YOUR 2015 OVERVIEW OF SOCIAL SECURITY

megastar ADVISORS

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. Powered by Resource Solutions Tampa, Inc.

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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 Securities 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, If 6.2% is paid by you; 6.2% is paid by your employer.•
- You earn 1 credit for every $1,220 in annual earnings, up to a maximum of 4 credits per year.•
- Must work at least 10 years; 40 credits are necessary to become eligible to receive benefits.•
- The 2015 average Social Security individual benefit is $1,328 - for a couple it is $2,176.•
- 2015 maximum benefit is $2,663.•
- Your Social Security benefit is determined by your highest 35 years of earnings.•
- In 2015, the maximum taxable income is $118,500.•

*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, an 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."

http://www.socialsecurity.gov/retire2/withdrawal.htm

Social Security Full Retirement Age

The age at which you can receive your full retirement benefit is called your full retirement age. Full retirement age determines when you can receive your full 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 further still 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 for Full Retirement Age Chart:
www.ssa.gov/retire2/retirechart.htm

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.

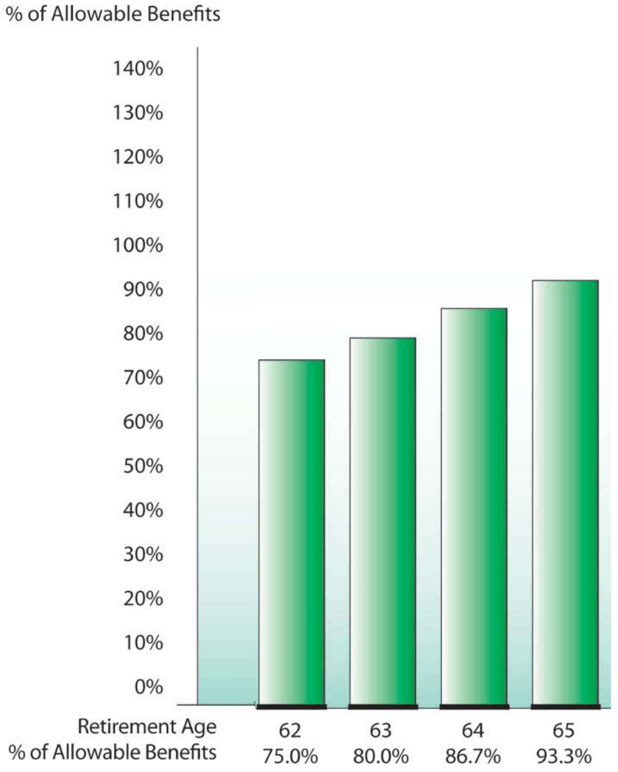
NOTE: The reduction will be greater in future years as the full retirement age increases. In order to understand how Social Security benefits are calculated, you need to be familiar with two terms: “Full Retirement Age” (FRA) and “Primary Insurance Amount” (PIA). Your full retirement age depends on the 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

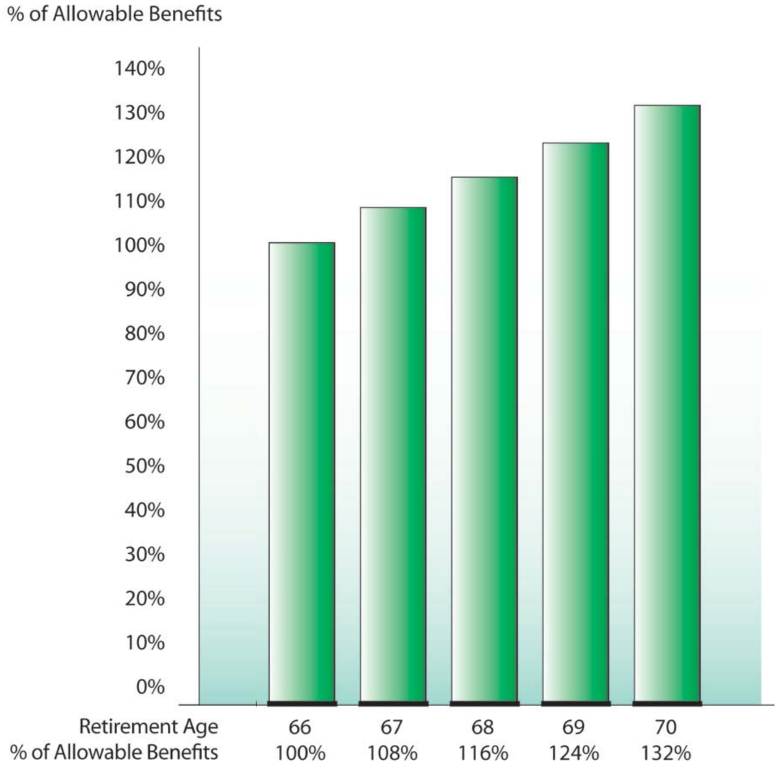
Information based on the assumption of being born between 1943-1954
with full retirement age being age 66.

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



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.

Coordinated Sources for Early/Late Benefit Comparison Chart:
www.ssa.gov/oact/ProgData/ar_drc.html
www.ssa.gov/retire2/agereduction.htm#chart

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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 benefit is 50%. At full retirement age, you will receive 50% of your spouse’s benefits.
- At full retirement age, there are more options. One option available to you is to receive spousal benefits and delay taking your own. This allows you to receive a higher benefit later based on delayed retirement credits.
- 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.socialsecurity.gov/survivorplan/ifyou2.htm

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, allowing a higher benefit at a later date based on the effect of delayed retirement credits.

Source-www.socialsecurity.gov/retire2/divspouse.htm

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 [Producer Name], 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 financial vehicles you have that are paying interest and dividends, and purchasing an insurance product can help you reduce the amount of income taxes you are paying 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 will 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.

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