

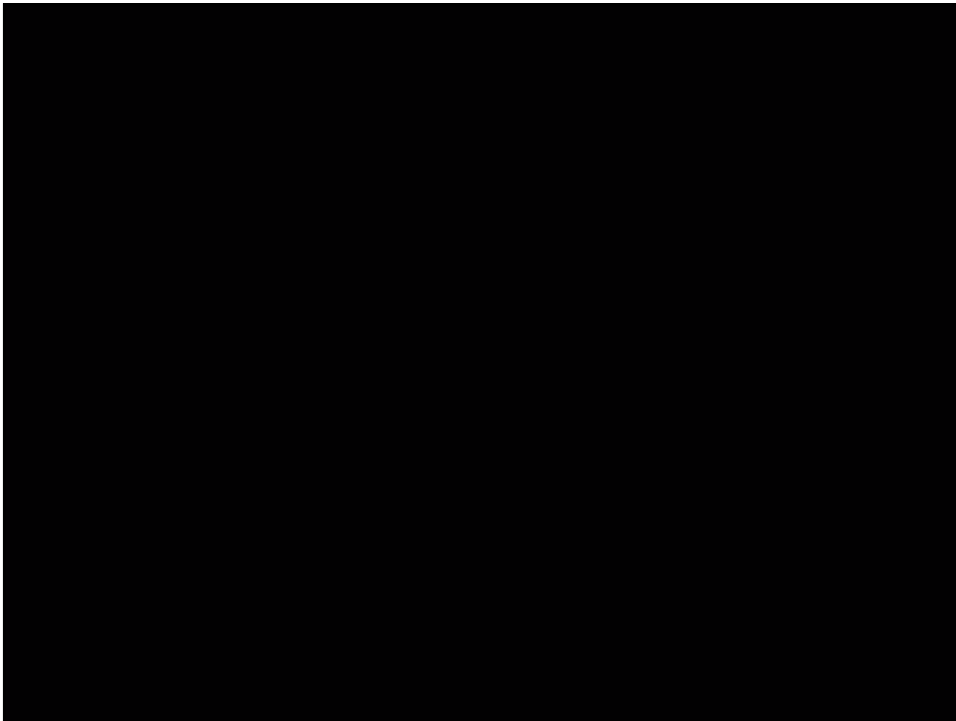

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What Farmers Should do to Maximize Social Security Benefits (without costing an arm & a leg)


Paul Neiffer, CPA



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Social Security Guide

What are the Key Resources
And
How are Monthly Retirement Benefits Calculated




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Social Security Resources

- [www. ssa.gov](http://www.ssa.gov)
- Sign up for “My Social Security”
 - Easy to sign up (no delays)
 - Provides your benefit statement online
 - Review this each year
 - ◇ Social security can make mistakes
 - They do not always understand tax return info

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Social Security
Official Social Security Website

Home Numbers & Cards Benefits Information for... Business & Government Our Agency

Cost-of-Living Adjustment (COLA)
Information on the 2014 benefit increase

my Social Security
Sign in / Create an Account
Check out your Social Security Statement and manage your benefits.

Online Services
Whether you are applying for or receiving benefits, learn what you can do online.

Retirement Estimator
Calculate your benefits based on your actual Social Security earnings record.

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Social Security Retirement Benefits

- **Full retirement age: Currently age 66 (67 soon)**
 - Early at age 62: Approximate 30% reduction
 - Delay until age 70: Benefits grow about 8%/year
- **Spouse: 50% of primary insured, or own earnings-history benefit if greater**
- **File and suspend: Primary applies at age 66 but suspends benefits**
 - Allows spouse to draw 50% of full benefit
 - Primary benefit continues to grow at 8% until age 70

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Your Estimated Benefits

***Retirement** You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until:


your full retirement age (67 years), your payment would be about	\$ 2,606 a month
age 70, your payment would be about	\$ 3,278 a month
age 62, your payment would be about	\$ 1,782 a month

