OPTIMIZING SOCIAL SECURITY FOR RETIREMENT

A PLANNING GUIDE



Social Security benefits are an important part of your retirement plan because they provide a guaranteed, inflation-protected income for the rest of your life. Anyone who is at least 62 years old and has worked at least 40 quarters is eligible to receive them.

But deciding when to start claiming those benefits is a critical decision with important ramifications for your income, taxes and other Social Security benefits you may be eligible for—as well as those of your spouse.

This guide aims to help you understand the choices you'll need to make to maximize the Social Security benefits you've earned.

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HOW SOCIAL SECURITY BENEFITS ARE CALCULATED

The best time to start claiming Social Security benefits depends on your financial situation. Knowing the key factors that affect the amount of your monthly Social Security retirement payments will help you understand the choices you have to optimize benefits.

KEY FACTORS

1. YOUR EARNINGS HISTORY
2. THE AGE YOU DECIDE TO START RECEIVING BENEFITS
3. WHETHER YOU ARE STILL WORKING

YOUR EARNINGS HISTORY

The Social Security Administration (SSA) uses your highest 35 years of earnings, adjusted for inflation, to calculate your average indexed monthly earnings (AIME). If necessary, it will use $0 for any year you didn't earn an income to bring the total to 35.

TIP

The easiest way to find out what your monthly benefits will be is by signing up for a free account at www.socialsecurity.gov/myaccount/

AGE WHEN YOU START COLLECTING

You can start claiming Social Security retirement benefits as early as age 62 and as late as age 70. But you won't receive 100% of your benefit amount until you reach what is called Full Retirement Age (FRA).

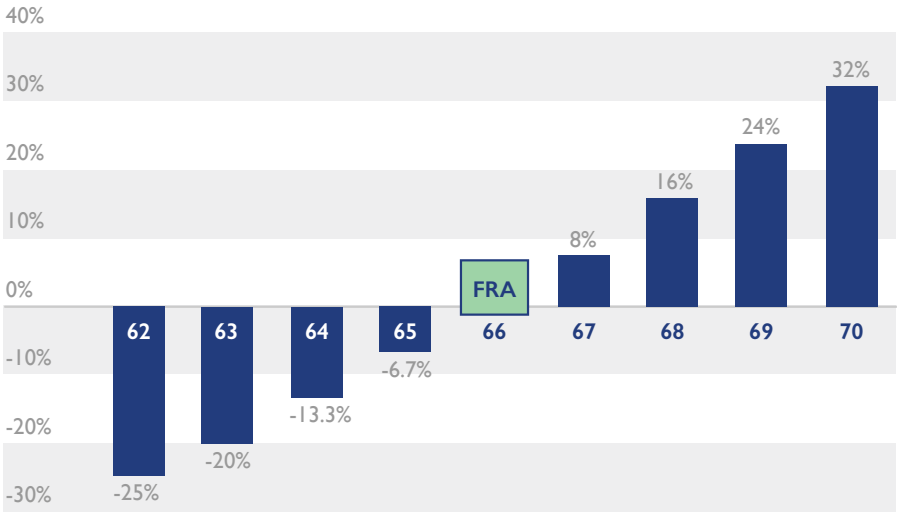
Since people are living longer today, the FRA has been increasing the last few years, and depends on the year you were born:

- Between 1955-1959, it's 66 years old + two months for each year after 1954
- Anyone born 1960 or later, it's 67 years old

TIP

You can apply up to 90 days before you want to start collecting benefits. Go to SSA.gov and apply online or visit a local office.

Benefit Reductions and Increases for FRA 66



Assumes a client was born between1943 and 1954. For Social Security recipients born between 1955 and 1959, add two months to age 66 for every year after 1954.

This chart shows how much your benefits can be reduced or increased, depending on when you start claiming Social Security.

As you'll see, one way to increase your monthly benefits is to delay collection until age 70.

HOW SOCIAL SECURITY BENEFITS ARE CALCULATED

YOUR BREAK-EVEN AGE

If you delay retirement until 70 years old – how long will it take until the total amount of the benefits you've received exceeds the total amount you would have received, if you'd started to claim retirement benefits at 62 years old?

