Social Security TIMING

Maximizing your Family Benefits

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Assumptions

	High Wage Earner	Spouse
Name	Jim	Mary
Date of Birth	12/14/1948	2/26/1948
Gender	Male	Female
Life Expectancy	83 Years 5 Months	84 Years 3 Months
Life Expectancy Adjustment	2	0
Assumed Inflation	2.80 %	
Real Rate of Return	1.80 %	
Full Retirement Age	66 Years 0 Months	66 Years 0 Months

Projected Benefits

Age	Jim	Mary
62	$1,077.74	$516.55
63	$1,149.59	$550.99
64	$1,280.26	$613.62
65	$1,417.35	$679.32
66	$1,561.11	$748.23
67	$1,733.21	$830.71
68	$1,913.72	$917.23
69	$2,102.98	$1,007.94
70	$2,301.33	$1,103.01

Why are the benefit amounts different from my Social Security Statement?

Your Social Security Statement makes certain assumptions that differ from the assumptions we make in preparing your analysis.

First, Social Security assumes that the average wages will not increase in the future. Average wage statistics are used to index your past earnings to equal today's dollars, and to adjust formulas in the benefit calculation. We assume that the average wage will increase at the same pace as inflation, and we adjust your earnings as well as the formulas for future election years based on this assumption.

Second, your Social Security Statement does not include cost of living adjustments. Historically, cost of living adjustments have occurred regularly and the most recent Social Security Trustees report assumes long term Cost of Living Adjustments to be between 1.8% and 3.8% per year with the most likely average being 2.8% per year. The benefit amounts above include Cost of Living adjustments based on the 2.80 % inflation assumption per year that you entered.

The raw dollar amount of your future benefit is of interest to most of our clients and as a result, we present that information above and through this report when potential benefit amounts are referenced. As a result, the monthly benefit amounts above and through the remainder of this report represent your benefits in future dollars. We have taken substantial care to utilize the lifetime values of different benefit elections in today's dollars, using a real, risk free rate of 1.80 % as that is the appropriate way to make comparisons across time.

Your Social Security Strategy

Jim

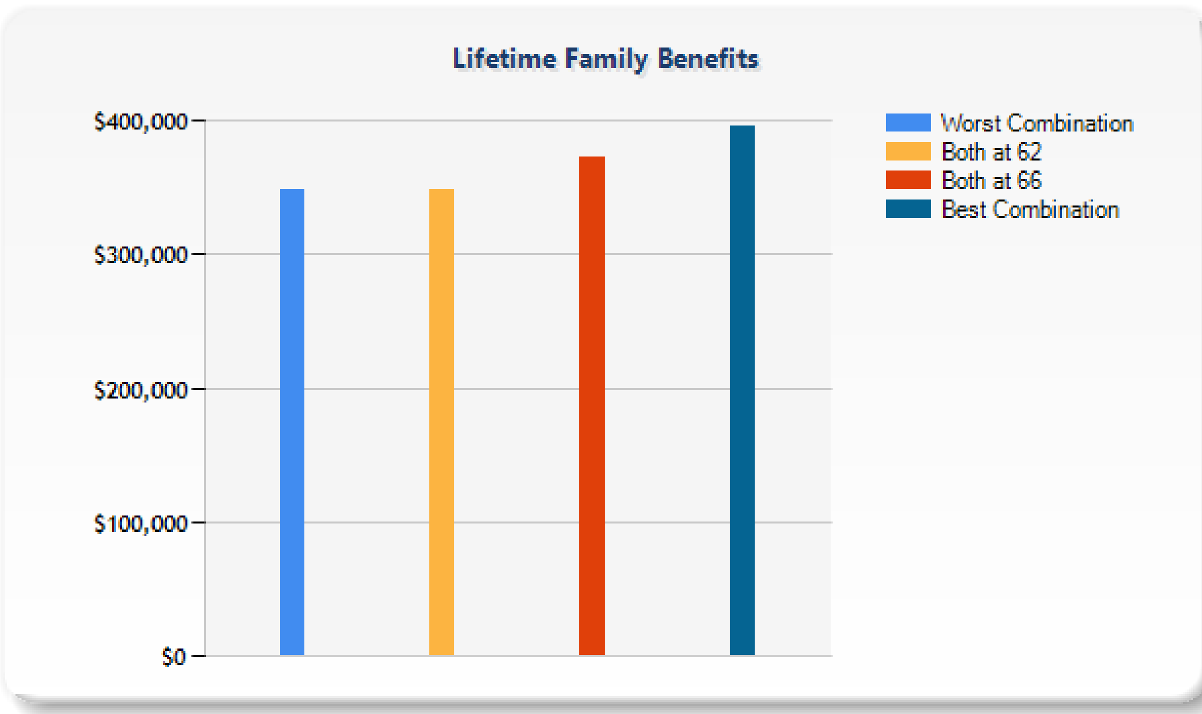
- File a standard application for benefits at your full retirement age of **66**. This will allow Mary to collect a spousal benefit under your earnings record.
- Immediately request that benefits be suspended. This will allow you to claim delayed retirement credits during the time your benefit is suspended.
- At age **68**, request that your benefit be paid. Your approximate monthly benefit would be: **$1,913.72**