***Disability** You have earned enough credits to qualify for benefits. If you became disabled right now your payment would be about..... \$ 2,485 a month

***Family** If you get retirement or disability benefits, your spouse and children also may qualify for benefits.

***Survivors** You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits:

Your child.....	\$ 1,881 a month
Your spouse who is caring for your child.....	\$ 1,881 a month
Your spouse, if benefits start at full retirement age	\$ 2,509 a month
Total family benefits cannot be more than.....	\$ 4,392 a month



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Annual Social Security Retirement Benefits

- Highest 35 years of inflation-indexed earnings
- 2012/13 formula:

Ave. Indexed Annual Earnings	Benefit %
\$0 - \$ 9,492	90%
\$9,492 - \$57,218	32%
>\$57,218	15%


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How are Monthly Social Security Benefits Calculated ?

- Takes the top 35 earning years (420 months)
 - Indexed for inflation
 - Yearly maximum amount
 - ◊ 2013 maximum \$113,700
 - ◊ 2014 maximum \$117,000
- Distributes these earnings into three tiers
 - Tier 1 (\$0-791) valued at 90%
 - Tier 2 (\$792-\$3,977) valued at 32%
 - Tier 3 (\$3,978 to \$4,768) valued at 15%
 - Indexed to inflation (2012 numbers)


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Your Earnings Record

Year You Worked	Your Total Social Security Earnings	Your Total Medicare Earnings
1982	5,906	5,906
1983	10,869	10,869
1984	21,254	21,254
1985	25,619	25,619
1986	31,159	31,159
1987	34,646	34,646
1988	41,097	41,097
1989	33,660	33,660
1990	11,890	11,890
1991	24,692	24,692
1992	35,528	35,528
1993	37,600	77,528
1994	60,600	109,758
1995	61,200	98,755
1996	62,700	110,090
1997	65,400	93,845
1998	46,945	46,945
1999	72,600	124,921


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Social Security Benefits – Calculation Examples

We determine estimated benefits at full retirement based on a sample farmer with 3 levels of earnings




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Example #1 – Tier 1

- **Farmer Bean has been a farmer for almost 50 years when he decides to retire at age 67 (assume full retirement age):**
 - **After adding up his highest 35 years of indexed earnings (adjusted for inflation), his average indexed monthly earnings (AIME) number is \$675**
 - **Since this number is less than \$791, it is multiplied by 90% to arrive at a monthly benefit of \$607.50.**

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Example # 2 – Tier 2


- Assume Farmer Bean's AIME amount is now \$2,750 instead of \$675
 - The first \$791 is valued at 90% or \$711.90
 - The remaining \$1,959 is valued at 32% or \$626.88
 - Adding these two numbers together yields a monthly retirement benefit of \$1,338.78
- As you can see, even though earnings in Tier 2 are about 2 ½ greater than Tier 1, the monthly benefit increase is actually less than Tier 1

Example # 3 – Tier 3

- Now let's assume that Farmer Bean has AIME of \$7,500 during his top 35 years
 - The first \$791 is valued at 90% equals \$711.90
 - The next \$3,977 is valued at 32% equals \$1,272.64
 - The last \$2,732 is valued at 15% equals \$409.80
- This equals a monthly benefit of \$2,394.34
- As you can see, Tier 3 is worth about 1/5 of Tier 1 and about 1/3 of Tier 2

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Examples of Investing in Additional Social Security Taxes Between Now and Retirement

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Invest \$10,000 Now – Tier 1

- Increase AIME by \$192
- Increase monthly retirement by \$172.81 (\$192 X 90%)
- Takes about 58 months to have a full payback (\$10,000 divided by \$173)
- If spouse's benefit is 50% of yours, then the payback is about 38 months (\$10,000 divided by (\$173 * 1.5))
 - Payback does not include adjustments for lost earnings or indexing for inflation

