



# Social Security

The foundation to your retirement income

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FINANCIAL

# Social Security is one piece of your retirement income

Having guidance through the retirement income planning process can help you put a plan in place to live a comfortable retirement on your terms. By partnering with me to build a complete retirement income plan, you'll find that Social Security will make up one part of your retirement income, while the other income sources will come from your personal savings, pensions and investments, or from working longer.

It's important to find the right mix to help create an effective, straightforward lifetime retirement income plan.

You've known about Social Security for years. You've paid into the system with every paycheck. But now that you're getting closer to retirement, how much do you really know about the benefits that Social Security will provide?

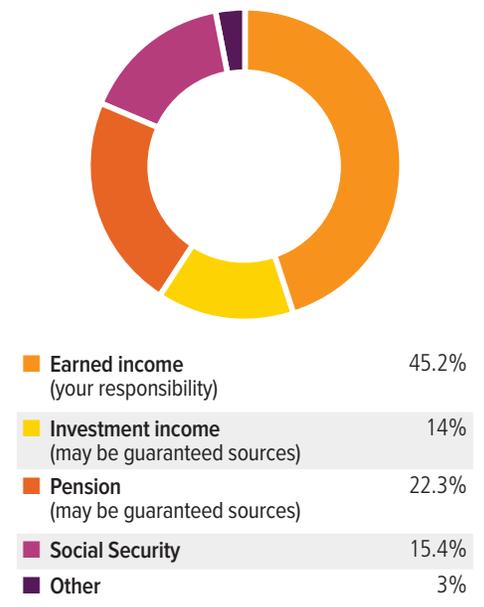
It's important to learn the fine points of Social Security because it will become the base of your retirement income.

- It can provide anywhere from 20% to 40% of your income throughout retirement.
- Backed by the U.S. government, it comes with a lifetime guarantee and cost of living increases.
- It can help protect your spouse's income if he or she lives longer than you do.

As your financial advisor, I can help you see how Social Security fits into your overall retirement income strategy and help you decide when and how to take your monthly payments.

Working with me, you can feel more confident and prepared to make the decisions about Social Security that will work best for your personal situation.

Sources of retirement income for high-wage earners\*



\* Source: Social Security Administration, Office of Policy, Income of the Aged Chartbook, 2014, issued March 2015. Key sources of retirement income for households with incomes of more than \$72,129 per year. This chart is for illustrative purposes only.

Voya Financial Advisors, Inc. is not a substitute for the Social Security Administration and we do not represent the Social Security Administration. This information is intended to provide accurate and reliable information on the subjects covered and is for general information or educational purposes only. Final Social Security decisions are the sole responsibility of the individual taxpayer.

# Taking control of your future income starts with understanding Social Security benefits

Planning for lasting retirement income starts with a discussion. What are all the things you want to do when you have more free time? What are the various resources you might have to generate income in retirement? The five steps of the Voya Financial Advisors holistic retirement income planning program can help you get organized right from the start.



These steps should provide a guided path for estimating sustainable retirement income and withdrawal rates to determine how much you might need to support your essential and discretionary expenses.

Because Social Security is a critical piece of your retirement income and has a unique set of decisions, we believe it deserves a separate discussion.

This brochure gives you a brief introduction to the basics of Social Security, explains its importance to your income plan, and prepares you to make key decisions about your Social Security benefits.

Let's look at five key facts about Social Security that can help you sort through your options based on your personal situation.

## What Social Security was designed to do

From its inception in 1935, Social Security was set up to pay monthly benefits to Americans age 65 and older who were no longer working. The payment amounts were based on average wages earned and provided a higher proportion of income for the lowest wage earners. But Social Security was never intended to provide full income replacement at retirement.

Today, the Social Security program is intact and pays retirement benefits to **more than 65 million Americans.\***



\*SSA Publication Fast Facts & Figures about Social Security, 2016.

