Social Security

It pays to know

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Welcome everyone! Thank you for coming today.

If you are looking at taking Social Security in the near future -- whether it's in the coming months or in a couple of years -- we want you to understand how to maximize this benefit. With Social Security, it really pays to know. That's what we're going to talk about today.

I hope you've brought your questions! We want this to be a lively, informative discussion and for you to get the information that you need.

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Let me go over what we're going to cover today. First, we'll talk about what Social Security is and why it matters.

Because when and how you take your Social Security benefit can be one of the most important financial decisions you'll make during your lifetime, so it's critical to get it right.

Next we'll get down to some basics. Social Security can be a complex subject, so today we'll focus on the basics to help you better understand your options.

We'll also go over some factors that play a role in your taking your benefit.

And then we'll conclude with some resources and next steps you can take.

Let's try to have some fun with this…

In my role with Voya Financial, I am fortunate to speak with many people about their retirement income needs. Many of the conversations start something like this **<<<READ TEXT IN QUOTES>>**

By a show of hands. How many of you have been to the Social Security website? How many have set up your "my Social Security" account and have access to your online benefits statement?

Thank you … that's helpful to know.

There are a lot of questions swirling around about Social Security, so let's figure the answers out together.

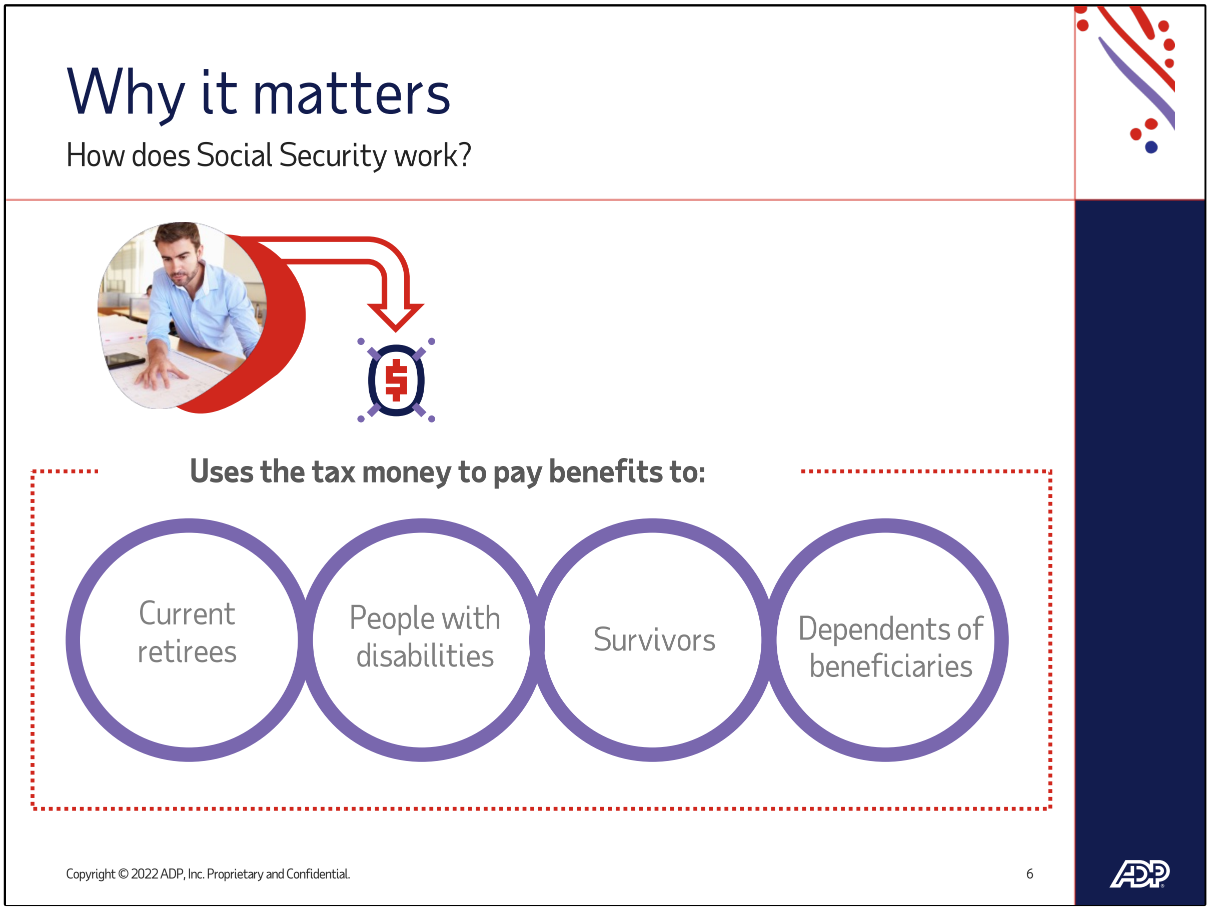
CONSIDER ASKING AUDIENCE IF THEY WOULD LIKE TO SHARE THE STORY THEY

So what is Social Security?

It's a government benefit that provides retirement income to older Americans, it helps workers who have become disabled, as well as wounded warriors, and families in which a spouse or parent dies.

Social Security touches the lives of every American, both directly and indirectly. Today, about 179 million people work and pay Social Security taxes and over 65 million people receive monthly Social Security benefits. With retirement, disability, and survivors benefits, Social Security improves the quality of life for millions throughout their life's journey.