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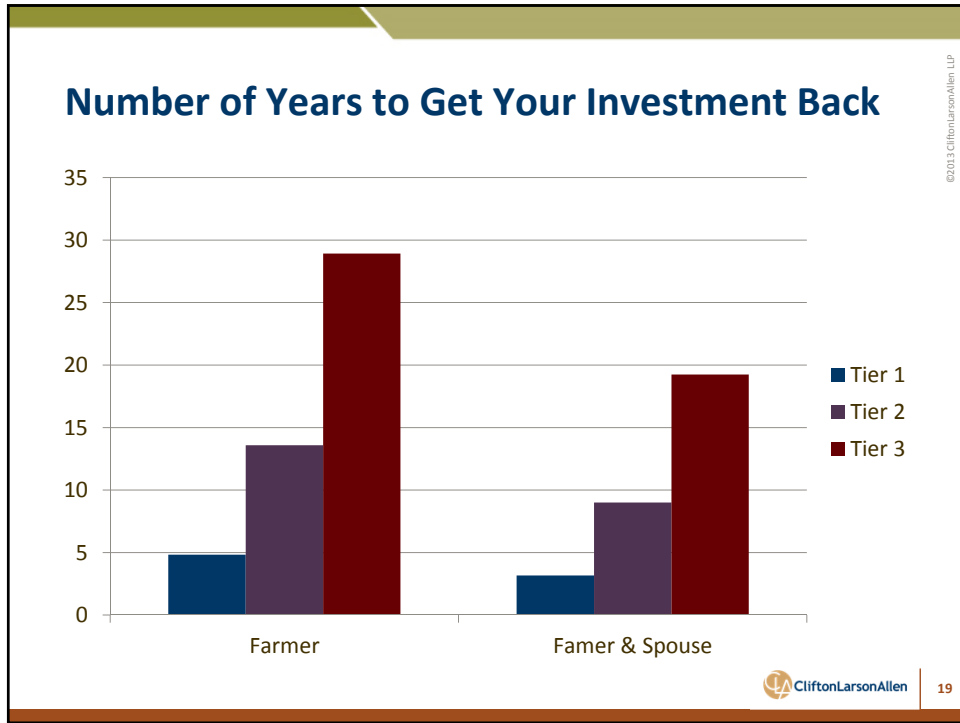
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Invest \$10,000 Now – Tier 2

- Increase AIME by \$192
- Increase monthly retirement by \$61.44 ($\$192 \times 32\%$)
- Takes about 163 months (13.5 years) to have a full payback ($\$10,000$ divided by $\$61.44$)
- If spouse's benefit is 50% of yours, then the payback is about 108 months (9 years) ($\$10,000$ divided by $(\$61.44 * 1.5)$)

Invest \$10,000 Now – Tier 3

- Increase AIME by \$192
- Increase monthly retirement by \$28.80 ($\$192 \times 15\%$)
- Takes about 347 months (29 years) to have a full payback ($\$10,000$ divided by $\$28.80$)
- If spouse's benefit is 50% of yours, then the payback is about 231 months (19+ years) ($\$10,000$ divided by $(\$28.80 * 1.5)$)



Your Benefits if you Retire:

