Social Security Workshop Script

How would you like $100,000 or more of free money over the course of your lifetime, from a system that you've already paid into throughout your working years?

Welcome to our workshop on **Savvy Social Security Planning: What Baby Boomers Need to Know to Maximize Retirement Income.** Today you're going to learn the five major things that Baby Boomers want to know about Social Security.

1. Will Social Security be there for me?
2. How much can I expect to receive in benefits?
3. When should I apply for Social Security?
4. How can I maximize my benefits?
5. And most importantly, how to combine your Social Security with your other investments to maximize an income stream that you will not run out of…

Social Security is a vital spoke in the most important wheel of retirement, which is the wheel of income. In my meetings with retirees today, the number one fear is no longer the fear of death; it's the fear of running out of money before you run out of life.

In my 30--plus years of working with retirees, the number one reason I've seen that happen comes down to one single mistake. When their strategy shifted from the accumulation stage to the distribution stage where they take money out, they failed to shift their investment strategies to align with that change. Failure to do so could be fatal for your retirement. Today, you will not only learn how to maximize your benefits from Social Security, but also how to organize the rest of your investments and maximize your income stream for the rest of your life.

I'm [Advisor Name], your presenter, and let me take just a moment to tell you why I feel that I'm qualified to be here today teaching you about the ins and outs of Social Security. For years now, I've specialized in helping my clients establish renewable streams of income for retirement. I like to say that I specialize in the universe of non-common stock and income-generating investments. One day it dawned on me that I didn't know as much about Social Security as I should. I realized that if I'm truly a specialist in how to invest for income, I need to be knowledgeable about Social Security. Since that day, our office has focused on helping you maximize Social Security benefits for you and your spouse.

As such, we've invested in software to aid us in maximizing these benefits. This software, through a mathematical algorithm, determines:

- The best way for you to collect Social Security over the course of your lifetime
- When to take your benefits
- And, if you're married, in what order each of you should take it.

Sometimes the difference between utilizing the number one best method versus the number two best method of taking Social Security can mean the difference of an extra $100,000 or more of cumulative benefits over the course of your lifetime. That's why I find that most people who come to this workshop end up contacting us—so they can maximize the benefits available to them.

Now, I just want to see a quick show of hands – please raise your hand if you haven't had dinner yet and you plan to go home and eat dinner after this event. Excellent! Well, I plan to get all of you out of here right around 7:45 to 8:00 – just kidding. I want to draw your attention quickly to your packets, please. Inside your packet, you will find some various pieces of information for you to read. But right now, I'd like you to all look at the response sheet that is sitting on the right hand side in the back. It looks like this. This response sheet is actually going to be a pretty important tool for us, as well as it's going to be an important tool for you. Whenever we do a workshop, we ask for your feedback, in terms of what we can do to make the workshop better. We use them for all of our workshops and we make changes on a regular basis, based upon your recommendations. Also, as a result of this program this evening, you will have an opportunity, if you'd like, to come see us one-on-one at our office at absolutely no cost or obligation to further review Social Security. We actually have some sophisticated software packages that will help us determine when to take Social Security, how to reduce your taxes and how to potentially you an additional $100,000 in benefits over the course of your lifetime. So, at the end of the evening tonight, you're going to have an opportunity to give us some feedback on this evaluation form, and also to schedule that complimentary, no obligation, no cost meeting with us, if you wish. So, let's go ahead and put the sheet back in there for now. We'll get back to it at the end of the program.

Let’s get started. First, when are you eligible to collect Social Security? Your full retirement age, depending upon the year in which you were born, is anywhere between age 66 and 67. That's the age at which you get your full benefits, something known as the primary insurance amount, or PIA. You can take Social Security benefits earlier than that if you'd like. In fact, you can take Social Security benefits as early as age 62.

You can see here that if you take them at age 62 and you happen to be born in a year where your full benefits are attainable at 66, then you'll get 75% of those benefits. However, if your full retirement age is 67 and you wish to take it at age 62 then your benefits will only be 70% of the PIA.

So, what if you take it **after** full retirement age? You can begin to take benefits after the full retirement age, all the way up to age 70. In fact, you could theoretically take it beyond age 70, but it wouldn't make any sense because you don't get any more money. For every year that you wait after your full retirement age, you get an extra 8% in delay credits per year.

So, if your full retirement age is 66 and you delay taking benefits until age 70, then you'll get an extra 32% in benefits by waiting. If your full retirement age is 67, and you choose to delay it until age 70, then you'll get an extra 24% in delay credits.

So, at this stage, you're probably wondering how much more you can actually receive if you take it at age 70 versus age 62.