Mary

- File a Restricted application for only your spousal benefit based on Jim's earnings record at your full retirement age of **66**. This allows you to continue to earn delayed retirement credits on your own benefit. Your approximate spousal benefit would be:**$780.55**
- File for your own benefit at age **70**. Your approximate benefit on your own earnings record would be: **$1,103.01**

The expected lifetime family benefit using this strategy is: **$394,828.17**

- The expected lifetime family benefit for the **worst** possible combination is: **$348,533.91**
- The expected family benefit if both spouses elect at **62** is: **$348,533.91**
- The expected family benefit if both spouses elect at **66** is: **$373,183.31**



Graph represents present value of Lifetime Family Benefits

Social Security Timing Concepts for Married Couples

Social Security offers three distinct types of benefits for retired workers and/or their spouses:

- **a Retired Worker benefit**, which is based on his or her own earnings record;
- **a Spousal Benefit**, which provides a worker's spouse with a benefit once the worker has claimed his own benefit; and
- **a Survivor Benefit**, which provides a surviving spouse with a benefit after a worker's death.

If you file prior to full retirement age, you are deemed to have filed for all benefits to which you are entitled. At full retirement age and beyond, there are two primary ways you can modify you or your spouse's application to increase your lifetime family benefits: the restricted application, and the ability to file and suspend.

From these two techniques arise several "Switch Strategies." We refer to these planning options as "Switch Strategies" because they often involve the election of a limited benefit initially, then a "Switch" to a larger benefit later. A major University study suggested that these strategies represent over $10 Billion in unclaimed Social Security benefits. For an individual family, it is not uncommon for a family to receive an additional $20,000 to $50,000 or more in benefits.

How do Switch Strategies Work?

There are two basic techniques that enable switch strategies: the "restricted application," and the "file and suspend." ***When you go to the Social Security office, the individual you meet with may only be trained to help you identify the highest benefit you can get today, not necessarily over your lifetime, or over the joint lives of you and your spouse.*** As a result, you are unlikely to hear about these techniques during a typical visit.

Once you reach Normal Retirement Age, you have the option to restrict your application to exclude certain benefits. If a benefit is excluded, it will continue to build delayed retirement credits. As an example, a higher earning spouse, who may want to wait until age 70 to collect his own benefit may be able to file at 66 for only the benefit available under his spouse's work record, while still allowing his own benefit to build delayed retirement credits. At age 70, he would switch to his own benefit. Alternatively, a lower earning spouse could restrict his or her application to only spousal benefits while continuing to claim delayed credits on his or her own earnings record. This strategy can be used to help to increase lifetime income as well as survivor's benefits.

The second technique is the ability to file and suspend. Spousal benefits are not available until the primary earner has filed for his or her own benefits. The Senior Citizens' Freedom to Work Act of 2000 allows a worker to earn delayed retirement credits after filing for benefits if he requests that he not receive benefits dur ing a given period. As a result, a higher-earning spouse can file for benefits, then immediately suspend the benefit, and continue to earn delayed credits. In the process, he will have made his spouse eligible for spousal benefits under his earnings record.

It is important to note that Social Security benefits are completely gender-neutral. In other words, any technique that is available to the "primary earner" is also available to the "secondary earner."

It is also important to note that the two techniques can be combined. For example, the higher earner could file and suspend to make a spousal benefit available to the secondary earner, who could then file a restricted application for only spousal benefits. This would allow both earners to earn delayed retirement credits on their own earnings records while still collecting some benefit now.

Our analysis considers all 81 possible whole-year election age combinations (62/62, 62/63, 62/64, etc) across nine separate election strategies incorporating the techniques above. It calculates the expected lifetime family benefit at each age combination for each strategy and identifies the age combination and strategy that provides the highest expected family benefit. The optimal age combination and election strategy is then outlined for your consideration.

The following chart represents the maximum family benefit under each combination of election ages assuming that at each election age combination, you would have chosen the optimal election strategy.

