receiving Social Security benefits so that you can increase the amount of each monthly check, and boost the odds that you'll have enough income for the years ahead.

What is your statistical life expectancy?

According to data compiled by the Social Security Administration, a man who reaches age 65 today can expect to live, on average, until approximately age 84.2, while a woman who reaches age 65 can expect to live, on average, until approximately age 86.7. As these statistics show, women are likely to outlive men, so married couples need to consider their joint life expectancies. (Source: Social Security Online Life Expectancy Calculator at socialsecurity.gov, accessed January 2019.)

What is your break-even age?

Calculating your "break-even" age can help you compare the long-term financial consequences of starting benefits at one age versus another. Your break-even age is the age at which the total accumulated value of your retirement benefits taken at one age equals the value of your benefits taken at a second age. Although many factors can affect this number, you'll generally reach your break-even age about 12 years from your full retirement age if taxes and inflation aren't accounted for. For example, if you begin receiving benefits at age 62, and your full retirement age is 66, you will generally reach your break-even age at 78. This calculation may vary by one to three years, depending on what factors are used.

However, unless you're able to invest your benefits rather than use them for living expenses, your break-even age is probably not the most important part of the equation. For many people, what really counts is how much they'll receive each month, rather than how much they'll accumulate over many years.

What is your maximum life span?

To reduce the risk that you will live far past the average life expectancy and simply run out of money, you may opt to plan for your maximum life span. According to the Social Security Administration, more than one in three 65 year olds today will live to age 90, and more than one in seven will live to age 95. (Source: SSA Publication 05-10147, January 2019) Planning for your maximum life span could mean waiting a few years to take benefits, so that you'll receive a higher monthly benefit for life. And remember, because you'll receive annual cost-of-living adjustments if prices rise, your Social Security benefit will keep pace with inflation, unlike most other sources of retirement income.

Are You Planning to Work While Collecting Benefits?

You can use the Retirement Earnings Test calculator at the Social Security Administration website, socialsecurity.gov, to see how earnings before retirement age might affect your benefit.

If you're thinking about working well into your 60s and 70s to increase your retirement savings, you may be wondering whether you can receive your Social Security benefits while you continue to work. The answer is yes--many people choose to apply for Social Security benefits before they actually retire. Others retire from their full-time careers, but continue to work part-time. It may be advantageous to work as long as possible if you want to increase your Social Security retirement benefit, because your benefit will be recalculated annually if you have had any new earnings that might result in a higher benefit. However, although you can work and still receive Social Security, if you're under full retirement age, wages you earn as an employee (or net earnings from self-employment income) may temporarily reduce your retirement benefit.

If your earnings exceed a certain amount--called the annual earnings limit--part of your benefit will be withheld, reducing the amount you receive from Social Security. But once you reach full retirement age, you can work and collect full Social Security benefits--earnings from a job won't affect your benefit at all. Here are the rules.

- If you're under full retirement age for the entire year, $1 of your benefit will be withheld for every $2 you earn over the annual earnings limit ($17,640 in 2019)
- A higher earnings limit applies in the year you reach full retirement age, and the calculation is different, too--$1 of your benefit will be withheld for every $3 you earn over $46,920 (in 2019)

Here's an example. Let's say that you're 63 years old, and you receive $20,000 annually from Social Security. You earn $10,000 more than the annual earnings limit, so consequently $5,000 of your benefit ($1 for every $2 above the earnings limit) will be withheld.

If your earnings will be high enough to affect your Social Security benefit, you may want to consider waiting until full retirement age to begin receiving benefits, because once you reach full retirement age, you can earn as much as you want, and your benefit won't be affected.

However, even if you're under full retirement age and subject to the annual earnings limit, you should keep in mind that you're not actually losing your benefit because you choose to work, so you don't need to try to limit your earnings. If some of your benefits are withheld, you'll generally receive a higher monthly benefit at full retirement age, because after retirement age the Social Security Administration recalculates your benefit every year and gives you credit for any of those earnings that are withheld. So the effect working will have on your benefit is only temporary, and any additional earnings you have may actually increase your benefit later.

What's the Effect on Your Retirement Income Plan?