You can see on the screen that if we assume there's going to be no cost of living adjustment on Social Security and that your PIA is the maximum, your benefit is $3,142 a month if you took it at full retirement age, which we're assuming is at age 66. So now you could see if you took it at 62, instead of getting $3,142 of benefits you're only getting $2,388 worth of benefits. However, if you delayed it to age 70 and there were no costs of living benefits, you'd be getting $4,147 worth of benefits per month, but Social Security over time has paid a cost of living adjustment, or COLA.

That COLA has averaged 2.7% per year. So, if you look at the difference with the COLA at age 62, you get the same $2,386, but if you delay aging 70, you get $5,132 a month. You literally could get more than double by waiting eight years from age 62 to age 70. So, does that mean everyone should just wait to age 70? Well, not necessarily. Your decision is based upon many factors that we will discuss later.

If you are single, it comes down to your health, life expectancy, & history of longevity in your family. This choice of when to take the benefits is probably the single reason that people schedule that complimentary consultation with us. We can help determine, based on all those factors, when the best time is for you to take Social Security to have the best fighting chance of getting all those extra benefits over the course of your lifetime.

One of the things that we require you to do before that phone call is that you need to have gotten your PIA from the Social Security Administration. How do you do that? By going to the website, www.SSA.gov.

So, what if you are married? Usually a married couple does not have equal spousal benefits. One has benefits that are higher than the other. If the lower earning spouse has benefits that are at least **half** the higher earning spouse's benefit, then both can collect their own benefits. However, let us say that one spouse stayed home with the family throughout the years and has a minimal Social Security benefit, but the other one worked during this time. In that case, the lower benefit spouse is eligible to receive at least half the benefits as a spousal benefit of the higher benefit spouse.

For example, you see that Joe's PIA is $2,000 a month. His wife Julie's PIA is $800. If Julie applies at her full retirement age, then her benefit will be bumped up to $1,000 a month, half of what Joe gets. However, if Julie's benefits were $1200 a month, then she would just draw her own benefits and no spousal benefits would apply.

The rules for spousal benefits are that the primary worker, in this case, Joe, must have filed for benefits and that Julie must be at least age 62 for a reduced benefit or full retirement age for full benefits. There are no delayed credits for Julie past full retirement age. In other words, it wouldn't make sense for her to delay a spousal benefit past age 66 or 67. In some cases, a spouse can file what's called a "restricted application" if they're at full retirement age and they were born before January 1st of 1954.

What about divorced spouses? Well, there are situations where you can collect benefits if you are divorced from your previous spouse if his or her benefit is higher. Here are some rules.

You could collect a spousal benefit based on an ex-spouse if your marriage lasted 10 years or more and you are currently unmarried. Once you remarry, it ends. The ex-spouse must be at least age 62, and if the divorce was more than two years ago, the ex-spouse does not have to have filed for benefits. In other words, even if they have not filed yet, you can still file if he or she is over the age of 62 and you have been divorced for more than two years. The reason for this is because more than one person can collect spousal benefits off an ex-spouse.

Also, benefits paid to you do not affect those paid to your ex-spouse. Divorced spouse benefits stop upon remarriage. Your ex husband or wife will not know when you start collecting based upon their benefits. This is perhaps one of the most complex situations in the Social Security rules. The bottom line is if you're divorced and you think you might be eligible for this, you're going to want to take us up on that offer to schedule that 15 minute complimentary phone call by either calling our office or clicking on the button below.

In addition to spousal benefits and divorced spousal benefits, you also have survivor benefits. If you are both collecting Social Security and one spouse passes away, the rules are quite simple. In this case we have Joe and Julie once again. They are married and are both collecting Social Security. If Julie dies, then her Social Security benefit of $1,200 goes away and Joe continues to collect his benefit of 2,000 per month. However, if Joe dies, then Julie forfeits her benefit of $1,200 per month and she gets to collect Joe's $2,000 benefit. So, if you are both collecting at the time of death, the higher benefit will continue for the surviving spouse and the lower benefit disappears.

Now let us look at some simple rules for survivor benefits. First, the couple must have been married for at least nine months at the date of death. The survivor must be at least 60 years old for a reduced benefit, or full retirement age for the full benefit. The survivor benefit is not available once the widow or widower remarries before the age of 60 unless they remarried and then subsequently got divorced again.

So, the situation for Joe and Julie is simple if one of them happens to die when they're both collecting

Social Security. It gets complicated when the person collecting Social Security dies, but the surviving widow or spouse has not started collecting yet. Those go beyond the scope of this workshop you're attending today.

Let's look at some strategies that might help maximize your Social Security benefits. Number one, improve your earnings record.