# Fact #1

## The amount of your benefit is based on three key numbers

There are three primary numbers you'll need to know as you think about Social Security as the foundation of your retirement income.

### 1. Your Full Retirement Age

The year you were born determines your "Full Retirement Age" (FRA). This is the age where you are entitled to receive your full Social Security benefits, if you qualify. For most of today's workers, their FRA is between 66 and 67. It is no longer age 65.

A complete table is available on the Social Security website: [www.SSA.gov](http://www.SSA.gov). Just look for your year of birth to find your FRA.

### 2. Your benefit estimate

When you stop getting a regular paycheck, you'll need to cover your essential expenses through new sources. How much you are entitled to collect from Social Security will depend on how much you've earned over your working years – referred to as your "earnings history." Your current estimated benefit amounts are calculated by the Social Security Administration and you can find them on your Social Security statement at [www.SSA.gov](http://www.SSA.gov).

Your statement includes your estimated retirement payment amount at your FRA, your maximum benefit at age 70, and your reduced benefit at age 62. You'll also find online calculators to estimate your benefits at other ages.

### 3. Your personal replacement ratio

Keep in mind that your benefit is designed to cover only a portion of your current salary. We refer to that number as your "personal replacement ratio."

The table below offers a guideline for the percentage of your current salary that Social Security may provide, assuming you take your benefit at FRA. The bottom line is this: the higher your income, the lower your replacement ratio.

I can help you assess your replacement ratio and look for ways to get the most from your Social Security benefit.

#### Personal replacement ratios

Salary category	Salary amount	Approximate replacement
Low	\$20,000	58%
Medium	\$45,000	43%
High	\$72,000	35%
Taxable wage base (TWB)	\$113,700	29%
Higher incomes beyond TWB	\$113,700+	Generally 17 - 28%

Guidelines for qualifying Social Security recipients at Full Retirement Age (FRA) in 2013.  
Source: 2013 Guide to Social Security, 41st Edition, Mercer.

## Fact #2

### When you choose to begin, taking payments can make a big difference

Choosing when to begin taking your Social Security payments is a decision that affects the rest of your income sources. The more you take for Social Security, the less you may need to tap other savings and investing accounts.

#### The maximum option

Generally, to get the maximum benefit, you have to delay Social Security payments until age 70. At that point, you lock in your maximum Social Security benefit. Your payments may increase by as much as 8% per year from FRA to age 70 if you can afford to wait. But, between FRA and age 70, you'll still need some other sources of income. Will you work longer or withdraw a portion of your other assets to cover the bridge years?

#### The FRA option

Working until your FRA may be your best choice. By claiming at FRA, you'll receive your full Social Security benefit payments for the rest of your life. You'll also have more time to add to your retirement savings and stay invested to potentially increase your nest egg.

#### The minimum option

For some people, claiming Social Security before FRA is a necessity – you may lose a job, suffer an illness or need to step away from work to care for a loved one.

If you find that you need to claim early, before your FRA, your payment amount will be permanently reduced. In some cases, you could lose up to 25% to 30% of your full benefit. Taking your benefit early may result in drawing down more of your investment portfolio to cover the amount of income you need throughout retirement.

#### Covering essential expenses with Social Security income

At the very least, your income in retirement must cover your essential expenses for as long as you live. Groceries, fuel and utilities, as well as other everyday expenses, must be paid. I can help you design an income strategy that takes these expenses into account and gives you the insight necessary to make good decisions about when to begin taking your Social Security income.



## Fact #3

### Married (and divorced) couples have additional options to consider

If you are married, your Social Security decisions can have a big impact on your spouse's payments too. Think about the following when exploring your options.

#### Calculating your spousal benefit

Married individuals are entitled to a spousal benefit based on their spouse's earnings record – even if they have their own earnings record. At FRA one spouse can receive 50% of the other spouse's benefit if that spouse has already filed. Your benefit will be calculated so that you receive the highest amount – based either on your own earnings record or on your spouse's earnings record. If you and your spouse have similar earnings records, you need to analyze which spouse should file and which should take the spousal benefit. It is critical to explore the various options available to both of you before making an election decision.

