Social Security Optimizer

Quick Start Guide

The LifeYield Social Security Optimizer combines detailed analysis with a simple interface. This guide shows how to access all its features.

Click or tap to edit the details for a client.

Shows the change in monthly or annual benefits over time, both for the Optimal and Custom strategies.

Shows the cumulative benefits for both strategies over time. The breakeven point is where the two lines cross.

The client's date of birth.

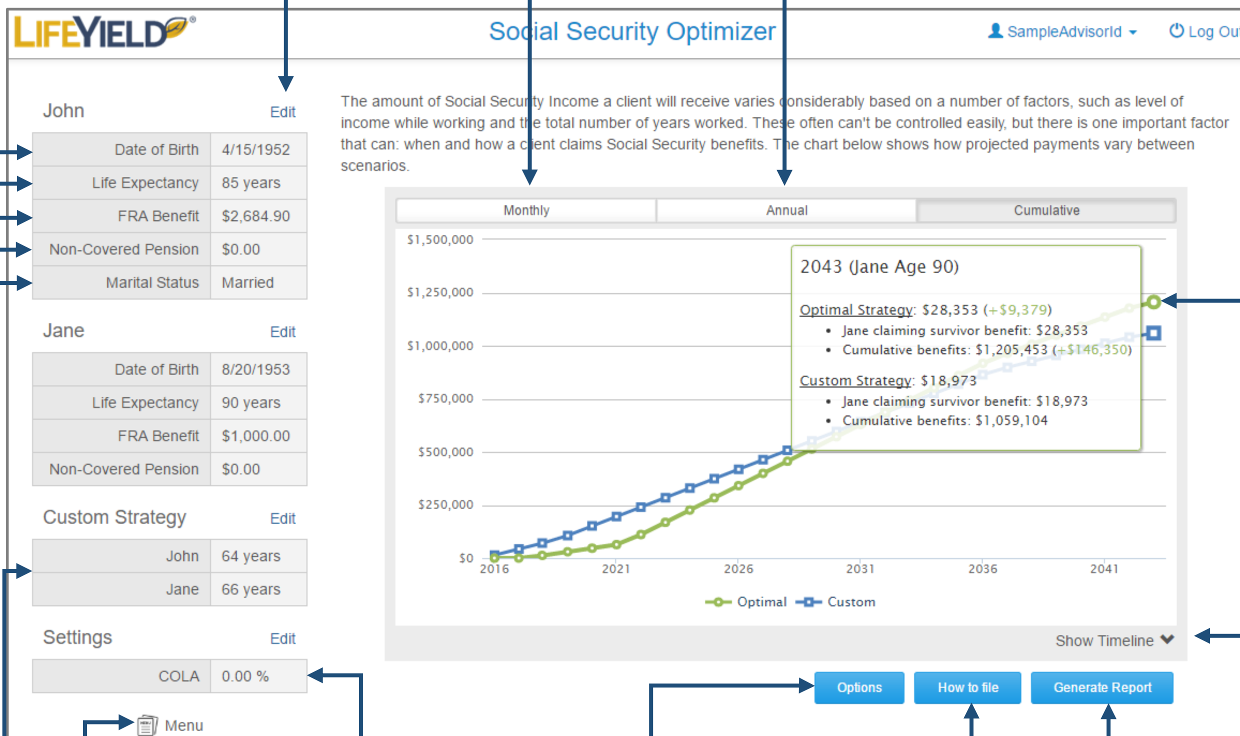
The client's anticipated age of death.

The client's benefit at Full Retirement Age (FRA), as estimated by the Social Security Administration. Clients over FRA will see "Benefit(Age)". Prior filing clients will see "Current Benefit" and a "Filing Date" field.

Any anticipated monthly pension amount from employment with a government agency.

The client's marital status: Single, Married, Divorced* or Widowed.

The ages at which the clients expect to first claim benefits in the Custom strategy. The Custom strategy is used for comparison with the Optimal strategy determined by the Social Security Optimizer.



Log out of the system.

Tap or mouse over the chart to see the details for each year. In the Monthly view, the difference in monthly payments is shown, along with the breakdown of benefits for each client both for the Optimal and Custom strategies. In the Annual and Cumulative views, the annual benefit amounts are displayed. A comparison of cumulative benefits is shown in all three views.

Show or hide the Timeline view, which shows color-coded blocks for each type of benefit, and also allows switching between alternative Custom strategies for even more flexibility in comparing filing options.

Brings up the menu screen with options to start a new scenario, view last scenario, or download this guide.

The assumed rate of Cost of Living Adjustment (COLA). Set to 0% by default to show all results in today's dollars. The SSA sets a new COLA each year typically ranging from 0%-3%.

