



UNLOCKING SOCIAL SECURITY

I Have a Question

The Keys to Unlocking Social Security
and Making Your Benefits Work For You

[FINRA Professional's Name]

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Who is Transamerica?

For more than 100 years, Transamerica has helped people take control of their financial futures. One of the ways we do this is by building investment solutions for advisors to use with their clients.



Why I'm Here Today

- 74% receive reduced Social Security benefits
- Those receiving benefits are living longer
- 17.3% increase in those over age 85 collecting benefits in the past five years
- There are options for those who can afford to wait

The Longevity Reality

Life Expectancy at Age 65

50% Chance



25% Chance



Today's Agenda

- Social Security and What It Means to You
- Common Questions
- Strategies to Help Maximize Benefits

How it Began



Ernest Ackerman

First lump-sum benefit
check in 1937 for \$0.17



Ida May Fuller

First monthly benefit
check in 1940 for \$22.54

How it Began

Early controversy

- Notable critics released negative campaigns during inception
- Most notorious was the claim in 1936 that every U.S. citizen would be forced to wear dog tags



How it Began

Early attempts to abuse

- Secretary's actual number included in widespread 1938 wallet promotion
- More than 40,000 people have since filed for benefits using the number 078-05-1120

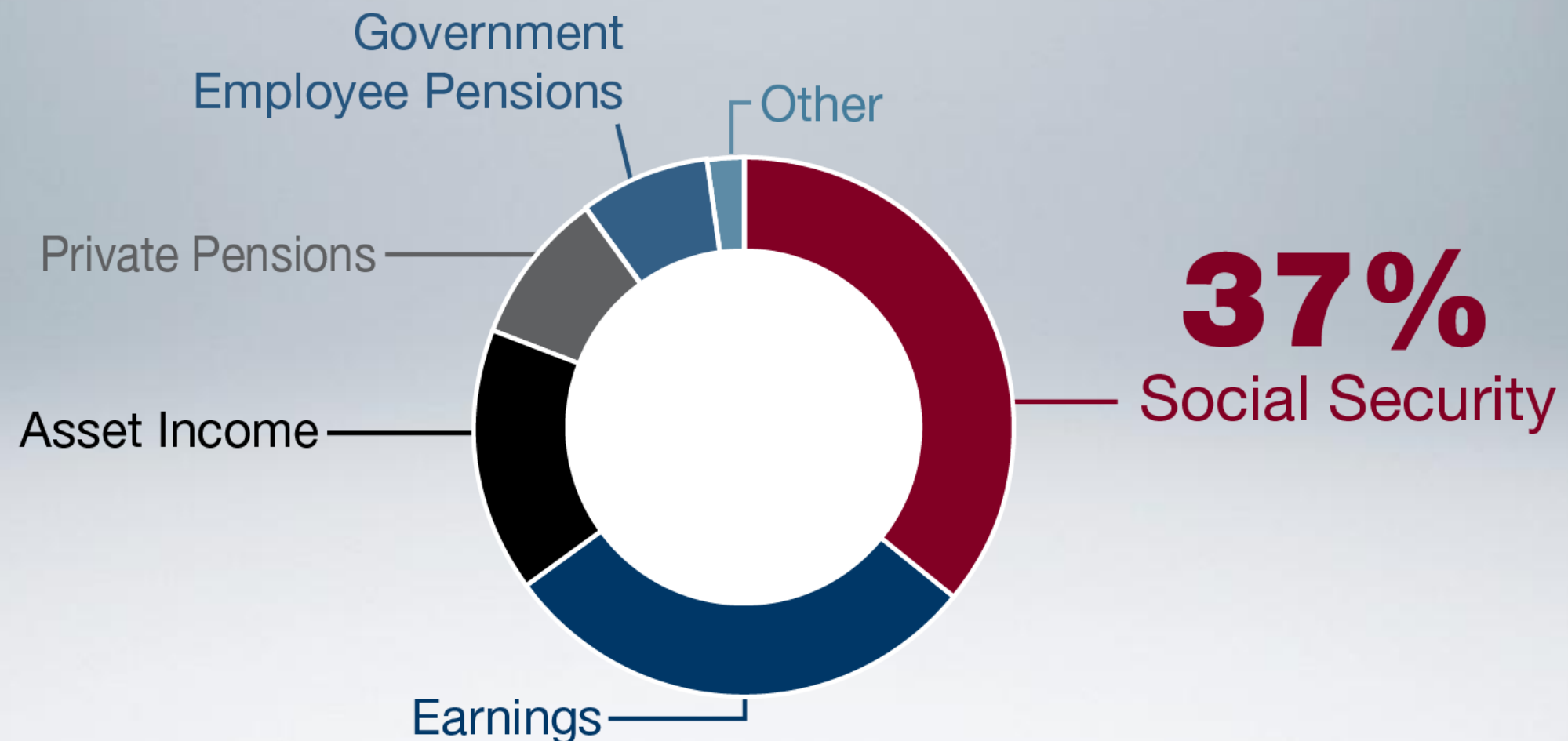


Social Security Today

- More than 60.4 million people receive a payment
- 88% of married couples 65 or older received benefits in 2010
- Approximately 2.6 million new retirement beneficiaries received checks in 2011, double the amount from 1970

Why Social Security is Important

Source of Income for People 65 and Older



I Have a Question

- Will Social Security still be there for me?
- How are my benefits determined?
- How do I decide when to collect?
- How do I utilize spousal benefits?
- How do survivor benefits work?