When putting together a retirement income plan, you'll need to consider how much income you'll need in order to lead the retirement lifestyle you desire, then determine what sources of income you'll have in retirement. Social Security has always been a major source of income for many retirees, but with fewer companies offering traditional pensions, Social Security is playing an even more important role in retirement income planning. Not only can Social Security help protect you against risks that retirees often face, including longevity risk (the risk of outliving your retirement income) and inflation risk (the risk that your income won't keep up with the rising cost of living), but it also offers built-in benefits for your family members and survivors.

Other retirement benefits may affect your decision

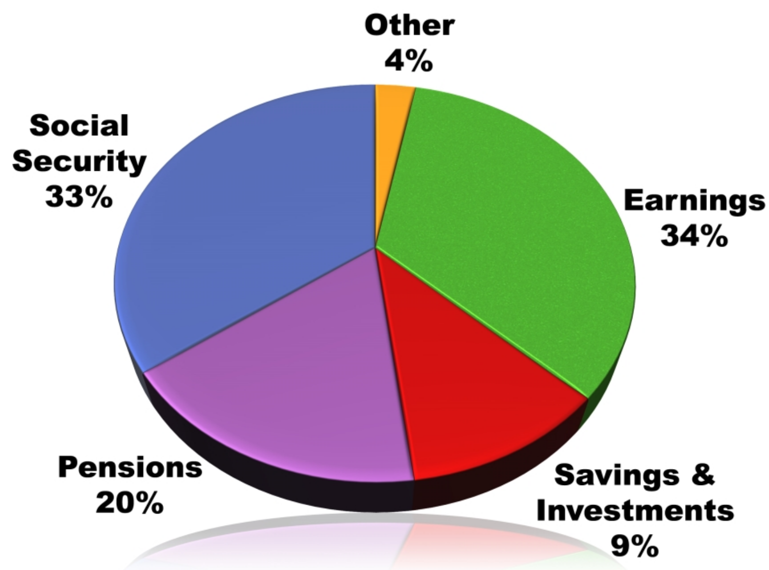
When you begin taking Social Security benefits will affect the amount of retirement income you have. If you have less than adequate retirement savings or no pension, you may need to rely more heavily on your Social Security income, leading you to take benefits early if you need retirement income as soon as possible, or conversely, encouraging you to postpone taking benefits so that you can earn the highest benefit possible. But if you have been able to accumulate substantial retirement assets, you may have more flexibility when it comes to timing your Social Security benefits.

For example, it's possible that taking your Social Security benefits sooner rather than later will allow you to delay withdrawing funds from tax-advantaged investments such as 401(k) plans, 403(b) plans, or traditional IRAs, allowing them to potentially accumulate tax deferred a bit longer. This may help your investments to last as long as needed. Alternatively, tapping other retirement assets first may allow you to postpone claiming Social Security benefits, thereby allowing you to accrue delayed retirement credits. Having higher Social Security income may enable you to rely less on your investments, allowing you to better adapt to market fluctuations.

Keep in mind, too, that if you're eligible for pension benefits, Social Security benefits may affect that income. For example, pension benefits from a job not covered by Social Security may be reduced (offset) by any Social Security income you'll receive.

These are just a few of the points you'll need to take into account when deciding when to begin receiving Social Security benefits, but you'll want to discuss your personal retirement income plan with your financial professional.

What Are the Major Sources of Retirement Income?



Source: *Fast Facts & Figures About Social Security, 2017, Social Security Administration*

Will Your Social Security Benefits Be Taxed?

Depending on what income you have in addition to your Social Security benefit, taxes may be a consideration. If the only income you had during the year was Social Security income, then your benefit generally won't be taxable. However, other income you receive during the same year (generally earned income or substantial investment income) may trigger taxation of part of your Social Security benefit. It's important to look at how other sources of income are taxed and how your overall tax liability might be affected when considering when to take your Social Security benefits.

As the following table shows, your Social Security benefit won't be taxable if your combined income* is less than $25,000 if you file an individual tax return ($32,000 if you file a joint tax return), but you may pay tax on up to 85% of your benefit if your combined income* is more.

Individual	Joint	Taxable benefit
Less than $25,000*	Less than $32,000*	None
$25,000-$34,000*	$32,000-$44,000*	Up to 50%
More than $34,000*	More than $44,000*	Up to 85%

*Your combined income = adjusted gross income + nontaxable income + ½ of Social Security benefit income

Here's an example. Let's say you're single and you have annual Social Security income of $20,000 a year. In this case, your Social Security benefits aren't taxable because they're your only source of retirement income. But what if you work while receiving benefits and make $30,000 per year? In that case, up to 85% of your benefit will count as taxable income because your modified adjusted gross income plus one-half of your Social Security income is greater than $34,000 per year.

