This training guide will first review the functionality of Social Security income from within a Client's Advanced Facts and then look at the Basic Facts view of Social Security. Review the Glossary of Terms at the end of this guide for expanded term discriptions.

Social Security in Advanced Facts

From the Advanced Facts, an Advisor can enter social security benefits for both Client and Spouse.

Click **Facts, Income**, and then **Social Security**.

The Client or Spouse **Full Retirement Age** is displayed at the top of the Specify Benefits section of the basic tab. Full Retirement Age (FRA) is calculated based on the Client birthdate and is displayed as years and months, including those with 0 months, to make it clear when benefits will start.

There are **five** ways to model Social Secuirty income: Estimate From Income, Full Retirement Age, Manually at Specific Age (choosing a date, not referencing), Exempt Pension, and No Retirement Benefits.

1. **Estimate From Income** - The simulation calculates a PIA for benefit calculation and then calculates actual benefits. To do this, a numbers of assumptions must be made to approximate a wage record for the worker. This includes assumptions about their past wage history as well as projection of their future wage expectations. When choosing estimate from income, other fields are enabled to allow you to create a somewhat more accurate work history.

2. **Full Retirement Age Amount** - The use case for this selection is the entry of the worker's PIA (Primary Insurance Amount) from either their Social Security statement or as an estimate by the advisor. PIA is the basis for a number of calculations such early retirement reduction, delayed benefits credit, and spousal benefits. PIA and Full Retirement Age Amount are the same thing. With the new Social Security Statements, the Full Retirement Age Amount is clearly stated on the top right of page 1 of the statement.

    You only need to enter the Client's **Full Retirement Age Amount** in the **Benefit Specified As** field and then enter the age at which the **Benefit Begins**. If the **Benfit Begins** age is different than the Client's actual **Full Retirement Age Amount** shown at the top, the system will calculate any delayed credits or early payment reductions and adjust the actual benefit accordingly. You do not need to calculate any credits or reductions, simply keep the Annual Retirement Benefits from the Client's Social Security Statement the same and the system will calculate any adjustment.

3. **Manually at Specific Age** - This selection allows you to specify the exact amount of benefits be paid out at a specific age in either today's or future dollars (via indexing inputs). This is be best option if the Client is currently receiving benefits or over age 70.

4. **Exempt Pension** - In certain cases a person may be exempt from Social Security The worker who is exempt never receives any benefits, their spouse does not receive spousal benefits, their spouse and children do not receive survivor benefits, and the worker does not pay the Social Security portion of the payroll tax. They do, however, continue to pay the Medicare portion of the payroll tax.
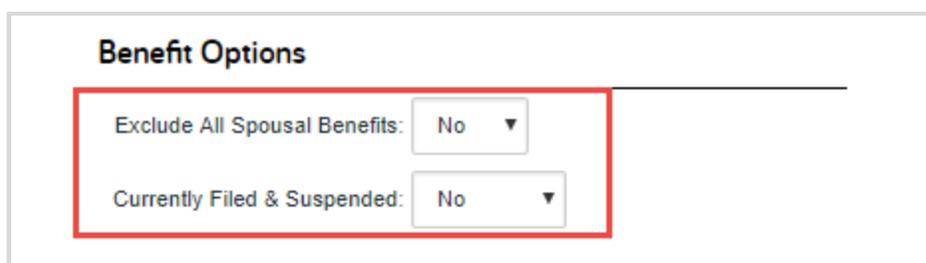
> **Please Note:** In actuality it may be possible for an exempt person to be eligible for a spousal benefit, though one that is often heavily reduced. At this time, we do not support this case.

5. **No Retirement Benefits** - The No Benefits feature is used for a client who does not have enough qualifying work history and no current salary. It can also be used in situations where you don't want to include social security as part of the plan, regardless of the client or spouse's eligibility. In such a case, set both to "No Benefit". If one person were to be set to take social security, the person with "No Benefits" might then receive spousal benefits or survivor benefits. All earnings will be subject to social security tax.

Benefit Options

Exclude All Spousal Benefits: "Yes" disables spousal benefits.

Currently Filed & Suspended: The ability to file and suspend was repealed as of April 30, 2016. Any file and suspend performed before this date is "grandfathered" and is still valid. Use this field to enter if the client, spouse, or both filed and suspended prior to the repeal date.

If a client is currently a widow and collecting spousal benefit, enter this as an **Other Income**.