Will Social Security Be There For Me?

The bottom line

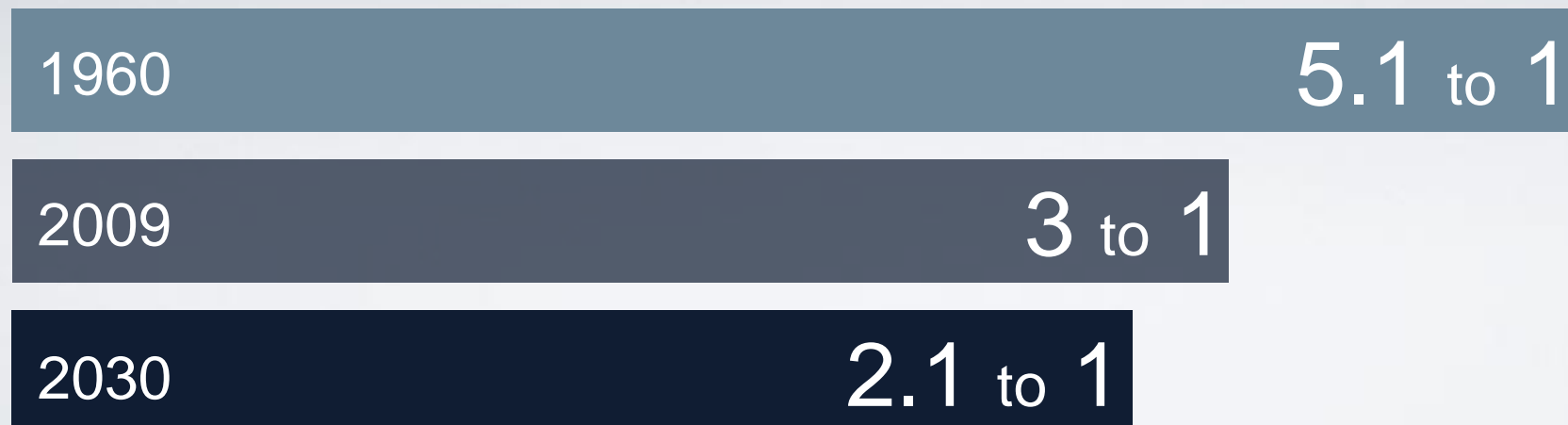
- Reserves projected to pay full benefits until 2033
- Tax income projected to cover 73% of benefits from 2033 until 2086, even if nothing is changed.
- A 55-year-old today won't likely have to worry about his or her benefits being affected until age 75 at the earliest.

Will Social Security Be There For Me?

Challenges facing the program

- Retiring Baby Boomers will strain reserves
- Life expectancy continues to increase
- Ratio of workers to beneficiaries is shrinking

Workers to Beneficiaries Ratio



Will Social Security Be There For Me?

Possible changes

- Increase of Social Security tax rates
- Higher maximum of earnings subject to Social Security tax
- Increase of the Full Retirement Age
- Decrease of future retirement benefits
- Reduction of future Cost of Living Adjustments (COLAs)

How are My Benefits Determined?

Basic concepts

FRA = Full Retirement Age

PIA = Primary Insurance Amount

You will reference these factors repeatedly going forward

How are My Benefits Determined?

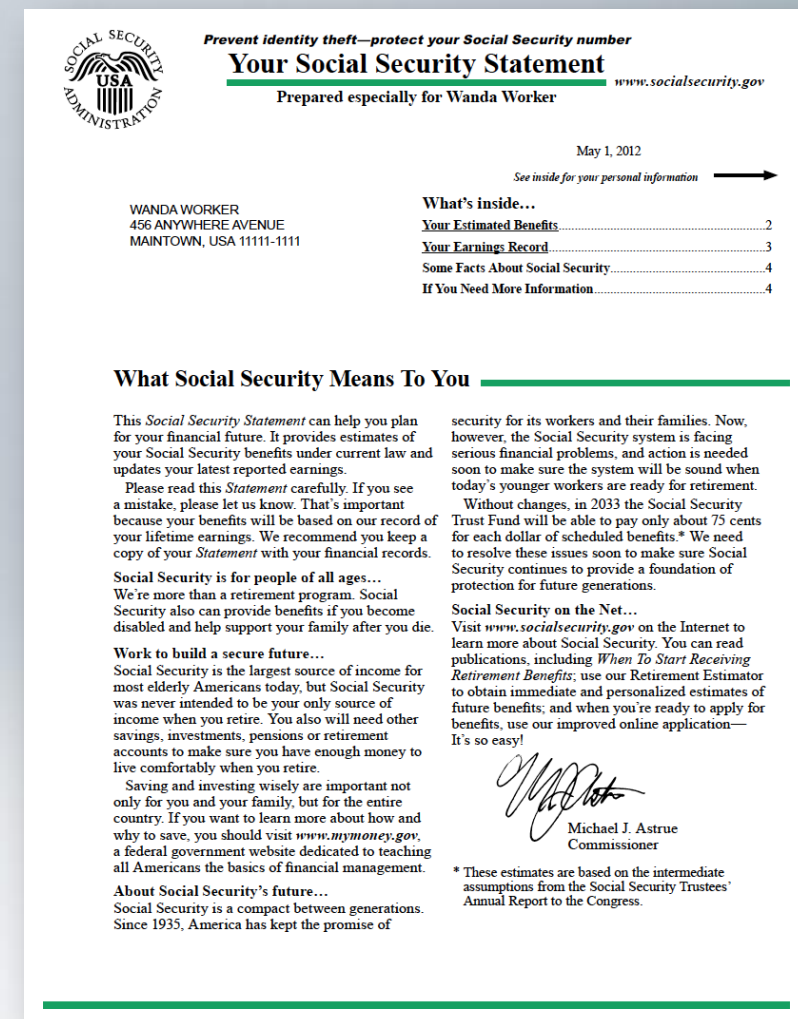
How are my benefits calculated?