Access options for the Benefit Delay and Benefit Replacement features.

Shows the filing instructions for both the Optimal and Custom strategies.

Generates a report containing the inputs entered for the client(s), the Monthly and Cumulative benefit charts, filing instructions, and a detailed breakdown of benefits for both strategies.

*The Social Security Administration (SSA) has special rules regarding benefits for divorcees. For example, to qualify as a divorcee with the SSA, the marriage must have lasted at least 10 years and the client must not have remarried. Furthermore, the LifeYield Social Security Optimizer assumes that the couple has been divorced for at least 2 years, so that maximum flexibility in filing options is available. A complete set of rules regarding divorcees and Social Security, as well as many other related topics, is available from the SSA at http://www.ssa.gov/pubs/EN-05-10035.pdf.

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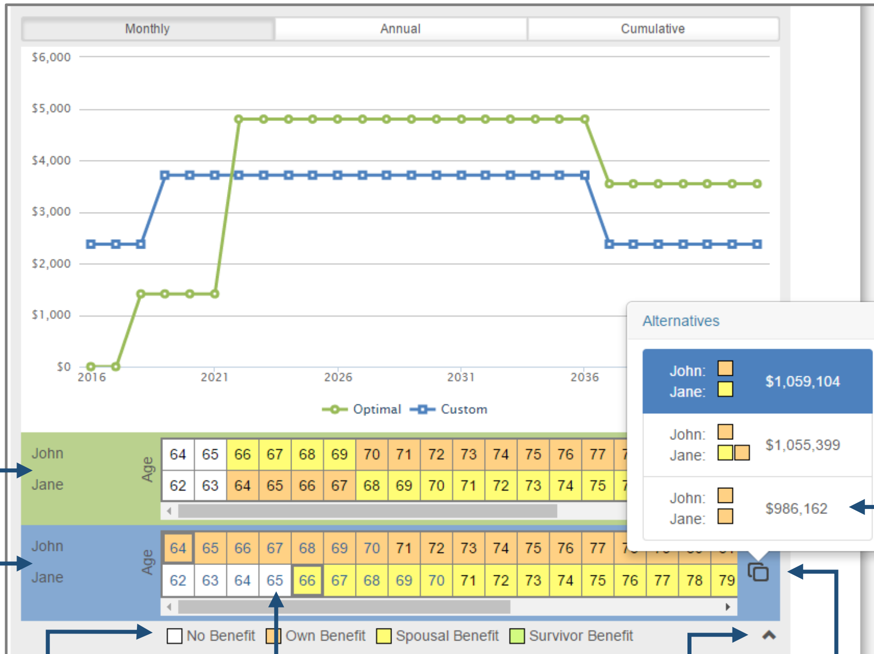
Advanced Options

Timeline View



Optimal strategy age combinations.

Custom strategy age combinations.

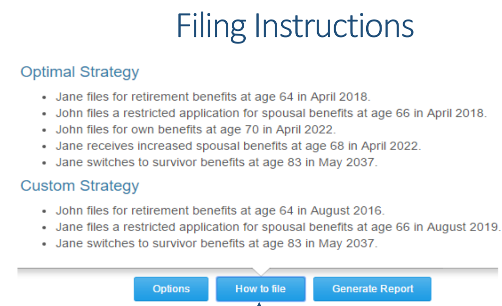
Key showing how the timeline's color coding translates to the type of benefit (if any) being received by the client.

Tap or click on blue-colored ages to change the Custom strategy. A client starts to receive benefits at the selected age (even if a File & Suspend was necessary prior to that age in order to receive one of the benefit options; this would be listed in the Filing Instructions). The Custom strategy can be modified either via the Timeline view, or by changing the Retirement Age inputs for each client.

Hide the Timeline.

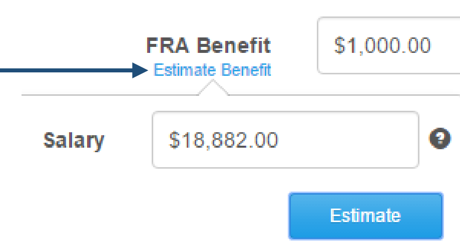
When this icon is shown, there is more than one alternative Custom strategy for the specified claiming ages. Tap/click to show the alternatives.

The Alternatives selector shows all the possible Custom filing strategies for the age(s) provided, along with the cumulative benefit amount for each. The color coding shows the type and sequence of benefits, using the same colors as the timeline itself. The currently displayed strategy is highlighted in blue. Just tap/click alternatives to switch between Custom filing strategies for comparison with the Optimal strategy. The selected Custom strategy automatically shows in the chart, the Filing Instructions, and the downloadable report.