Look at your earnings record from the latest Social Security statement, which is available online at www.SSA.gov. Is it accurate? Are there any missing years? Can you improve it by working longer? These are some of the fundamental things you can do to make it better.

Number two, apply for Social Security at the optimal time.

You need to look at your income needs now and your income needs in the future, especially if you're married. You must look at the life expectancies for you and your spouse. You must look at any plans you might have for continuing to work during retirement.

So, why do we need to be concerned about whether you're going to plan for future employment?

Well, first, there's an earnings test. If you apply for Social Security before full retirement age and you still work, for every $2 that you earn from going to work, they will take back $1. You'll have to pay back half of what you receive for every dollar that you earn, over $18,240. To avoid this earnings test, if you're going to be working, making more than $18,000 per year, most people choose to wait until full retirement age or later to apply for benefits.

Does that mean you don't have to worry about working at all when you begin taking benefits at full retirement age, that you can just work as much as you want? Well, not necessarily because there's another factor that needs to be considered: the taxation of those benefits. As a rule, if you're married filing jointly and you're earning over $32,000 in provisional income, which includes half of your Social Security, then your Social Security benefits start to get taxed.

If you're earning over $25,000 as a single individual, your benefits start to get taxed. That means if you earn more than that, up to half of your Social Security can be taxed, so it's really easy to get over that number. How much of your Social Security can be taxed on the high end?

If your provisional income exceeds $44,000 for both single and married filers, then as much as 85% of your Social Security could be taxed. That doesn't mean you're paying 85% of that back in taxes, but that means that up to 85% of your Social Security benefits would be considered taxable income. That reduction of benefits we discussed earlier is only caused by earned income, and it's only if you retire before full retirement age. This taxation of your Social Security benefits, however, is dependent on your provisional income, which includes all types of income, including tax free municipal bond income. Also, it happens at any age.

So, what are some ways you can minimize tax on your Social Security benefits?

Well, you can reduce other income by using tax-advantaged investments. As we said, municipal bonds don't work. In this case, they make it worse.

Also, you can anticipate IRA required minimum distributions, which may put you in a higher tax bracket.

Finally, you can consider the possibility of converting a traditional IRA to a Roth IRA.

In some cases, delaying Social Security makes sense in order to reduce the number of years that benefits are subject to that tax. Reducing expenses, paying down debt, and adopting a simpler lifestyle can take less income out of your accounts and not have your Social Security taxed. Two spouses trying to figure out all the possible combinations of how to take benefits and when to take them can become overwhelming. Instead of trying to figure it out alone, I can help you consider things like life expectancies, the financial impact if one spouse passes away first versus the other, if you should take your benefits before full retirement age, and whether or not you should continue to work part-time or full-time. It all begins by scheduling that a time to meet with me.

Now, for the most important topic of this workshop. You must consider Social Security in the context of the other sources of income, like your pension, IRAs, 401(k)s, and RMDs, along with any income you might earn through part-time or full-time work. In fact, when we have our 15-minute complimentary call, it's important that I understand all of these other income sources that you might have. The software we use to help determine the best time for you to claim your Social Security could spit out an algorithm that says taking Social Security benefits at a certain time or in a certain order might be the best option for you. But, at the end of the day, it would be malpractice for me to recommend that you take your benefits in a certain way or at a certain time without making sure that you have enough income from these other sources to be able to enjoy the lifestyle in retirement that you always envisioned.

As far as our investments are concerned, most of us will start off in the accumulation stage of life where we're saving in our IRAs, 401(k)s, and other types of accounts. Then, within 10 years of retirement, we shift into the preservation stage to try to protect what we've accumulated, before transitioning to the distribution stage. If you do it right, by the time you are retired, you will have made a full transition from the accumulation stage to the distribution stage of your wealth—where you are no longer putting money into your accounts, and are starting to take money out on a regular basis. This is the vital shift necessary to make sure your entire income stream will last the rest of your life.

There's an equation in the investment world that is not talked about as much as I believe it should be: Total Return Equals Income Plus Growth, or TR = I + G. The income, or the 'I', comes from interest and dividends. The growth, or 'G', is when you hope to get capital appreciation. In other words, you buy something at one price and are hoping that it goes up in value. Of course, you know sometimes you invest for growth, and you get an L, or a loss, instead. So, are you invested properly for the current phase of your life? At retirement, an ideal scenario would be to have a plan in place that allows you to get the income you will need for retirement from the 'I' instead of the 'G'. There's a little jingle I like to tell people that says: if you want retirement to be stress-free, invest for the I and not the G.