- Need 40 credits for full eligibility (usually 10 years in workforce)
- Credits only determine eligibility – not the amount of payments
- PIA based on the 35 years of your work history in which you earned the most
- Only relates to individual benefits; you may still be eligible for spousal or survivor benefits regardless of credits earned

How are My Benefits Determined?

Can I estimate what my benefits will be?

- If you are younger than age 60, you will no longer receive your annual Social Security statement in the mail.
- They are available online to those 18 and older by visiting **ssa.gov/mystatement** and creating an account.
- To create an account, you must provide personal information to verify your identity and create a username and password.



How are My Benefits Determined?

- The maximum monthly Social Security benefit for a worker retiring at age 66 in 2013 is \$2,533
- However, most retirees do not receive anything close to the maximum benefit

2013 Monthly Benefits*

Average for retired worker

\$1,261

Average for retired couple

\$2,048

Maximum

\$2,533

* After 1.7% COLA

Social Security Administration, "2013 Social Security Changes," SSA.gov

How are My Benefits Determined?

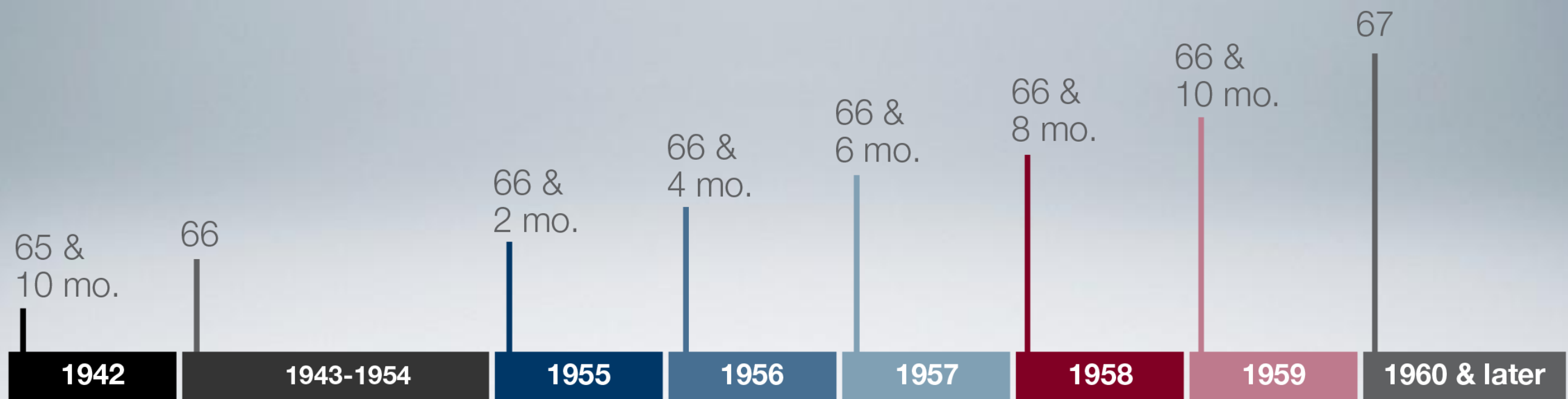
You may elect to receive:

- Full benefits at FRA
- Reduced benefits as early as the first full month you reach age 62
- Increased benefits, if benefits are delayed beyond FRA (up to age 70)

How are My Benefits Determined?

Option No. 1 – Filing at FRA

Waiting until FRA to claim benefits will allow you to receive 100% of your PIA as your benefit amount.



FRA by Year of Birth

How are My Benefits Determined?

Option No. 2 – Filing early

You can claim Social Security benefits as early as age 62, but at a reduced rate.

Decrease in Benefits if Claiming at 62

(Amount reduced by the time you reach Full Retirement Age)



How are My Benefits Determined?

Option No. 3 – Filing after FRA

Social Security provides yearly increases for those who delay the start of benefits.

Increase in Benefits for Delayed Retirement

Born 1941-1942	7.5%
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Born 1943 or later	8.0%
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How are My Benefits Determined?

Can I work and still receive benefits?

If you elect to begin benefits prior to reaching FRA, you must be aware of earnings limits. Surpassing these will result in a reduction of benefits.