Filing Instructions for both the Optimal and Custom strategies are always available from the "How to file" button.

Quick FRA Benefit Estimator



If the client doesn't know their FRA Benefit, just enter their current salary to get a quick estimate. This is accessible from the Client Editor.

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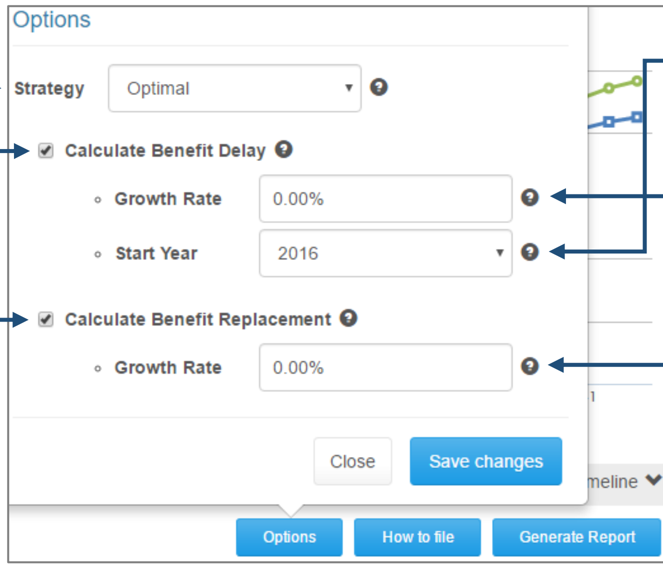
Benefit Delay and Benefit Replacement

With Benefit Delay, the LifeYield Social Security Optimizer calculates the cost of extending the peak Social Security benefit amount forwards to the selected year. With Benefit Replacement, the assets required to replace benefits lost after the date of first death for a married couple is calculated.

Options

The strategy being evaluated for Benefit Delay and/or Benefit Replacement. Either the Optimal or the Custom strategy can be selected (but not both).

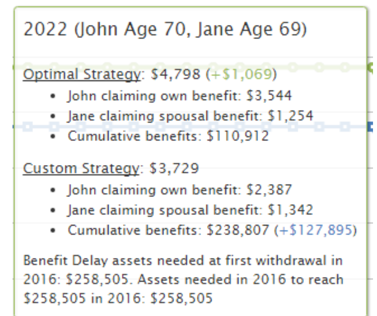
Turn Benefit Delay and/or Benefit Replacement on or off. Both features can be turned on at the same time if desired.

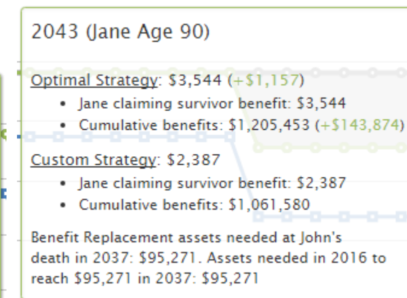


The year in which the first withdrawal is made from the Benefit Delay assets.

The assumed annual rate at which the Benefit Delay and/or Benefit Replacement assets grow.

Required Assets

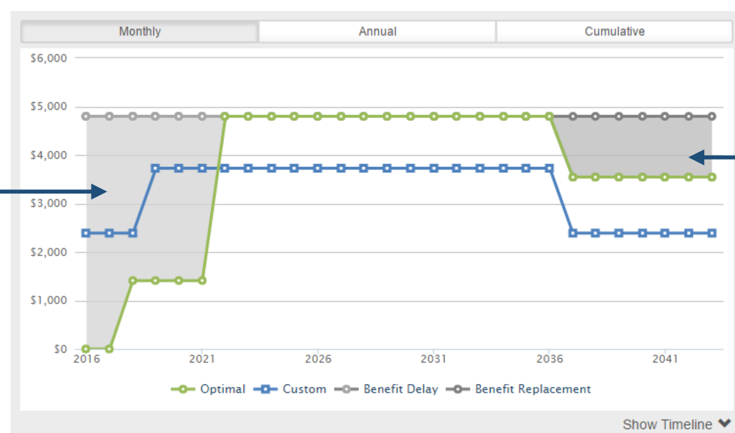




When interacting with either of the gray shaded areas in the charts, the total initial assets required are displayed. For Benefit Delay, these are the assets required in the current year to reach the necessary balance in the start year. For Benefit Replacement, these are the assets required at first death. These values are also included in an extra section of the downloadable report.

