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Early retirement income bridge

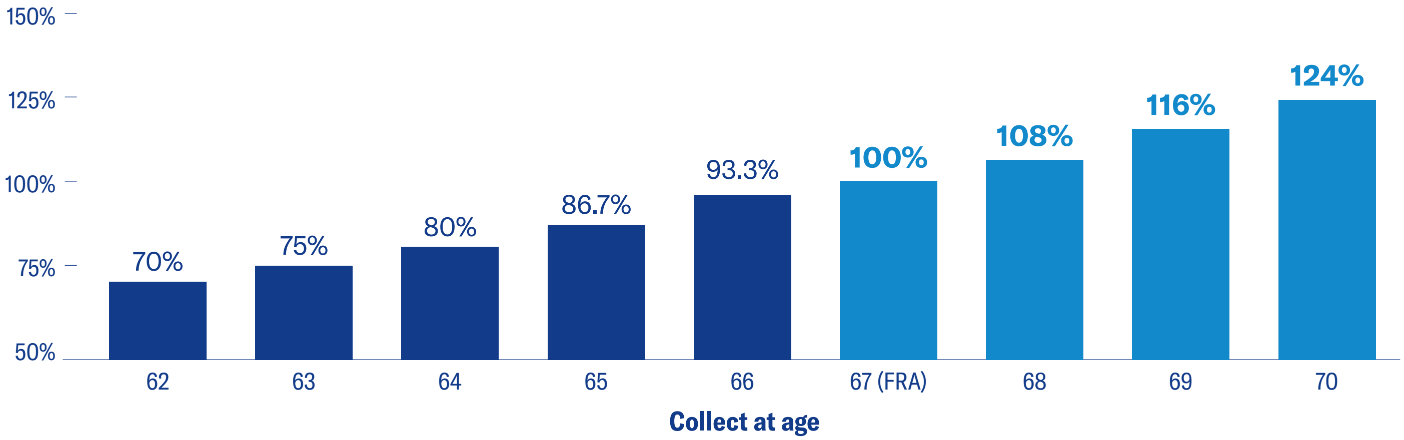
Social Security is the #1 federal entitlement program in the United States

When to claim Social Security benefits is one of the most important and difficult choices a retiree or a retired couple must make when transitioning into retirement.

After becoming eligible for Social Security, retirees have the option to start collecting benefits anytime between age 62 and age 70. However, if you collect before full retirement age, which is determined by year of birth, your Social Security benefits will be permanently reduced throughout retirement. If you wait until full retirement age (FRA), you will be eligible for your full benefits (also known as your primary insurance amount). If you wait until after full retirement, you will be eligible for an increased benefit. For each year you delay taking a Social Security benefit, you will accrue what is referred to as a delayed retirement credit (DRC). A DRC will increase the income you receive from Social Security by approximately 8% per year.

According to the Social Security Administration (SSA), 90% of people aged 65 and older receive benefits from Social Security. SSA also reports that Social Security provides up to 40% of an average retiree's retirement income.

The IMPACT of collecting Social Security early



According to the SSA, age 62 is the most popular age to collect Social Security benefits. The trade-off, however, is that by collecting benefits prior to an individual's FRA, it permanently reduces the benefit amount collected and that reduction is permanent throughout retirement. Delaying claiming Social Security benefits to FRA or to age 70 can significantly increase retirement income. It is important to not look at Social Security in a vacuum but to understand Social Security is just one piece of the retirement income puzzle.

Creating an income bridge from early retirement to later retirement years allows for a leverage of the Social Security delayed retirement credit, helping retirees protect against longevity and income risk throughout retirement.

How can this be accomplished?

Let's look at a hypothetical example of combining a guaranteed income strategy using a variable annuity with a delayed Social Security strategy to create a more flexible overall retirement income scenario.

Jack and Diane were two American kids that grew up in the heartland. Jack wanted to be a football star, however, instead found a successful career as an electrical engineer for a Fortune 500 company. Diane worked for 5 years as a nurse until she committed to caring for their four children full time. Together they have accumulated $2m in assets with $1m in IRAs and $1m in taxable monies.

Jack and Diane would like to maximize their assets to make sure each of them is protected in their lifetime, and potentially leave something behind to their adult children **long after the thrill of living is gone.**

Currently the couple's annual Social Security benefit would be the following based on starting to collect at different ages:

Collect at age 62	Collect at age 67	Collect at age 70
$18,900 (-30%)	**$27,000** (FRA 100%)	**$33,480** (+24% DRC)

What if there were a way to capitalize on some of the current retirement assets to create income today to give Jack and Diane more income flexibility in retirement?

In order to give Jack and Diane flexibility in retirement and prevent them from locking in a permanently reduced Social Security benefit at 62, they will need to have a strategy to replace or create an **income bridge** for their early retirement years.

How might they accomplish this goal? They may look to reposition some of their retirement portfolio into a product that may provide the same amount of predictable income that they could have received from collecting Social Security benefits at 62.

Jack and Diane can look to reposition a portion of their IRA assets into an annuity that can provide a 6% guaranteed income.

Currently the couple's Social Security benefit at age 62 would be approximately $18,900 annually. Moving $315,000 into the annuity, providing a 6% guaranteed income benefit, can provide $18,900 in guaranteed income for Jack and Diane on an annual basis. This leaves over $1.7m in other assets for Jack and Diane to use for discretionary spending in retirement. By taking advantage of the **Social Security bridge** to cover Jack and Diane's essential expenses, they now have the potential to maximize their other accumulated retirement assets and use their discretionary assets in various ways:

- **Maintain liquidity**
- **Tax management**
- **Legacy**
- **Charitable needs**
- **Emergencies or special occasions**

It also allows their Social Security benefit to accrue delayed retirement credits, which will allow the couple to increase their retirement income by waiting until later in retirement to collect Social Security benefits. Additionally, by delaying, it may increase the Social Security survivor benefit available after the first spouse passes away.

Social Security is an important piece of the retirement puzzle, but it is not the only piece. Social Security cannot be looked at in a vacuum when making income decisions. Combining Social Security strategies with additional sources of guaranteed predictable income is critical in creating a comprehensive retirement income plan.

SSA, 2020 Annual Statistical Supplement, Master Beneficiary Record; ssa.gov/policy/docs/statcomps/supplement/2020/5a.html.

While this document summarizes certain information about Social Security retirement benefits that we understand to be accurate and current, it is not an official explanation or discussion of the program. This document is for informational purposes only. In the event of a discrepancy between any information presented here and any information provided by the Social Security Administration (SSA), the SSA information will take precedence.

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