In addition, if you were married for at least 10 years and are now divorced, you are eligible to receive Social Security benefits based on your ex-spouse's earnings records.

If you are eligible for your own benefit in addition to a spousal benefit there are strategies to maximize your lifetime income. Be sure to talk to an advisor who has working knowledge on electing Social Security benefits.

#### Maximizing benefits by coordinating claiming dates

If you both qualify for retirement benefits and you each have your own earnings record, it will be important to coordinate claiming dates and claiming strategies as a couple. Since there are many different options and claiming strategies that can help married couples optimize their benefits, you might want to test a variety of options before making your final decision. Depending on the choice you make, the difference in total payment amounts can be substantial.

#### Getting additional help

The Social Security website includes more information about benefits for married couples, same-sex married couples, widows/widowers and divorced spouses. You might find more specifics that apply to your situation with just a little extra research.

You can rely on my assistance to help you evaluate the various claiming strategies and payment amounts to see what could work best for your situation.

#### Coordinating claiming dates with your spouse

Let's take a look at how the claiming dates on your Social Security benefits can impact your spouse's spousal benefit.

If you and your spouse both claim at the earliest age of 62, your benefit and their spousal benefit will both be reduced. Overall your household payments are reduced by 25% from the amount available at FRA.

If you and your spouse claim at FRA (66 in this example), your spouse is entitled to half of your amount.

If you and your spouse both wait until the maximum age of 70 to claim, you will receive the maximum income payments. Your spouse will still receive the same payment they would have received at FRA - a 76% increase over the amount at age 62.

Claiming age	You	Spouse	Total	% difference
62	\$750	\$375	\$1125	-25% from FRA
FRA @ 66	\$1000	\$500	\$1500	+33% from age 62
70	\$1320	\$500	\$1820	+76% from age 62

Source: Social Security, Retirement Planner: Benefits By Year of Birth

These illustrations assume that one spouse either has NO benefit or a benefit smaller than 50% of the other's benefit.

## Fact #4

### Your actual payments can change over time

When developing your overall plan for retirement income, it's important to understand what adjustments will be made to your Social Security payment as your situation changes over time. The actual benefits you receive may differ from the estimates you see on your statement. Here are some examples of how that could happen.

#### Medicare premiums will be deducted from your Social Security payment when you reach age 65

Social Security and Medicare coordinate their payment systems to make sure you receive accurate and timely benefits. As a result, once you are eligible for Medicare at age 65 and enroll in Part B coverage, your Medicare payments are automatically deducted from your Social Security payment each month.\*

To learn more about your Medicare choices and the associated costs, visit [medicare.gov](https://www.medicare.gov) and request a copy of the Medicare & You Handbook.

#### Your Social Security payments may be reduced if you collect before FRA and are still working

Social Security retirement benefits are designed to support you in retirement. If you decide to collect Social Security before FRA and you continue to work, your payments will be reduced based on a formula set by the Social Security Administration. You may find it helpful to consider how a reduction due to working might affect your income from Social Security during the exploration phase of the retirement income planning process.

Beginning with the month when you reach FRA, you can earn an unlimited amount with no effect on your Social Security payment.

#### Your Social Security benefits may be subject to income tax

Depending on your provisional income\*\* calculation, a percentage of your benefits may be taxable. It is often a surprise that Social Security benefits are included in IRS tax calculations. Meeting with your tax professional may be helpful when thinking about your Social Security situation before making your final decisions.

You may choose to have taxes withheld from your benefit amount when you sign up for Social Security.

