

SOCIAL SECURITY– IT PAYS TO WAIT

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“Until age 70, you receive an 8% higher monthly benefit for each year you delay.”

McCarthy Asset Management, Inc. is an independent, fee-only investment advisory firm that has been helping people invest wisely for over fifteen years. Our mission is to help you better understand and improve your financial situation. We specialize in Retirement Planning, Portfolio Management and Tax Planning.



Social Security is the single largest source of income for a majority of Americans over age 65, making up about 40% of the average retiree’s income. When to start receiving your Social Security benefits may be one of the biggest financial decisions you will make in retirement. The age at which you elect to start has a tremendous impact on your monthly income and lifetime benefits. Per the Social Security

Administration, in 2016, 56% of men claimed before their full retirement age, as did 62% of women. In many cases, though, this is not the best choice.

There are compelling reasons to wait until 70 to start receiving Social Security.

Social Security is probably the best lifetime annuity you can get. The benefit amount is calculated based on two primary factors—your highest 35 years of earnings and the age you elect to start receiving benefits:

- At full retirement age (“FRA”), you receive 100% of your calculated benefit.
- If you start earlier than FRA, the monthly payout is lower to compensate for the additional time you will receive benefits.
- *If you start later than FRA, you receive an 8% higher monthly benefit for each year you delay.*
- You can’t earn delayed credits beyond age 70; therefore, there is no advantage to waiting until after age 70 to start collecting benefits.

For an illustration of this concept, see below for a chart from J.P. Morgan:

Our Services

Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.

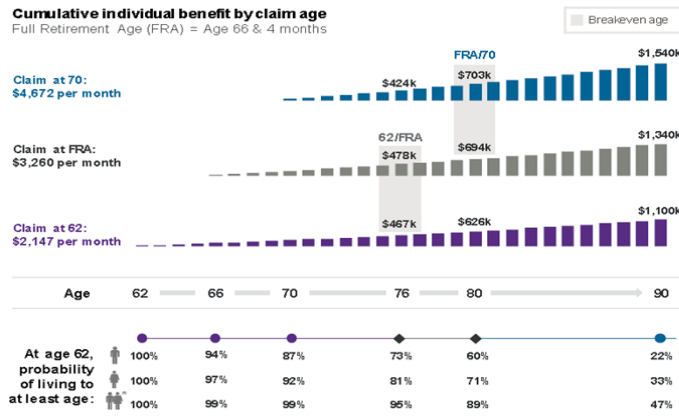
Tax Services:

- Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:
 - Tax Return Preparation
 - Income Tax Projections
 - Tax Minimization Ideas
 - Tax Authority Representation

Other Services:

- MAM has retained several outside experts, whose services are available at no cost to our clients:
 - Medicare Planning— Eileen Hamm of Superior LTC Planning Services, Inc.
 - Long Term Care Planning— Allen Hamm of Superior LTC Planning Services, Inc.

Maximizing Social Security benefits | 10



PLANNING OPPORTUNITY
Delaying benefits means increased Social Security income later in life, but your portfolio may need to bridge the gap and provide income until delayed benefits are received.

Source: Social Security Administration, J.P. Morgan Asset Management.
*Couple assumes at least one lives to the specified age or beyond. Breakeven assumes the same individual, born in 1956, earns the maximum wage base, retires at the end of age 61 and claims at 62 & 1 month, 66 & 4 months and 70, respectively. Benefits are assumed to increase each year based on the Social Security Administration 2017 Trustee's Report "intermediate" estimates (annual benefit increase of 3.1% in 2019 and 2.6% thereafter). Monthly amounts without the cost of living adjustments (not shown on the chart) are: \$2,147 at age 62; \$2,928 at FRA; and \$3,787 at age 70. Exact breakeven ages are 76 & 3 months and 80 & 5 months.



The chart shows:

- The probability of a 62-year old man, woman and at least one of a married couple living to various ages.
- The breakeven age is 76 for waiting until full retirement age versus starting at 62.
- The breakeven age is 80 for waiting until 70 versus starting at full retirement age.

Two more points:

- Those who live a really long life are most at risk for outliving their assets. **Maximizing Social Security benefits by waiting until age 70 provides longevity insurance.** In the illustration above, the monthly benefit will be \$4,672 if started at age 70, compared to only \$2,147 if started at age 62.
- For a married couple, it may be even more important for the spouse with higher benefits to wait until age 70 to start.** The reason is that if the spouse with higher benefits dies first, the surviving spouse will be able to switch to receiving payments based on 100% of the deceased spouse's benefits.