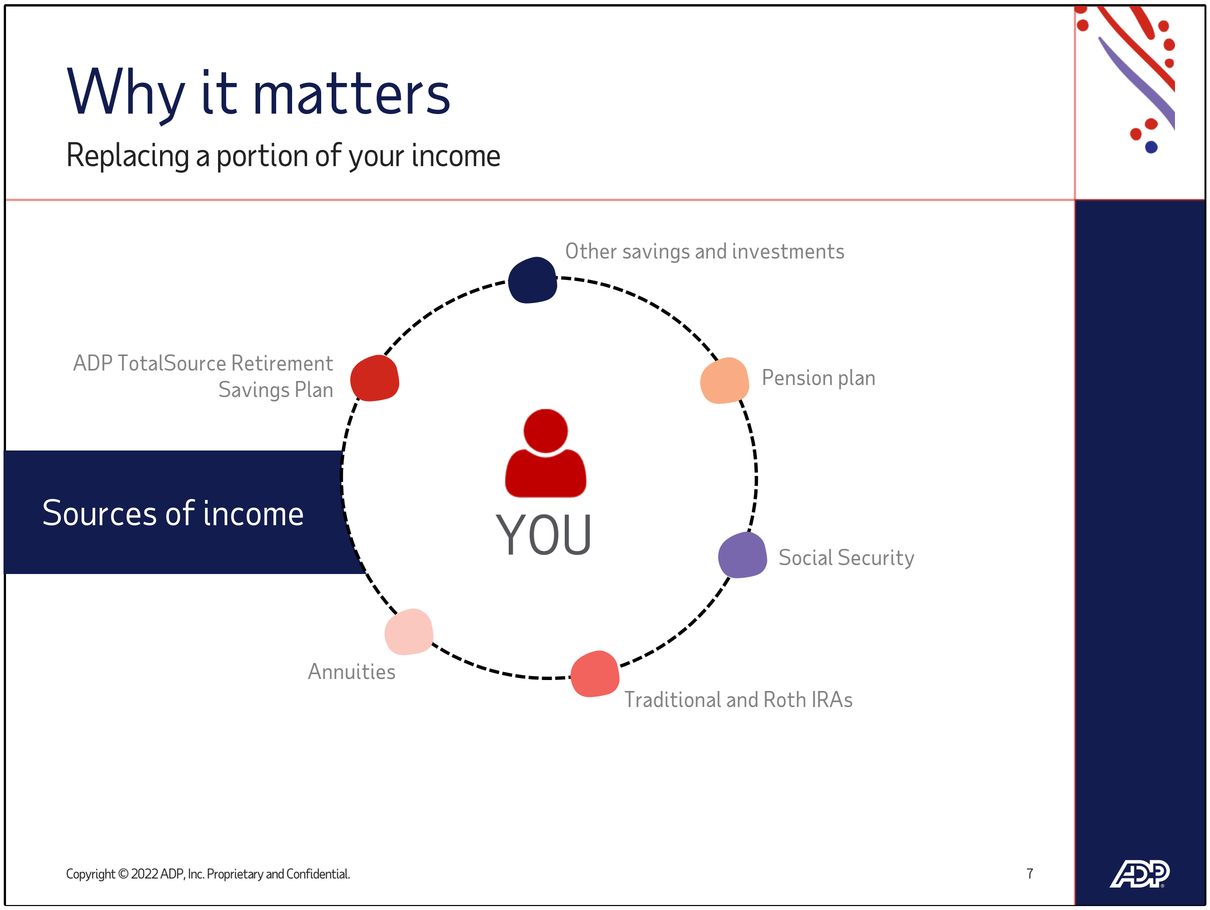
Source: https://www.ssa.gov



The current Social Security system works like this - when you work, you pay taxes into Social Security.

The Social Security Administration uses the tax money to pay benefits to:
- People who have already retired
- People with qualifying disabilities
- Survivors of workers who have died
- Dependents of beneficiaries.

The money you pay in taxes isn’t held in a personal account for you to use when you get benefits. The Social Security Administration uses your taxes to pay people who are getting benefits right now. Any unused money goes to the Social Security trust funds, not a personal account with your name on it.



When most people think of Social Security, they think of retirement benefits — good reason. Social Security is a lifeline for most retirees, keeping tens of millions out of poverty.

For the rest of our discussion, when I refer to Social Security, I'm referring to your retirement benefit only. Simply put, Social Security is a monthly check that replaces part of your income when you reduce your hours or stop working altogether.

While it is a guaranteed source of income backed by the government, it was never meant to *fund* your entire retirement. Social Security replaces a percentage of a worker's pre-retirement income based on your lifetime earnings. So it's best to identify other ways to pay for your monthly expenses as you age.

Other sources of retirement income include your ADP TotalSource Retirement Savings Plan account, annuities, traditional and Roth IRAs and other savings and investments.

Why it matters

Social Security is not enough