Working in Retirement (2013 Earnings Limits)

Under FRA - \$1 of benefits withheld for every \$2 in earnings above the limit for years prior to reaching FRA

\$15,120
per year

Individual reaches FRA in 2013 - \$1 of benefits withheld for every \$3 in earnings above the limit for months prior to reaching FRA

\$40,080
per year

Month individuals reached FRA and beyond - Reduction no longer applies

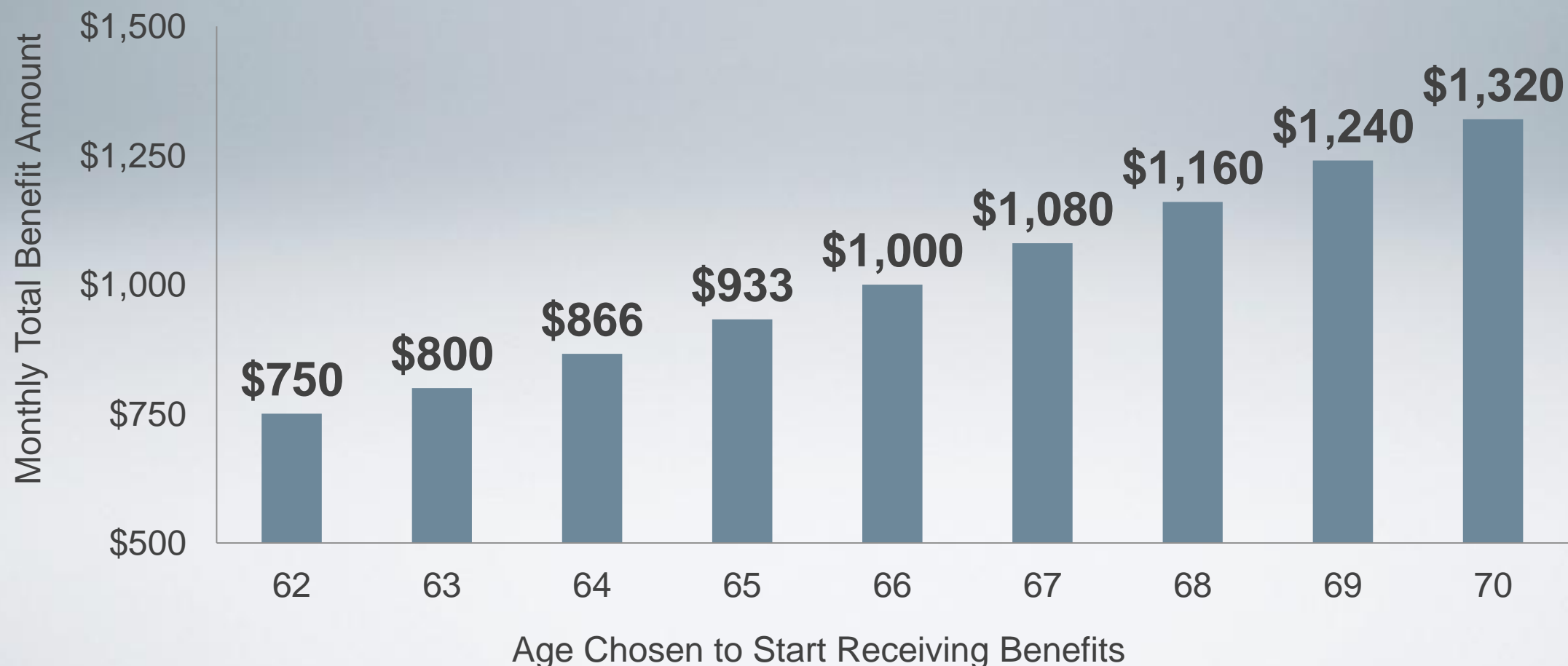
Unlimited

How Do I Decide When to Collect?

Delaying benefits from 62 until age 70 represents a 76% increase in monthly payments.

What This Means for Monthly Benefits

How Monthly Payments Increase While Delaying Benefits Data assumes a Full Retirement Age of 66



Delayed Retirement Credits, 2012,” SSA.gov. This example assumes a benefit of \$1,000 at a Full Retirement Age of 66. This is a hypothetical illustration and does not predict actual performance.

Social Security Administration, “When to Start Receiving Retirement Benefits, 2012,” and “Retirement Planner.”

How Do I Decide When to Collect?

The average annual return on waiting is better than most investments.

