

# Brave Conversations on Personal Retirement

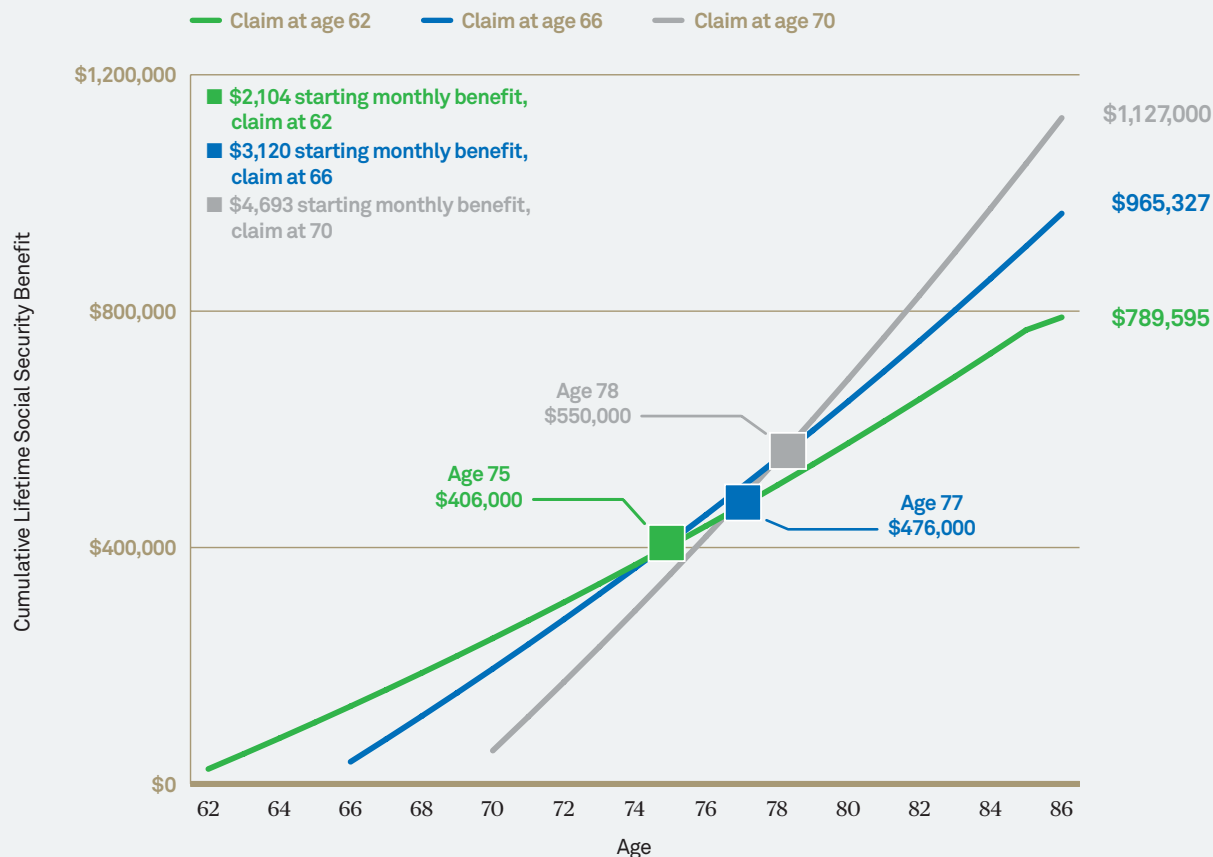


Earning

## Social Security

Set a Solid Foundation: Social Security remains an important income source.

### Social Security break-even analysis: It may pay to delay.



Source: Calculated using Social Security Administration calculator, assuming maximum benefits for individuals who turn 62 in 2016. Once claiming begins, payments inflated by 2% annually. Actual Social Security cost of living adjustments (COLA) will vary. The calculator is updated annually and amounts determined change accordingly. For illustrative purposes only.

### Why Should You Care?

Sometimes underappreciated, Social Security forms the “foundation” of the retirement income plan. Use it to pay for some of your essential spending in retirement.

*Claiming too soon reduces lifetime benefits which must be replaced with additional saving, investing and/or insurance.*

### What's the Good News?

- Don't let the hype ruin your plan — if you have paid in, you can collect retirement benefits.
- Different claiming options are possible to maximize your lifetime benefit. Spouses may be able to collect benefits based on the higher earner.
- While not total inflation protection, payments to retirees are adjusted annually to the Consumer Price Index.



### Trending

The 1940 to 1944 birth cohort has embraced delayed claiming. As compared with the previous birth cohort, the percentage of men claiming at ages 62 to 64 declined from 74% to 60.8%, and the percentage of women claiming early declined from 75.1% to 66.2%. The percentage claiming at 62 decreased with increased educational attainment as well.

Sources: Society of Actuaries and Center for Retirement Research at Boston College 2012–15.

Take Action! ▶▶▶

# Take Action!

## ✓ Maximize it

To fund *Your 30*: Assuming you are healthy, focus on the long term and consider delaying Social Security payments to get a fixed 8% annual benefit increase until age 70.

- > If single, delay as long as possible.
- > If married, the higher-earning spouse may want to delay.

## ✓ Consider investing more aggressively

Re-evaluate your asset allocation, since Social Security is like a fixed income investment.

## ✓ Add more “quarters”

If you keep working or are in “reHirement”, keep paying in and increasing your benefit. (Some of your Social Security may be taxed if you are working and receiving benefits.)

## Earnings Test

When you claim Social Security benefits before reaching full retirement age (FRA) and continue working and earn above a certain threshold, you are subject to the retirement earnings test (RET). The RET reduces Social Security benefits before you reach FRA, and then increases benefits for the remainder of your life when you reach FRA. Benefits withheld while you continue to work are not lost; they are added to your monthly benefit once you reach FRA.

For more information, go to [www.ssa.gov/oact/cola/rtea.html](http://www.ssa.gov/oact/cola/rtea.html)

This concept is an excerpt from the *Brave Conversations on Personal Retirement* book. Financial advisors can obtain a copy of the book by speaking with their BNY Mellon Dreyfus Regional Sales Consultant.



Because many investors will spend around 30 years in retirement, now is the time for you and your financial professional to plan for your future. This will be the time when pressures and responsibilities that once filled your days will diminish and you'll have more time to focus on you.



## We believe

To achieve the retirement you desire, first **target an outcome** and then work with your financial advisor to **develop a financial plan**. Discuss the four interconnected financial behaviors — earning, spending, investing and insuring — because they will greatly impact your plan.

**This information is general in nature and not intended to constitute tax or estate-planning advice. Please consult your tax or estate-planning advisor for more detailed information on these issues and advice on your specific situation.**

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