Note: *The IRS has a worksheet you can use to determine whether or not your Social Security benefits are taxable. You can find this worksheet and more information about the taxation of Social Security benefits in IRS Publication 915, Social Security and Equivalent Railroad Retirement Benefits.*

The bottom line? When you're making your decision about when to begin receiving your Social Security benefits, federal and, in some cases, state income taxes may be a consideration if you have substantial taxable income such as earned income, taxable pension income, or investment income. You'll want to talk to your financial professional or tax advisor about how any other income you have may affect the taxation of your Social Security benefits.

According to the Social Security Administration, about 40% of beneficiaries owe income taxes on their Social Security benefits. (Source: SSA Publication 05-10024, January 2019)

How Will Your Spouse Be Affected?

When to begin receiving Social Security is more complicated when you're married, because you and your spouse will need to consider how this decision will affect your joint retirement plan. Are you both eligible for benefits? How much will you each receive? What are your combined life expectancies? These are some of the variables that can affect the decisions you make.

It's important to plan together because married couples may qualify for retirement benefits based on their own earnings records, and/or for spousal benefits based on their spouse's earnings record. The surviving spouse may also qualify for widow or widower's benefits based on what his or her spouse was receiving. The age at which you begin receiving benefits may significantly affect the amount of lifetime income you and your spouse receive, as well as the benefit the surviving spouse will be entitled to. Here are a few of the rules:

- If your spouse hasn't worked or has had low lifetime earnings, he or she may be entitled to receive a spousal benefit equal to 50% of your full retirement amount if his or her benefits begin at full retirement age.
- If you are already receiving retirement benefits, your spouse can begin collecting spousal benefits as early as age 62, but the benefit amount will be permanently reduced. The amount of the reduction depends on your spouse's full retirement age. For example, if your spouse's full retirement age is 66, he or she can get 35% of your unreduced benefit at age 62 (32.5% if your spouse's full retirement age is 67).
- At or after full retirement age, the surviving spouse is generally eligible for the greater of his or her own benefit or 100% of the benefit his or her spouse was receiving (or was entitled to receive) at the time of his or her death. Reduced survivor benefits may be payable as early as age 60 (50 if surviving spouse is disabled).

The rules are complicated and may vary depending on your personal circumstances, so talk to a Social Security representative if you have questions. Contact the Social Security Administration at (800) 772-1213.

Potential planning opportunity for married couples

New rules included in legislation passed at the end of 2015 effectively eliminated Social Security claiming strategies that some couples have been using to maximize both retirement income and income for the surviving spouse. However, some individuals have been grandfathered under the old rules, and have a limited window of opportunity to take advantage of a strategy called filing a restricted application for spousal benefits.

File for one benefit, then the other using a "restricted application"

This strategy is potentially still available to those who were born on or

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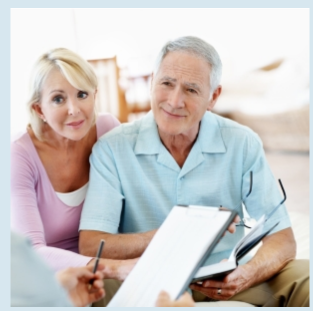
before January 1, 1954. Here's how this strategy typically works for those who still qualify.

Assume that you are eligible for Social Security retirement benefits on your own earnings record (your worker benefit) and spousal benefits based on your spouse's earnings record (your spousal benefit). Once you reach full retirement age (66), you may opt to file a restricted application for spousal benefits, if your spouse has already filed for his or her own worker benefit. This allows you to accumulate delayed retirement credits on your own worker benefit, increasing your benefit by about 8% per year, up until age 70. This may help to maximize survivor income as well as retirement income, because the surviving spouse will generally be eligible for the greater of his or her own benefit or 100% of the spouse's benefit.

But even if it's an option, the restricted application strategy isn't right for everyone. You'll need to consider factors such as age differences, benefit differences, other sources of retirement income, life expectancy, and income taxes when deciding whether to use this strategy.

If you are divorced and meet eligibility requirements, you may be able to receive spousal retirement or survivor benefits based on your ex-spouse's Social Security record. See the "Questions and Answers about Social Security" section of this workbook for more information.