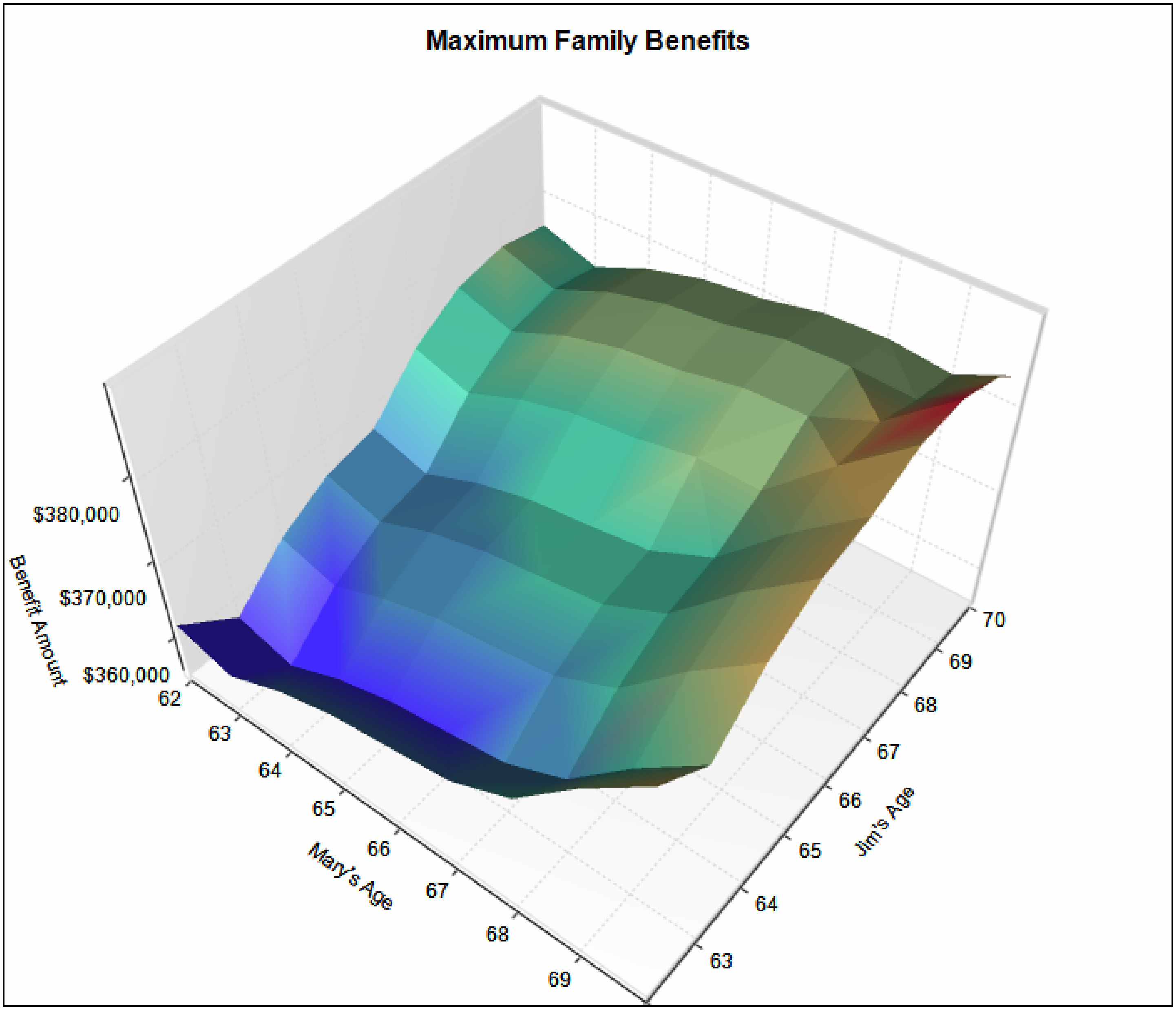


Chart and lifetime expected family benefits are in today's dollars.

Disclosures

This report is intended as a diagnostic tool intended to suggest potential election options that may be beneficial. The election options considered may not be exhaustive. While substantial effort has been taken to ensure the accuracy of all calculations, we provide no guarantees. Further, this report can not anticipate future changes to the Social Security System, formulae, or claiming rules.

This report specifically excludes the following situations:

1. This report does not incorporate the rules for the Government Pension Offset or Windfall Elimination Provision. If these apply to your situation, the report will be inaccurate.
2. This report assumes you will not elect benefits while you are still working. It does not apply the earnings test to determine whether your benefit will be reduced due to income above the earned income limits. If you plan to continue to work between age 62 and Normal Retirement Age for your birth year, check to be sure your earnings will be below the earnings limit, or your benefit will be reduced.
3. This report assumes that the younger spouse will begin receiving the higher of his or her own benefit, or the deceased spouse's benefit at the time of the first death. Further, the calculation does not assume election of widow's benefits at age 60 or 61. As a result, there are a few circumstance in which the calculator will produce inaccurate results:

    1. When the younger spouse will be under age 62 at the time of the older spouse's median life expectancy.
    2. When the family will have children under the age of 16 still at home at the time of the older spouse's median life expectancy.

4. This report does not treat Railroad or Military earnings separately. Workers who have 10+ years of Railroad earnings, or certain military service may experience inaccurate results.
5. We assume "Fully Insured" status. If you have not reached fully insured status for retirement benefits, the results will be inaccurate.

Election options also must be coordinated with your other retirement planning. The contents of this report when judged in the context of your overall financial plan may not be optimal for your circumstances, as it may cause unacceptable trade-offs with your other investment assets. Please seek the advice of your own tax, financial, and legal advisors before implementing any strategies contained in this report.

In this report, life expectancy assumptions are based on Social Security mortality tables, available at www.ssa.gov/OACT/STATS/table4c6.html. Report contents and calculations provided by Senior Market Sales, Inc.