Source: Voya Marketing. This chart is for illustrative purposes only.

Hopefully you have all logged into your ADP TotalSource Retirement Savings Plan account and interacted with myOrangeMoney.

MyOrangeMoney helps you to visualize and better understand how the decisions you make with your current retirement assets may translate into potential monthly income in retirement.

The myOrangeMoney dollar bill is divided into different shades of orange, each shade representing a unique income source. Based on certain assumptions, where you can see that Social Security may cover only about 30% of your income. The rest, the "Other" on this chart – 70% – has to come from other sources which we just discussed So that is a high percentage.

So what does this tell us? Social Security is not enough. You cannot rely entirely on Social Security for your living expenses in retirement.

Social Security basics

Full Retirement Age

Year of Birth	Full Retirement Age
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Source: https://www.ssa.gov/benefits/retirement/planner/agereduction.html

Now let's talk about the basics of Social Security. If you know the rules, you'll be more likely to make the most of this benefit.

The first basic I want to cover is **Full Retirement Age or FRA,** which is how the Social Security Administration defines when you are eligible for your **full**, basic benefit.

For most of us, the FRA is between 66 and 67, not 62, which is the age when you can start taking **reduced** benefits. FRA is based on your birth year.

[Go over the chart a bit.] As you can see for those of you born in 1954 or later, the FRA is age 66, and for those born in 1960 or later, it's 67.