Social Security in Basic Facts

In the Basic Facts, click on **Income** and drill down into the **Social Security** to see available options and the **Help me Compare Options** report.

You will have the same five options to specific the Client's Social Security benefit.

The **Help me Compare Options** report is ONLY found in Basic Facts and shows the annual and cumulative results of various Social Security benefit filing strategies.

> **Please Note:** The Help me Compare Options will not be available if both Client and Spouse are specified as exempt and/or no benefits, as the link is disabled.

Click the **Export to PDF** link to download a printable version of this report to your desktop.

📊 SOCIAL SECURITY OPTIONS ✕

Annual Retirement Benefits

	Frank M.	Joanna M.
Age 62	$23,806 🟢	$11,904 🟢
FRA	$34,008 🔵	$18,084 🔵
Age 70	$42,170 🟠	$24,120 🟠
Current Strategy	$23,806 🔵	$14,880 🔵

Total Cumulative Benefits

	Frank M.	Joanna M.
Age 62	$1,949,160 🟢	$1,055,146 🟢
FRA	$2,553,841 🔵	$1,449,127 🔵
Age 70	$2,977,527 🟠	$1,811,757 🟠
Current Strategy	$1,949,160 🔵	$1,235,259 🔵

Strategy Summary

- Using **Current Strategy** is best if your life expectancy is before age 63/62
- Using the strategy **Age 62** is best if your life expectancy is between ages 63/62 and 76/75
- Using the strategy **FRA** is best if your life expectancy is between ages 76/75 and 80/79
- Using the strategy **Age 70** is best if your life expectancy is age 80/79 or later

Export to PDF

Glossary of Terms:

Full Retirement Age (FRA) - Defined as being between ages 65-67, depending upon the year of birth.

At Retirement – an option located from the Benefit Begins drop-down, when selected the simulation adjusts a client's Social Security benefit to begin based on the system's understanding of when retirement begins. You can update a client's retirement age in assumptions. If using an annual simulation, retirement will occur on January 1 and if on monthly simulation, retirement occurs at the start of the client's birth month.

Primary Insurance Amount (PIA) - Equal to the amount that the worker will receive if they begin collecting retirement benefits at their FRA. Earlier or later retirement (see related terms below) will cause adjustments to be made to the PIA. The PIA is important in that it is used to calculate other benefits such as those for a survivor or a surviving child. PIA is also called the Full Retirement Age Amount which is the nomenclature used in the system.

Delayed Retirement Credit - Once a worker reaches their FRA, they may delay receipt of benefits. The amount of benefit increases each month that they delay up until age 70 at which point there is no increase beyond COLA, meaning there is no advantage to delaying benefits any longer.

Early Retirement Reduction - Once a worker reaches age 62, they may apply for retirement benefits, but these benefits are reduced by a certain percentage for each month prior to the worker's FRA.

File & Suspend - It is possible for a worker to file for retirement benefits and immediately suspend them. This potentially makes the filer's benefit available for calculation of spousal benefits (see below). There are rules governing this, such as the requirement that suspension must take place at or after FRA. There is no choice for File & Suspend in the system. The system will deduce whether file & suspend is needed based on the facts entered.

Spousal Benefit – Spousal benfits are automatically calculated & included when appropriate based on the other facts of the case. The spouse of the worker who is the primary wage earner may be eligible to collect a spousal benefit. If the spouse's retirement benefit is less than or equal to half of the worker's PIA, their benefit is calculated by first awarding them their own retirement benefit and then "topping up" their total benefit up to one half of the worker's PIA. Note that spousal benefits cannot be collected if the worker who is the primary wage earner has not yet filed for retirement benefits.

Early Survivor Reduction - If a widow(er)takes the survivor benefit prior to their FRA, a reduction is applied similar to the way early an retirement benefit is handled but there are several rules changes that make them incompatible.

Restricted Spousal Benefit - It may be possible for a worker's spouse to collect a spousal benefit before having to file for retirement benefits based on their own wage record. There are several restrictions detailed in the Simulation Behavior section below, such as the worker having to have filed for benefits (though potentially having also suspended them) and spouse needing to have at least reached FRA.

Survivor Benefit - A widow(er) is potentially eligible to collect benefits based upon their deceased spouse's Social Security record. If the deceased had already filed for benefits, the survivor benefit is based upon that amount which means it could potentially be greater or less than PIA if the deceased filed early or delayed filing until after FRA. If the deceased had not filed for benefits, the survivor may calculate a benefit based upon the deceased's PIA.