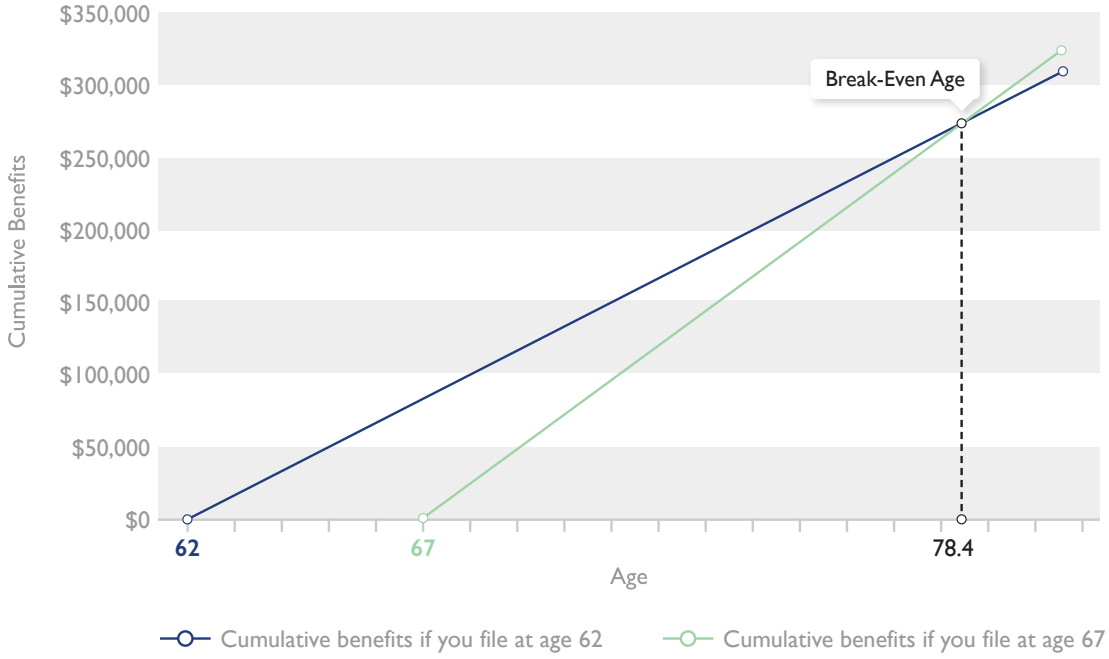
That point is called your "break-even age."

Knowing your break-even age helps determine the best age to start claiming benefits to maximize your lifetime income.

In short, you may be able to receive more money overall if you delay taking benefits until age 70 and outlive your break-even age. But if your life expectancy is shorter than the break-even age, you could receive more by claiming benefits earlier.



Social Security Break-Even Age[1]



[1] The chart above depicts the average break-even age for a person whose FRA is 67. Your break-even age may be different and needs to be calculated by a professional.

YOUR WORK STATUS

If you start collecting benefits before FRA, working can reduce the amount of your benefit payments, if your income is high enough. The chart below shows the current income thresholds.

Once you reach FRA, you can "double dip," meaning your working income does not reduce your Social Security payment. As long as you're still working, your payment will continue to grow because you're still paying into the system through W2 wages.

It's also possible to delay collecting retirement payments up to age 70. You can begin earning delayed retirement credits for every month you delay retirement once you reach FRA. These credits can grow your Social Security payment by 8% each year you delay collecting a Social Security payment.

TIP

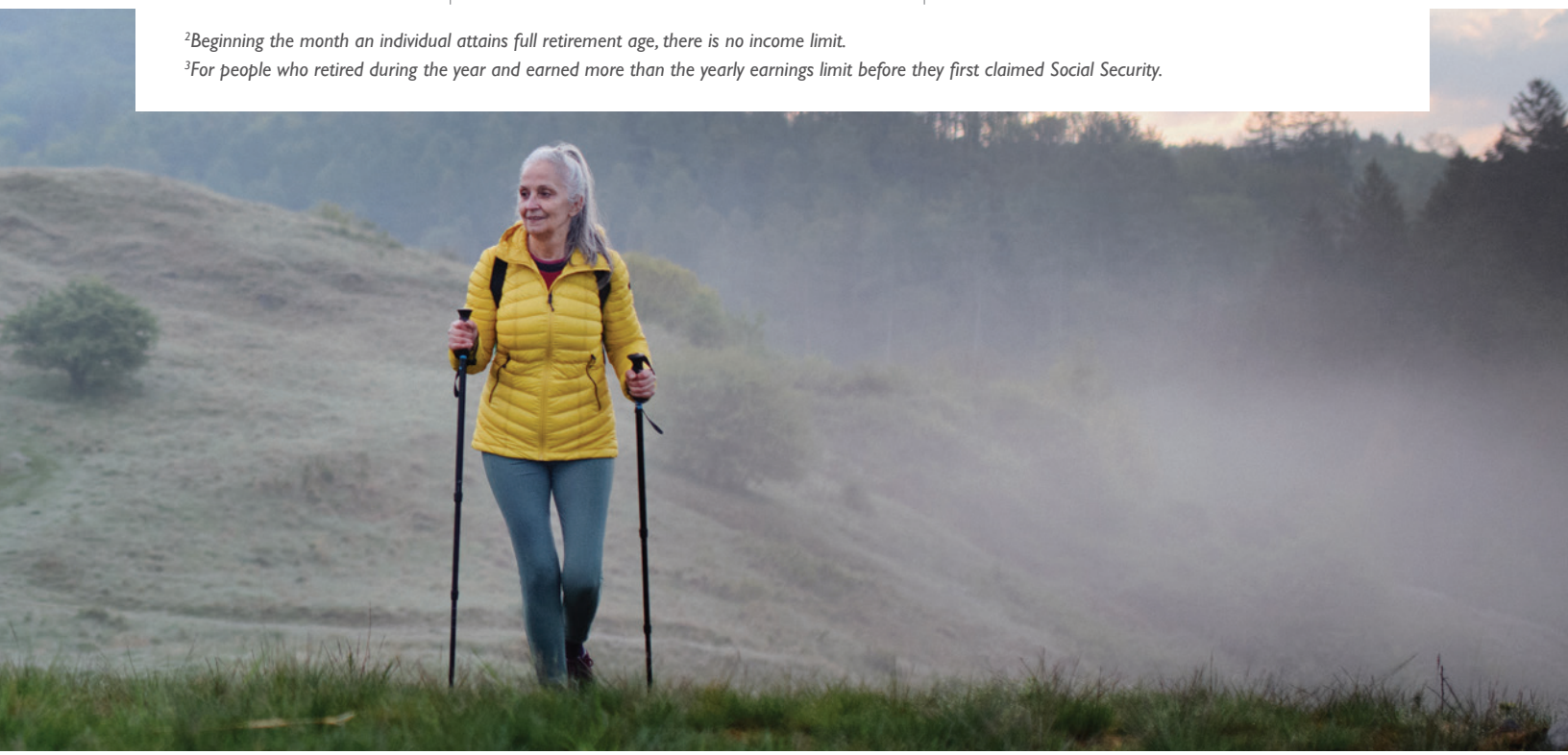
Spousal and survivor benefits are available as well but are unique to each worker. Contact your financial advisor to learn more.