Source: https://www.ssa.gov/benefits/retirement/planner/agereduction.html

Social Security basics

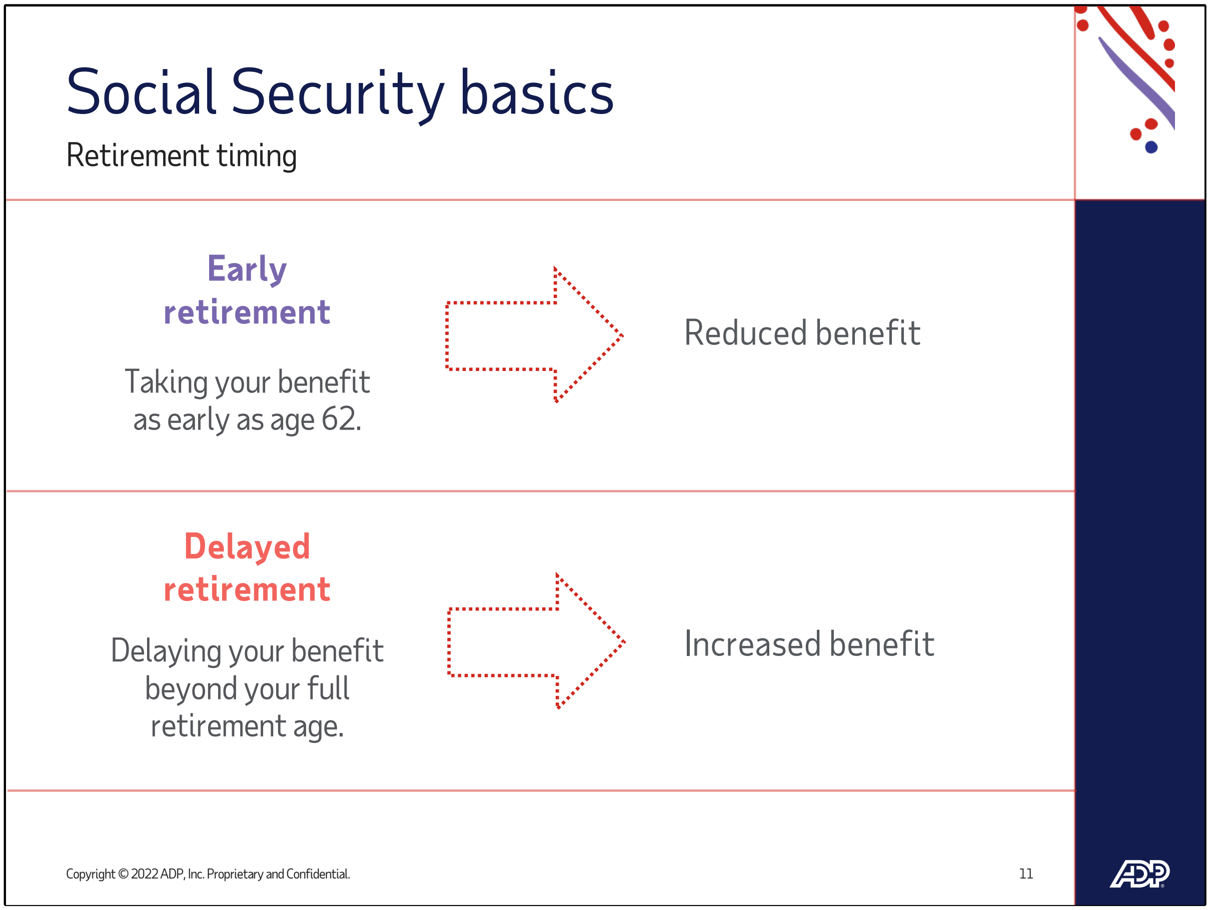
Calculating your benefit

Lifetime earnings

Average earnings during the 35 years you earned the most

Your age

So, how does Social Security calculate your benefit? Many people wonder how this is determined. Basically, they weigh three factors: First, your lifetime earnings. They adjust or “index” your actual lifetime earnings to account for changes in average wages since you began working. Then Social Security calculates your average indexed monthly earnings during the 35 years in which you earned the most. They apply a formula to these earnings and arrive at your basic benefit, or what you would receive if you retire at full retirement age. And of course, what age you claim benefits is a factor.



Another important Social Security basic is the timing of taking your benefit – early versus delayed retirement.

Early Retirement is when you can get Social Security retirement benefits as early as age 62. The downside to this is your benefit may be reduced if you retire before your full retirement age. For example, if you retire at age 62 and take your benefits, your benefit payment would be about 25 to 30 percent lower than it would be if you waited until you reach full retirement age. We'll expand on this in a moment.