Unfortunately, most financial advisors today focus on the G. There's a reason for this. The 80s and 90s represented the best period for the stock market. If you exclude the brief periods where we experienced the bursting of the tech bubble and the financial crisis, the stock market has enjoyed a rather good run since the year 2000. As a result, many of today's financial advisors have become stock market specialists, focused on growth. Because they're growth-oriented, they will often try to manufacture income by selling shares every month.

If you're selling shares every month then you are essentially crossing your fingers and toes and hoping that the shares grow back each year to replace what you've spent down. You don't need me to tell you that the stock market doesn't go up every year. There are some years when it goes down, and when that happens you start to cannibalize your principal. The most secure way to take retirement income from your investments is to invest for the I and not the G.

A chart that's right on your screen shows two alternatives. It shows two hypothetical clients, Frank and Bill, that came into my office in the year 2000.Frank really loved the stock market and when I told him that he probably should transition his investments to invest more for the I, not the G, he disagreed. We had just come off the 1990s, the best stock market in U.S. history—and as a result he decided to stay put. His broker told him that he could withdraw 4% a year safely.

At the time that seemed conservative. A lot of advisors were using the 5% cashflow rule, so that if Frank had $1 million, he could take $50,000 a year. Well, Frank's broker said, "Just take $40,000 a year. Let's be conservative." As you could see on the chart on the left, that means that as he started to take withdrawals, his account dwindled with each market drop.

When I finally saw Frank just a few months ago, Frank's account was all the way down to $345,000 because of the tech bubble bursting, the stock market dropping, and then the financial crisis and another market drop. He cannibalized his principle. It's important to understand that the market had actually gone up over that 20 years an average of 5% a year. So why did his principal go down and not up if it averaged 5% a year and he's only withdrawing 4%?

The answer is because in the years the market went down, as you can see on the left side of the screen, his broker had to sell more shares to give him his check for $40,000. In the years, the market was up, his broker had to sell fewer shares. Investing is simple, but not easy. You want to buy low and sell high.
When the market went up, Frank's broker was able to sell fewer shares to liquidate $40,000. But, when the market was down, he was forced to sell more shares. He was doing the opposite of selling high, and was selling low.

That's why even though the market averaged 5% over this period, and Frank only took 4% per year, 20 years later he ended up all the way down to $345,000 from his original $1 million. However, back in the year 2000, Bill took my warning and said, "I just want to live off the I, and not the G." So, he invested in more conservative things, he earned 4% interest, and he took his interest while leaving his principle alone.

As you could see on the right, 20 years later, Bill still has his $1 million. Do you see why I said at the beginning of this workshop that this one mistake could ruin an entire retirement? The strategies used in the accumulation stage will backfire in the distribution stage. I'm showing you this to give you a simple illustration of the power of income. That's why I like to say: if you want retirement to be stress-free, it's important to invest for the 'I', and not the 'G'. Ignoring this warning is the single biggest mistake that can derail retirement plans. For some, it comes out of left field and surprises them, but it doesn't have to be that way.

So that's pretty much it for our program tonight. One last very important thing is that I would like you to take out your blue sheets one final time here before you leave. Now is your opportunity to lets us know that you want to take us up on our complimentary meeting. You will need to let us know this evening that you want this meeting.

Make sure you pick your time to schedule this meeting. Now, I'm not trying to be difficult and I know these times are somewhat limited to you over the next two weeks. But the reality is, the reason for this is because we do these workshops on a weekly basis. And I've allocated certain pro-bono time slots over the next two and half weeks from this workshop. Plus, as you can imagine, I need at least some time slots open for my loyal paying clients.

So again, it's not that I'm trying to be difficult by offering only limited time slots, but unfortunately, if you want to take advantage of this pro-bono meeting, I need you to pick one of the available time slots. Now, I know some of you are still working, but it's just like if you have to go to a lawyer and sign some important papers or go to the doctor's office – you might have to come see me in the morning and go into work just a little bit late one day or come see me in the afternoon and get out of work early.

I save any evening time slots for my loyal clients. So here is what I suggest you do. I know a lot of you don't have your calendars here tonight and you weren’t expecting this, but go ahead and pick your time. Get a spot reserved by picking a time that you think is going to work and check your calendar later. If there is a conflict, you can always call tomorrow and we can juggle you around. Go ahead and reserve a spot tonight. I hope this brief workshop satisfied your goals and gave you some good basic information on how you could maximize your Social Security benefits and possibly earn as much as $100,000 or more of additional benefits over the course of your lifetime. Most importantly, I hope you have the peace of mind of knowing that not only is your Social Security going to last, but your entire income stream will last the rest of your life. I look forward to speaking with you soon. Thank you.