#### A portion of Social Security payments may be taxed\*\*

% of benefit subject to income tax	Married filing jointly combined income	Single filer combined income
Up to 50%	\$32,000 and \$44,000	\$25,000 and \$34,000
Up to 85%	More than \$44,000	More than \$34,000

\*If your Social Security payments are not sufficient to cover your Medicare premiums or if you do not qualify for Social Security, you will be billed for the difference.

\*\* Provisional income is defined as the sum of your adjusted gross income plus non-taxable interest plus half of your Social Security benefits.

## Fact #5

### Planning for Social Security earlier can deliver better benefits later

Many workers begin taking their Social Security benefits as soon as they become eligible at age 62 without considering how this might change their overall income plan. The effect of that single decision can be significant because it can permanently reduce the Social Security income you receive throughout retirement and create a need to draw down more from your investment portfolio.

The fact is, it's hard to beat the 8% annual increase in guaranteed income payments that you can get by waiting to collect Social Security

after your FRA. It's also difficult to predict your health or job situation in the future. The key is to look at your options early in the planning process and make your decisions based on solid information and facts.

To help you better understand how the decisions you make can affect your future income plans, I can use your individual data to prepare three key scenarios to help illustrate your range of options: your maximum option, the FRA option and the minimum option. From there, we can test a variety of age scenarios to figure out what works best for your situation.

At Voya Financial Advisors, we suggest you take your first real look at Social Security when you are in your early 50s. Armed with important information about how your decisions can affect your income, you can better map out your personal plan of action.

#### Your options

#### Questions to consider

**The maximum option:** Take a look at your income plan as if you will collect your maximum Social Security payments beginning at age 70.

- Will you work until 70 – or perhaps retire earlier, but wait to collect benefits until age 70?
- If you are married, would the restricted application claiming strategies work for you and your spouse? Restricted application allows one spouse to receive their own benefit while the other spouse receives a spousal benefit while delaying their own benefit until age 70.
- Can your portfolio bridge any income needs before age 70, or can you keep saving for retirement and building your assets?

**The FRA option:** Work out an income plan assuming you will begin your Social Security payments at your FRA (between 66 and 67).

- Do you realistically think you'll be able to work until your mid-60s ... do you want to continue working?
- Can you afford to use some of your investment portfolio to cover expenses until FRA?
- Will your portfolio be able to cover lower Social Security payments than if you were to wait until 70?

**The minimum option:** Run a scenario where you would be retiring early and collecting benefits beginning at age 62.

- What is the effect of reducing your Social Security benefit by 25% to 30%?
- If you plan to work in some capacity, will you earn more than the earnings limit and have to take a reduced Social Security payment?
- How much harder will your portfolio need to work to support your income needs throughout retirement in this scenario?
- How will your reduced payments impact your spouse?

# Action plan

These three steps can help you take control of your Social Security decisions.

## 1. Get serious about your future needs and budget!

Most of us would rather not set up a budget, let alone stick to it. But, it is critically important to have at least a back-of-the-envelope budget for the essential expenses that you will have to cover throughout your retirement.

- Use the Retirement Income Workbook as a data gathering guidebook
- Fill in your best guess estimates for each line item
- Use your checkbook or credit card statement as your baseline

Starting in your early 50s helps you get a good sense for what is coming and gives you plenty of time to make adjustments. Starting in your 60s helps focus you on your key next steps.

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## 2. Sign up online for *my Social Security* account.

The Social Security website is relatively easy to navigate and contains a tremendous amount of information that will be helpful to you. It's quick and easy to set up your own account and then look for key information such as:

- Your most current Social Security statement and summary of work history
  - If you qualify for benefits
  - Estimate your future benefits
- 

## 3. We can work together to create your retirement income plan.

Social Security is the foundation of your overall retirement income strategy. I can help you see the connection between your decisions and the impact on your portfolio. We can talk about:

- Running various scenarios to see how you might optimize Social Security and choose the right time to begin benefits
- Calculating the percentage of your essential expenses that might be covered by Social Security and how much your other income sources and investments need to provide
- Coordinating how married couples can claim Social Security to maximize the benefit for the surviving spouse.