Questions and Answers about Social Security



As you near retirement, it's likely you'll have many questions about Social Security. Here are some of the most common questions and answers about Social Security benefits.

Will Social Security be around when you need it?

You've probably heard media reports about the worrisome financial condition of Social Security, but how heavily should you weigh this information when deciding when to begin receiving benefits? While it's very likely that some changes will be made to Social Security (e.g., payroll taxes may increase or benefits may be reduced by a certain percentage), there's no need to base your decision about when to apply for benefits on this information alone. Although no one knows for certain what will happen, if you're within a few years of retirement, it's probable that you'll receive the benefits you've been expecting all along. If you're still a long way from retirement, it may be wise to consider various scenarios when planning for Social Security income, but keep in mind that there's been no proposal to eliminate Social Security.

How do you apply for Social Security benefits?

According to the Social Security Administration (SSA), you should apply for Social Security benefits approximately three months before your retirement date. To apply for Social Security benefits, you can fill out an application on the SSA website, socialsecurity.gov or call or visit your local Social Security office. You can also call the SSA at (800) 772-1213 to discuss your options or to get more information about the application process.

Benefits paid to your spouse, ex-spouse, or children will not reduce your Social Security benefit. However, in some cases, a family maximum may apply--contact the SSA for more information.

Once you begin receiving retirement benefits, can your child receive benefits too?

A dependent child may qualify to receive benefits based on your earnings record. To receive benefits, your child must be unmarried and be under age 18 (or 18 to 19 if a full-time student in elementary or secondary school) or be 18 or older and disabled from a disability that started before age 22. Your child may be your biological child, adopted child, stepchild, or dependent grandchild. Your qualifying child may receive a benefit that is up to one-half of your full retirement benefit.

If you're divorced, can you receive Social Security retirement benefits based on your former spouse's earnings record?

You may be able to receive benefits based on an ex-spouse's earnings record if you were married at least 10 years, you're currently unmarried, and you're not entitled to a higher benefit based on your own earnings record. You can apply for a reduced spousal benefit as early as age 62 or wait until your full retirement age to receive an unreduced spousal benefit. If you've been divorced for more than two years, you can apply as soon as your ex-spouse becomes eligible for benefits, even if he or she hasn't started receiving them (assuming you're at least 62). However, if you've been divorced for less than two years, you must wait to apply for benefits based on your ex-spouse's earnings record until he or she starts receiving his or her own benefits.

You don't have to worry about losing your benefit even if your ex-spouse remarries. Benefits for a divorced spouse are calculated separately from those of a current spouse.

If you delay receiving Social Security benefits until after full retirement age, should you still sign up for Medicare at age 65?

Even if you plan on waiting until full retirement age or later to take your Social Security retirement benefits, consider signing up for Medicare three months before you reach age 65. If you enroll late for Medicare Part B (medical insurance) your coverage may be delayed or cost more later. Visit the Medicare website, medicare.gov to learn more.

Will a retirement pension affect your Social Security benefit?

If your pension is from a job where you paid Social Security taxes, then it won't affect your Social Security benefit. However, if your pension is from a job where you did not pay Social Security taxes (such as certain government jobs) two special provisions may apply.

The first provision, called the government pension offset (GPO), may apply if you're entitled to receive a government pension as well as Social Security spousal retirement or survivor benefits based on your spouse's (or former spouse's) earnings. Under this provision, your spousal or survivor benefit may be reduced by two-thirds of your government pension (some exceptions apply).

The windfall elimination provision (WEP) affects how your Social Security retirement or disability benefit is figured if you receive a pension from work not covered by Social Security. The formula used to figure your benefit is modified, resulting in a lower Social Security benefit.

What if you change your mind about when to begin Social Security benefits?

You have a limited opportunity to change your mind after you've applied for benefits. You can complete Form SSA-521, Request for Withdrawal of Application, and reapply at a later date. But if you're already receiving benefits, you can only withdraw your claim if it has been less than 12 months since you first became entitled to benefits, and you're limited to one withdrawal per lifetime. In addition, you must repay all benefits already paid to you or your family members based on your application, as well as any money withheld from your checks, including Medicare premiums, or tax withholding.

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Premier Insurance Contracts, Inc
contact@prinsuco.com