Return on Delayed Benefits – Annual Rate of Return*

Delayed Benefits until age 70 (if born 1943 or later)	8.00%
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S&P 500	5.45%
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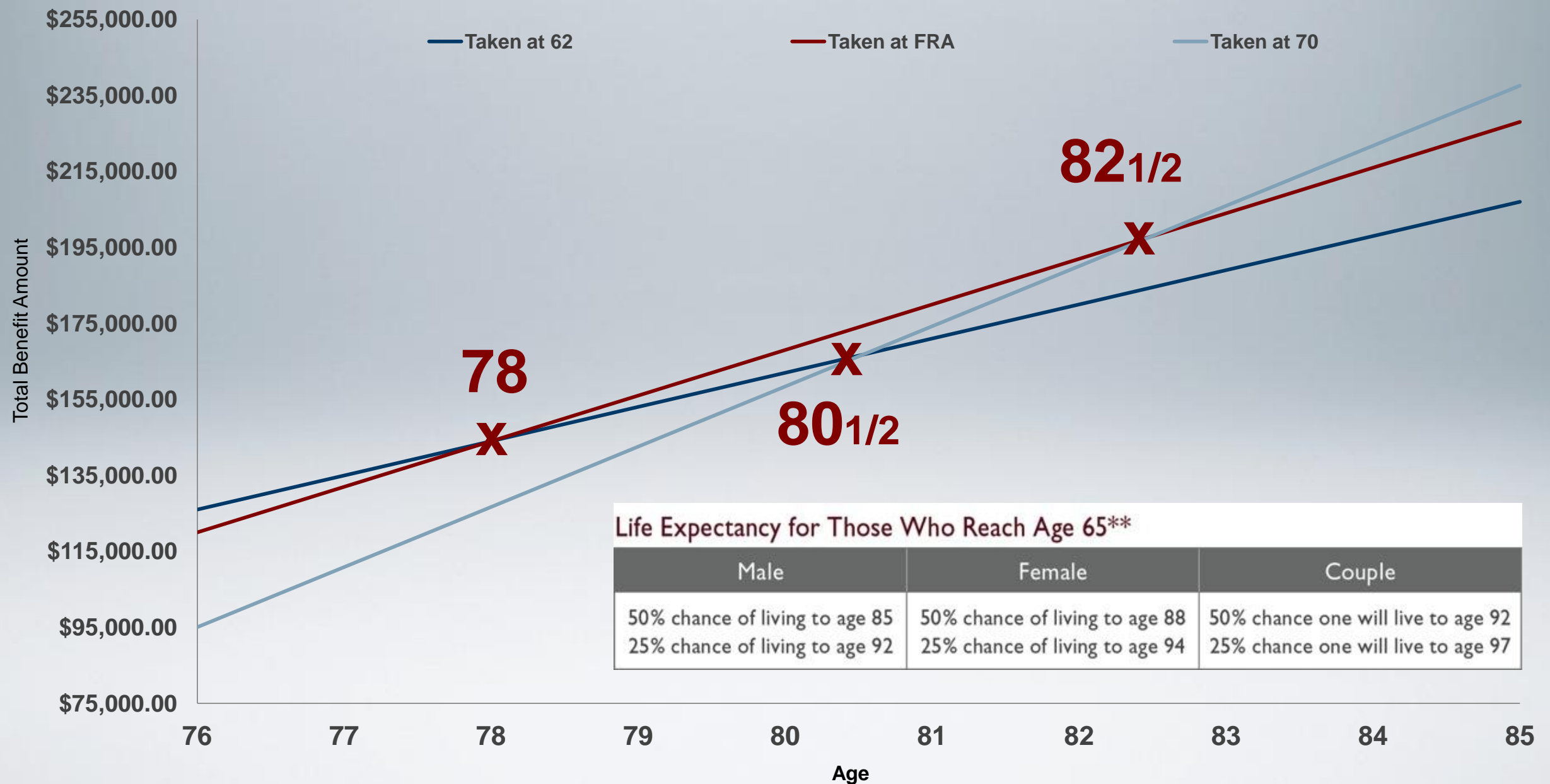
U.S. Treasuries	6.19%
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Bank CDs	3.50%
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*Return data based on 15-year average annualized returns of S&P 500 TR, Barcap US Treasury (USD) and US TREAS CD Sec Mt 6 Mon. You cannot invest directly in an index.

How Do I Decide When to Collect?

Hypothetical Breakeven Ages*



*Calculations assume a PIA of \$1,000 and an FRA of 66; this is a hypothetical illustration and does not guarantee or predict actual performance; benefit totals do not include COLA adjustments

**Source: American Society of Actuaries; data based on non-smoking individuals and couples

Social Security Administration, "Benefit Amount if Retirement is Delayed 2012," and "Starting Benefits at Different Ages Will Change Your Amount 2012," SSA.gov

How Do I Decide When to Collect?

Other considerations include:

- Health
- Marital status
- Lifestyle expectations
- Years in the workforce
- Other retirement assets



How Can I Utilize Spousal Benefits?

How do spousal benefits work?

- General rules
- Hypothetical scenarios
 - Large difference in earnings
 - Similar earnings



How Can I Utilize Spousal Benefits?

General rules*

- If you file for spousal benefits at FRA, spousal benefit will be equal to 50% of your spouse's PIA.
- You must be age 62 or older to qualify
- You cannot collect benefits on current spouse's record until he or she files for their own benefit
- Amount is reduced if taken before FRA, but won't increase if delayed
- These rules also apply for divorced-spouse benefits, as long as the marriage lasted at least 10 years and the beneficiary spouse is currently unmarried**

*Some exceptions exist

**Those who qualify for divorced-spouse benefits may collect before former spouse files

Social Security Administration, "Retirement Benefits, 2012," and "Retirement Planner – "Benefits for Your Spouse, 2012," SSA.gov

How Can I Utilize Spousal Benefits?

Case study: The Roosevelts

Frank

Married to Ellen

Higher wage earner

FRA is 66

Ellen

Married to Frank

Lower wage earner

FRA is 66



How Can I Utilize Spousal Benefits?