Reduction in Benefits if Taking Social Security Early and Working

Age	Amount of Reduction	Maximum 2024 Earned Income Before Benefit Reduction
62 through year of attaining FRA	Lose $1 in Social Security benefits for every $2 earned above limit	$22,320 ($1,860/month[3])
Year of attaining FRA[2]	Lose $1 in Social Security benefits for every $3 earned above limit	$59,520 ($4,960/month[3])

[2]Beginning the month an individual attains full retirement age, there is no income limit.

[3]For people who retired during the year and earned more than the yearly earnings limit before they first claimed Social Security.





HOW DO YOU COMPARE?

The chart below shows the average monthly benefit for recipients today, both before and after the cost-of-living adjustment for inflation.

MONTHLY AVERAGE SOCIAL SECURITY BENEFITS

Estimated Benefit	Before 3.2% COLA[4]	After 3.2% COLA[4]
All Retired Workers	$1,848	$1,907
Retired Couple, Both Receiving Benefits	$2,939	$3,033
Retired Widow(er) Alone	$1,718	$1,773

[4]Cost-of-living adjustment (COLA) is an increase in Social Security benefits that the Social Security Administration applies to counteract inflation. The 2024 COLA is 3.2%.

SOCIAL SECURITY BENEFITS ARE NOT TAX-FREE

The share of benefits you must pay taxes on depends on your filing status, current adjusted-gross income (AGI), non-taxable investment income[5] and 50% of your social security income. This total determines whether you'll pay taxes on up to 50% or 85% of Social Security benefits.

Calculating the Taxable Portion of Social Security Benefits



[5]Municipal bond income is included in the tax base.
[6]You may have to add in other exclusions. Please contact a qualified tax professional for further details.

Income that does NOT count when calculating taxation of Social Security benefits includes:

- Roth IRA Distributions
- Non-Taxable Pensions and Annuities
- Qualified Charitable Distributions
- Inheritance/Gifts
- Life Insurance Proceeds
- Qualified Medical Distributions from Health Savings Accounts (HSAs)

Taxed Share of Social Security Benefits

	Combined Income	
	Up to 50% of Benefits Taxable	Up to 85% of Benefits Taxable
Single	$25,000 - $34,000	More than $34,000
Married, filing jointly	$32,000 - $44,000	More than $44,000

These thresholds are not indexed for inflation.

FINAL THOUGHTS

When to start claiming Social Security retirement benefits is an important decision for planning your future in retirement. Your financial situation, health, and life expectancy are critical factors to weigh.

This decision can impact your spouse's benefits too, whether you're still married, divorced or widowed. Therefore, it's critical that you coordinate this decision with any spousal or survivor benefits you're entitled to receive too.

Every person and situation is unique – ask your financial advisor to help determine the best claiming strategy for you.

NAVIGATE RETIREMENT WITH CONFIDENCE

At Firestone Financial Group we'll help you with step-by-step guidance and valuable tips to empower your financial decisions during this transitional period.

Scan to visit our website and book your consultation.

FG Firestone FINANCIAL GROUP

2679 W. MAIN STREET, SUITE 271, LITTLETON, CO 80120

720.994.3370

www.firestonefingroup.com

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