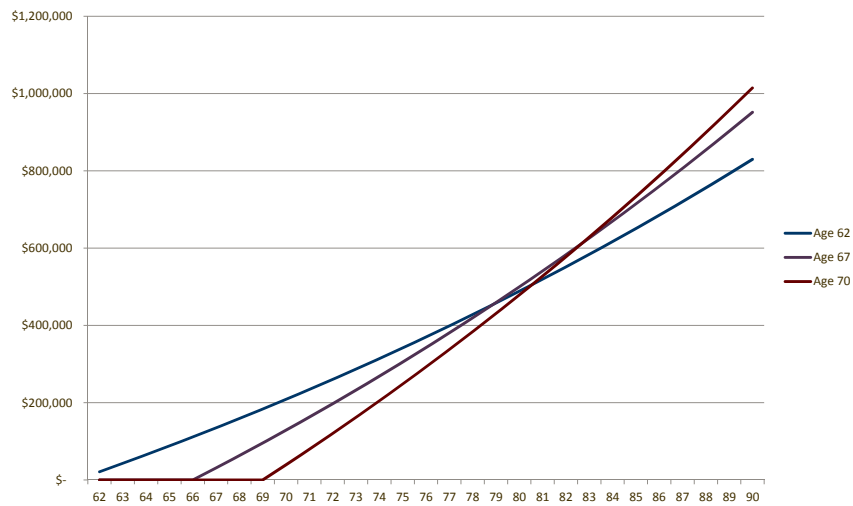
- Early
- Normal
- Late

The CliftonLarsonAllen logo is displayed on the left, with the website address CLAAconnect.com below it. On the right, a hand is shown holding a white card with a blue outline of a door and the CliftonLarsonAllen logo in the top left corner. The background features a dark blue header, a white middle section, and a brown footer.

How Much Will You Collect?

Age	Annual Benefits			Cumulative Benefits		
	Retire At 62	Retire At 67	Retire At 70	Retire At 62	Retire At 67	Retire At 70
62	21,384			\$ 21,384	\$ -	\$ -
63	21,812			\$ 43,196	\$ -	\$ -
64	22,248			\$ 65,444	\$ -	\$ -
65	22,693			\$ 88,137	\$ -	\$ -
66	23,147			\$ 111,284	\$ -	\$ -
67	23,610	31,272		\$ 134,894	\$ 31,272	\$ -
68	24,082	31,897		\$ 158,976	\$ 63,169	\$ -
69	24,564	32,535		\$ 183,540	\$ 95,704	\$ -
70	25,055	33,186	39,336	\$ 208,595	\$ 128,890	\$ 39,336
71	25,556	33,850	40,123	\$ 234,151	\$ 162,740	\$ 79,459
72	26,067	34,527	40,925	\$ 260,218	\$ 197,267	\$ 120,384
73	26,588	35,218	41,744	\$ 286,806	\$ 232,485	\$ 162,128
74	27,120	35,922	42,579	\$ 313,926	\$ 268,407	\$ 204,707
75	27,662	36,640	43,431	\$ 341,588	\$ 305,047	\$ 248,138
76	28,215	37,373	44,300	\$ 369,803	\$ 342,420	\$ 292,438
77	28,779	38,120	45,186	\$ 398,582	\$ 380,540	\$ 337,624
78	29,355	38,882	46,090	\$ 427,937	\$ 419,422	\$ 383,714
79	29,942	39,660	47,012	\$ 457,879	\$ 459,082	\$ 430,726
80	30,541	40,453	47,952	\$ 488,420	\$ 499,535	\$ 478,678
81	31,152	41,262	48,911	\$ 519,572	\$ 540,797	\$ 527,589
82	31,775	42,087	49,889	\$ 551,347	\$ 582,884	\$ 577,478
83	32,411	42,929	50,887	\$ 583,758	\$ 625,813	\$ 628,365
84	33,059	43,788	51,905	\$ 616,817	\$ 669,601	\$ 680,270
85	33,720	44,664	52,943	\$ 650,537	\$ 714,285	\$ 733,213
86	34,394	45,557	54,002	\$ 684,931	\$ 759,822	\$ 787,215
87	35,082	46,468	55,082	\$ 720,013	\$ 806,290	\$ 842,297
88	35,784	47,397	56,184	\$ 755,797	\$ 853,687	\$ 898,481
89	36,500	48,345	57,308	\$ 792,297	\$ 902,032	\$ 955,789
90	37,230	49,312	58,454	\$ 829,527	\$ 951,344	\$ 1,014,243

Chart of Your Total Retirement Benefits?



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Thank You



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