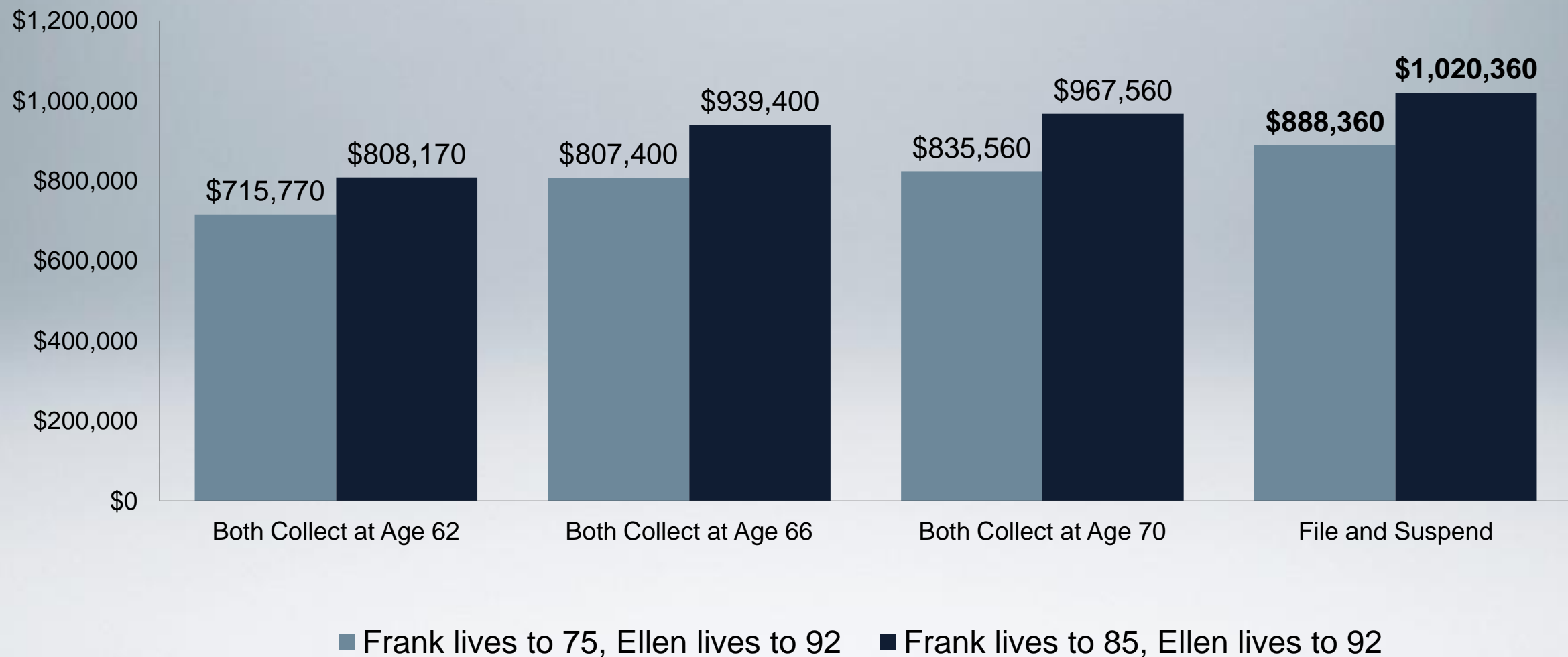
Strategy for large difference in earned income (Frank's PIA \$2,200, Ellen's PIA \$600)

- **How it works:** Frank, the higher-earning spouse, files at FRA and immediately suspends his benefits. Once he files, Ellen is entitled to \$1,100 (50% of his PIA) at her FRA.
- **How it helps:** This strategy increases Ellen's monthly benefits by \$500 now while allowing Frank to maximize his individual benefit. Ellen also receives maximum survivor benefit if Frank dies first.
- **Note:** Also known as "File and Suspend." Neither Frank nor Ellen can do this if they file prior to FRA.

How Can I Utilize Spousal Benefits?

Large difference in incomes

Frank's PIA is \$2,200, Ellen's PIA is \$600



This is a hypothetical illustration and does not guarantee or predict actual performance; totals do not include COLA adjustments
Educated Investor Featured Article, "File and Suspend," July 2009 ; Social Security Administration, "Benefit Amount if Retirement is Delayed 2012," and "Retirement Benefits by Year of Birth 2012," SSA.gov

How Can I Utilize Spousal Benefits?

Strategy for similar earned income

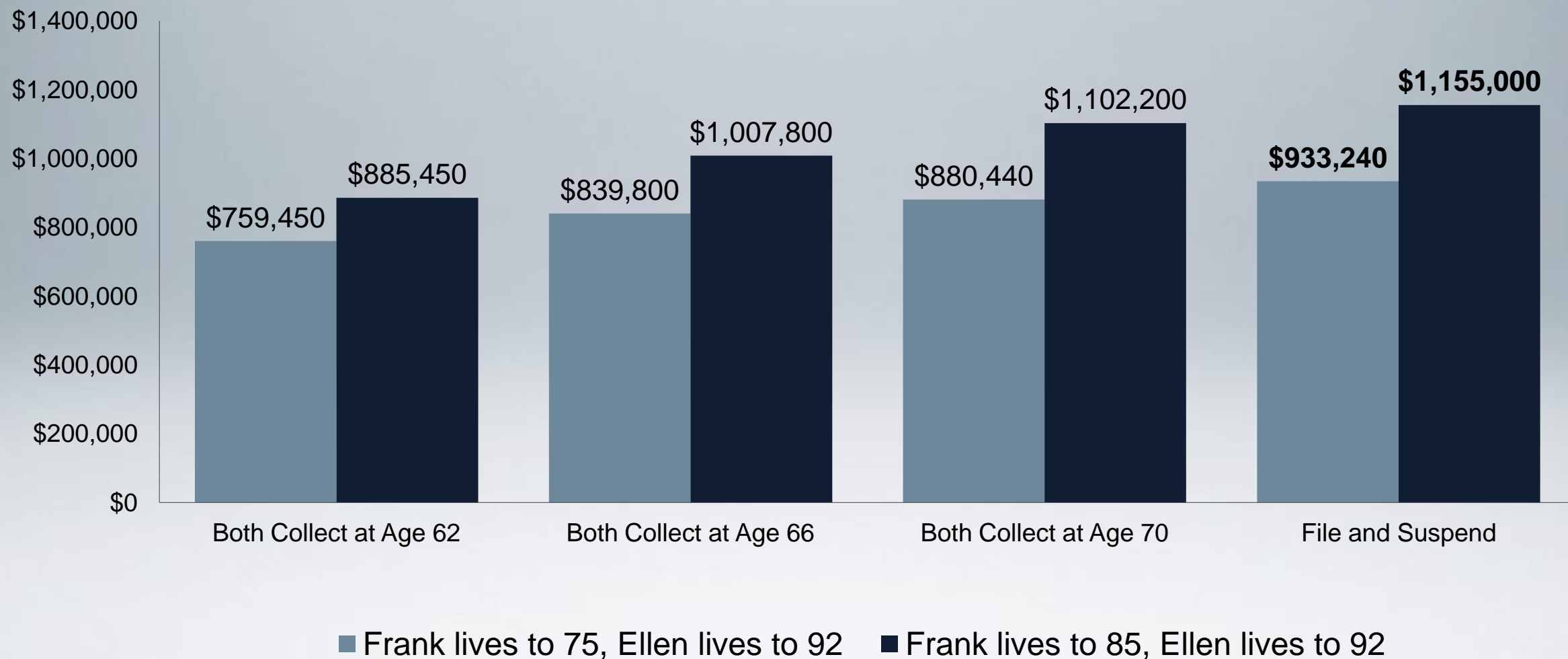
(Frank's PIA \$2,200, Ellen's PIA \$1,400)