Charts

With Benefit Delay turned on for one of the filing strategies, a shaded area in the Monthly, Annual and Cumulative charts shows the income being drawn from assets. This income matches the benefit amount of the peak Social Security Benefit years, and the initial value is calculated such that it is completely depleted by the date of peak Social Security Benefits.



With Benefit Replacement turned on for one of the filing strategies, a shaded area in the Monthly, Annual and Cumulative charts shows the income being drawn from assets. This income maintains the peak benefit amount after the date of first death, and the initial value is calculated such that it is completely depleted at the date of second death.

Glossary

Social Security is a complicated topic. Here's a quick reference guide to common terms.

Term(s)	Explanation
Employment record, work record, account	When filing for Social Security benefits, a person may have a choice of filing on their own account with the Social Security Administration (SSA) - i.e. filing based on their own work history as linked to their Social Security Number - or filing on someone else's account (e.g. a husband might file for spousal benefits based on his wife's account).
Full Retirement Age (FRA)	The age at which a worker, spouse or survivor receives their full retirement benefit amount. Claiming benefits before FRA results in a reduced benefit, and claiming certain benefits after FRA can lead to an increased benefit. A worker's FRA varies based on their year of birth, and can be as high as 67 for younger clients.
Worker benefits, retirement benefits, Retirement Insurance Benefits (RIB)	The benefits received by a person filing for benefits on their own SSA account. A summary of the rules around worker benefits, spousal benefits and many other aspects of Social Security can be found at http://www.ssa.gov/pubs/EN-05-10035.pdf.
Spousal benefits	The benefits received by the spouse (and/or in some cases the ex-spouse) of a worker, when filing for spousal benefits on the worker's account.
Survivor benefits	The benefits a widow or widower (also, in some cases, children and even dependent parents) is eligible to receive based on their deceased family member's work record. LifeYield's Social Security Optimizer currently only considers benefits for a surviving spouse, and not other family members.
Primary Insurance Amount (PIA)	An amount determined by the SSA which represents a worker's anticipated monthly benefit if they claim at their FRA. The PIA is used as the basis for all benefit calculations based on the worker's record: the worker's own benefit, plus any dependent benefits such as those for a spouse or widow(er).
Initial eligibility	The earliest age at which a person is able to receive a benefit: typically age 62 for worker or spousal benefits, and age 60 for survivor benefits.
Delayed Retirement Credits	A worker claiming their own benefits after FRA receives increased benefits for each month they delay up to age 70. These increases are referred to as Delayed Retirement Credits, and while they don't affect spousal benefits based on the worker's account, they do improve survivor benefits.
Suspended payments, "file and suspend"	After reaching FRA, a worker is able to file for Social Security benefits but then suspend payments (i.e. ask to receive no payments). While their benefits are suspended, they earn Delayed Retirement Credits in just the same way as they would had they not filed. This often happens in conjunction with the worker's spouse filing for spousal benefits (often referred to as "file and suspend"); in order for a spouse to claim spousal benefits against the worker's account, the account must have been established (by the worker filing for benefits). This strategy can be advantageous since it allows spousal benefits to be claimed earlier than they would be if the spouse waited for the worker to start receiving benefits, and with no adverse effect on the worker's own benefits.
Restricted application	The type of application a spouse files in order to claim spousal benefits when they're eligible for either their own benefit or a spousal benefit at FRA or later. Their application for benefits is "restricted" to only the spousal benefit from their spouse's record.
Windfall Elimination Provision (WEP)	For a worker who receives a pension from government employment, reached initial eligibility in 1985 or later, and worked fewer than 30 years in a job where Social Security taxes were paid, a reduction in their PIA of up to half their monthly government pension amount may apply. This adjustment also impacts dependent benefits such as spousal benefits, but does not impact survivor benefits. More details on the WEP and the rules surrounding it (including some exemptions) are available at http://www.ssa.gov/pubs/EN-05-10045.pdf.
Government Pension Offset (GPO)	For a spouse or widow(er) receiving spousal or survivor benefits on another worker's record, and who receives a pension from government employment, their benefit is typically reduced by 2/3 of the monthly pension amount, and may even be eliminated completely. More details on the rules regarding the GPO can be found at http://www.ssa.gov/pubs/EN-05-10007.pdf.
Widow(er)'s Limit	A limit to the maximum amount of survivor benefits a surviving spouse is able to receive. This limit only takes effect when the deceased worker filed for benefits before reaching their FRA.
Prior Filing	Describes a situation where a user has already filed for Social Security benefits. The earliest possible age at which one could have filed is currently 62.
Cost of Living Adjustment (COLA)	Social Security benefits are subject to an annual increase linked to inflation. In recent years COLA increases have taken effect in December.