By starting earlier than you might think, you may have more choices about your future and more flexibility to make adjustments and pursue strategies that can help you generate income to last throughout your retirement.

# Scavenger hunt:

## Getting to know the Social Security website

The Social Security website at [www.SSA.gov](http://www.SSA.gov) is chock-full of great information. But getting started can be a little intimidating. This scavenger hunt can help you explore important areas of the website one step at a time. See where you end up – and share your findings with me.

### Scavenger hunt:

1. Locate the Social Security website.  
*(hint: try [www.SSA.gov](http://www.SSA.gov))*
2. Set up your *my Social Security* account.
3. Locate your current Social Security statement and print a copy.
4. Find the Calculator section and try out three or more calculators to see what they do.
5. How old will you be when you reach your FRA? Find the full table on the site.
6. There are nine categories of things you can do online. Can you find the list?  
*(hint: start on the home page and find the link)*
7. There is a ton of specialty information for “People Like Me.” Can you find it under the “Information for ...” tab?

Gather information about your personal situation and how much income your Social Security benefit can provide you throughout your retirement.

**Your reward:**



*Finding a key to your optimal retirement income stream.*

**X**

**Congratulations!  
You made it!**

Now we're ready to set up a meeting to see how to design your retirement income plan with your Social Security options.

## Working with your financial advisor

The decisions you make about Social Security are a key part of your plan for creating lifetime income. The choices you make now about your benefits can affect your income, your investment portfolio and your spouse's benefit. For a subject that's frequently talked about – and so important as the foundation of a complete retirement income strategy – there's still a lot for all of us to learn about Social Security.

### Determining your Social Security strategy: a shared responsibility

Ultimately, you have the responsibility for making the decisions about your Social Security payments. After exploring your options, you'll be able to:

- Determine the best strategy for your personal and unique situation
- Obtain your Social Security retirement benefit amount
- Make the elections on the application for tax withholding and whether or not to defer payments
- Apply online or in-person to start your payment benefits

At the same time, I can provide you with help and guidance throughout the decision-making process. Because I am knowledgeable about Social Security options I can:

- Access a helpful tool to illustrate your alternatives and show you how your choices may impact your income from Social Security
- Help you find the tools and educational information that might be helpful to you on the Social Security website
- Guide you in the process of determining your Social Security options and timing
- Integrate your Social Security benefit amount into your overall retirement income financial picture and run a variety of scenarios so you can see the implications of your decisions

Let's work together to help you optimize Social Security – a key source of income throughout your retirement.



## About Voya Financial Advisors

Voya Financial Advisors, Inc., the broker-dealer of Voya Financial® (NYSE: VOYA), supports a wide range of clients through approximately 2,100 financial advisors. As a top-tier independent broker-dealer, Voya Financial Advisors is focused on helping Americans advance their retirement readiness through education, financial planning and a broad range of personalized asset accumulation, protection and distribution solutions. Voya Financial is a premier retirement, investment and insurance company with a vision to be America's Retirement Company® serving the financial needs of approximately 13 million individual and institutional customers in the United States.

## Protection you can trust

When you work with Voya Financial Advisors, Inc. and your financial advisor, you have the confidence of knowing that all brokerage execution and technical services are performed by an industry leader -- Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation. Pershing provides account protection for the total net equity of assets held in custody for your account. Voya Financial Advisors is a member of SIPC, which protects securities customers of its members up to \$500,000 including \$250,000 for claims for cash. An explanatory brochure is available at [www.sipc.org](http://www.sipc.org). In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from a commercial insurer. Account protection applies when an SIPC member firm fails financially and is unable to meet its obligations to its securities clients, but it does not protect against losses from the rise and fall in the market value of investments.

For more information, please contact:

Agent Name, Designation  
Company or Institution  
Address  
Address  
Phone: (000) 000-0000  
[www.website.com](http://www.website.com)



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