- **How it works:** Ellen files for only her spousal benefit at FRA, and receives \$1,100 per month. At 70, she switches to her own benefit of \$1,848. Frank files at FRA, and he begins collecting at 70.
- **How it helps:** This allows Ellen to receive full spousal benefits at FRA and still maximize her own benefit. She sacrifices \$300 per month between the ages of 66-70 to earn \$448 more per month from age 70 until Frank's death.
- **Note:** This will not work if Ellen or Frank begin receiving benefits before FRA.

How Can I Utilize Spousal Benefits?

Spouses with similar incomes

Frank's PIA is \$2,200, Ellen's PIA is \$1,400



This is a hypothetical illustration and does not guarantee or predict actual performance ; totals do not include COLA adjustments
BlackRock Investments, "Securing Your Retirement," 2012; Social Security Administration, "Benefit Amount if Retirement is Delayed 2012," and "Starting Benefits at Different Ages Will Change Your Amount 2012," SSA.gov

How Do Survivor Benefits Work?

General rules to keep in mind

- Surviving spouse can receive up to 100% of the deceased spouse's benefit
- Except in the case of an accident, a couple must have been married at least nine months at time of death
- Survivor gets full benefit at FRA, and must be at least 60 (50 if disabled) for reduced benefit
- Benefit is not available if surviving spouse remarries before age 60
- Divorced spouse can claim survivor benefit on ex-spouse's record if marriage lasted at least 10 years

Let's Recap

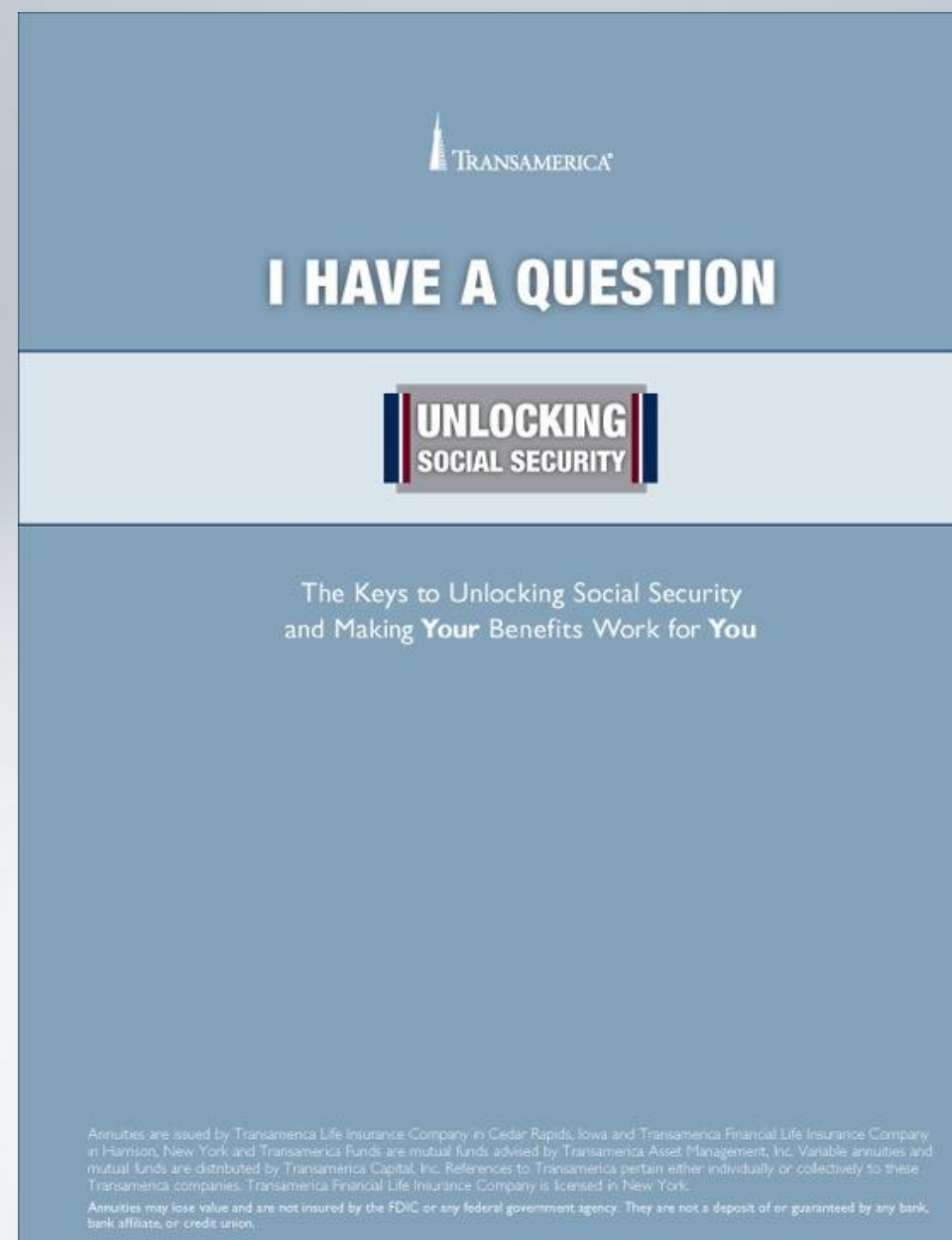
What we've learned:

- Social Security and What It Means To You
- Common Questions
- Strategies To Maximize Benefits

Visit **SSA.gov** to learn more

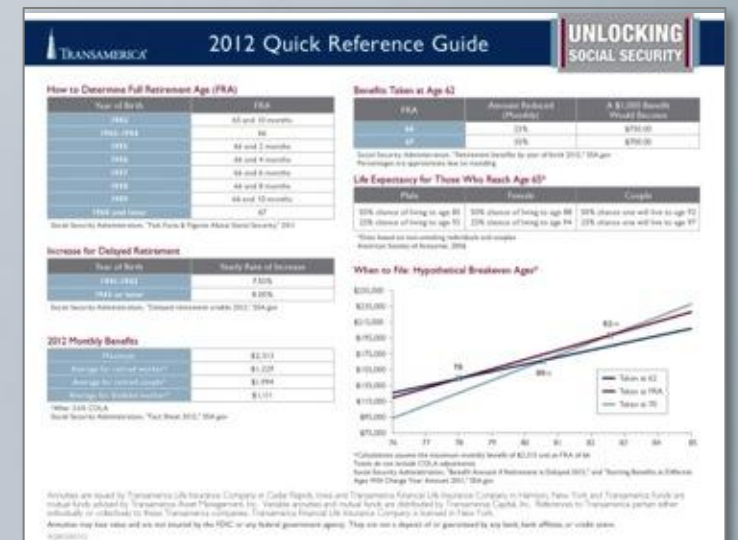
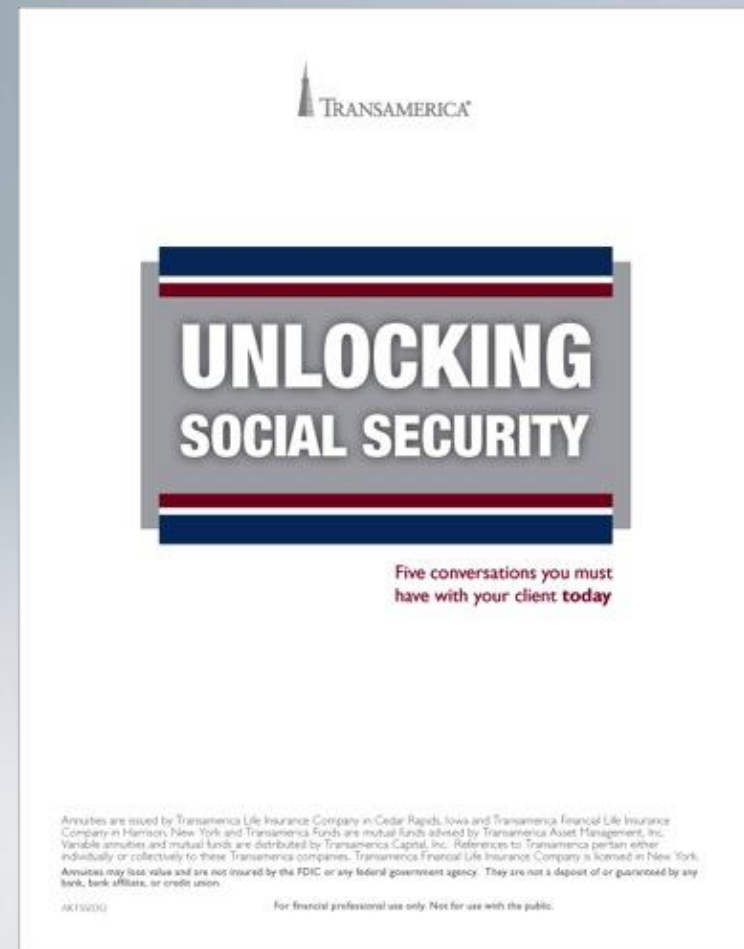
“I Have a Question” Client Guide

The “I Have A Question” Client Guide will provide additional insight into the topics covered today.



Unlocking Social Security Kit

Comprehensive kit that your financial professional can share with you.



Thank You!