Delayed retirement is taking your benefit beyond your full retirement age. If you do, you can increase your future Social Security benefits in two ways:

- Each extra year you work adds another year of earnings to your Social Security record. Higher lifetime earnings may mean higher benefits when you claim your benefit.
- Also, your benefit will increase automatically from the time you reach your

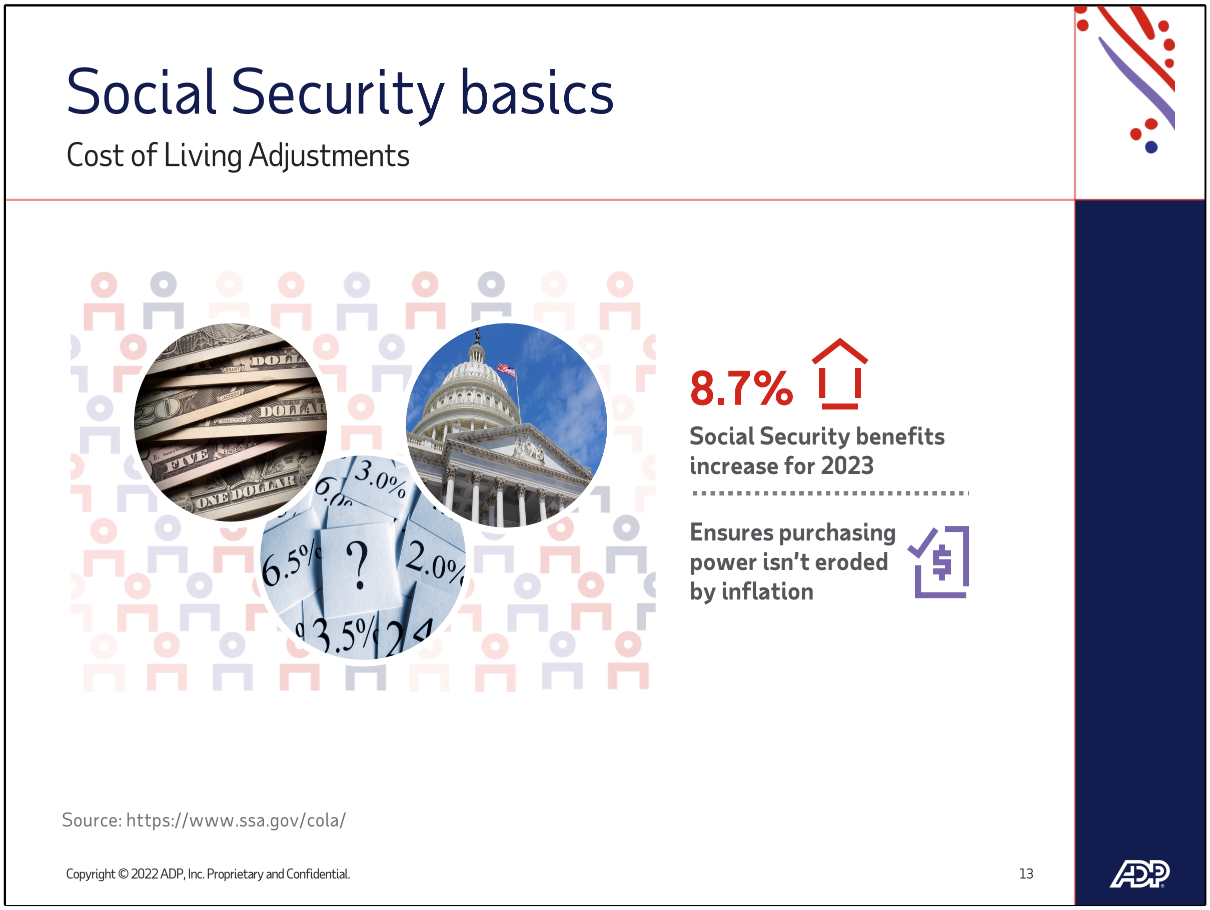
payments.

But also keep this in mind – the delayed retirement credits stop at age 70. That means that after you turn 70, your payments are locked in, so there really is no reason to delay Social Security beyond 70.

So to recap, it boils down to three choices. Early retirement, taking it at full retirement age or a delayed retirement. The early choice will decrease your benefit, full retirement will provide you with your unreduced, basic benefit, and a delayed retirement will increase your benefit.

Interestingly, even though full retirement for most people is around age 66 or 67, some people don't take Social Security at the best time for them. Even though it can pay to wait as long as possible before receiving benefits, a sizable number of Americans apply for benefits at age 62 – more than a third of workers, even though this locks in the lowest possible payment for life.

Source:
https://www.usatoday.com/story/money/personalfinance/retirement/2018/06/19/whats-most-popular-age-to-take-social-security/35928543/

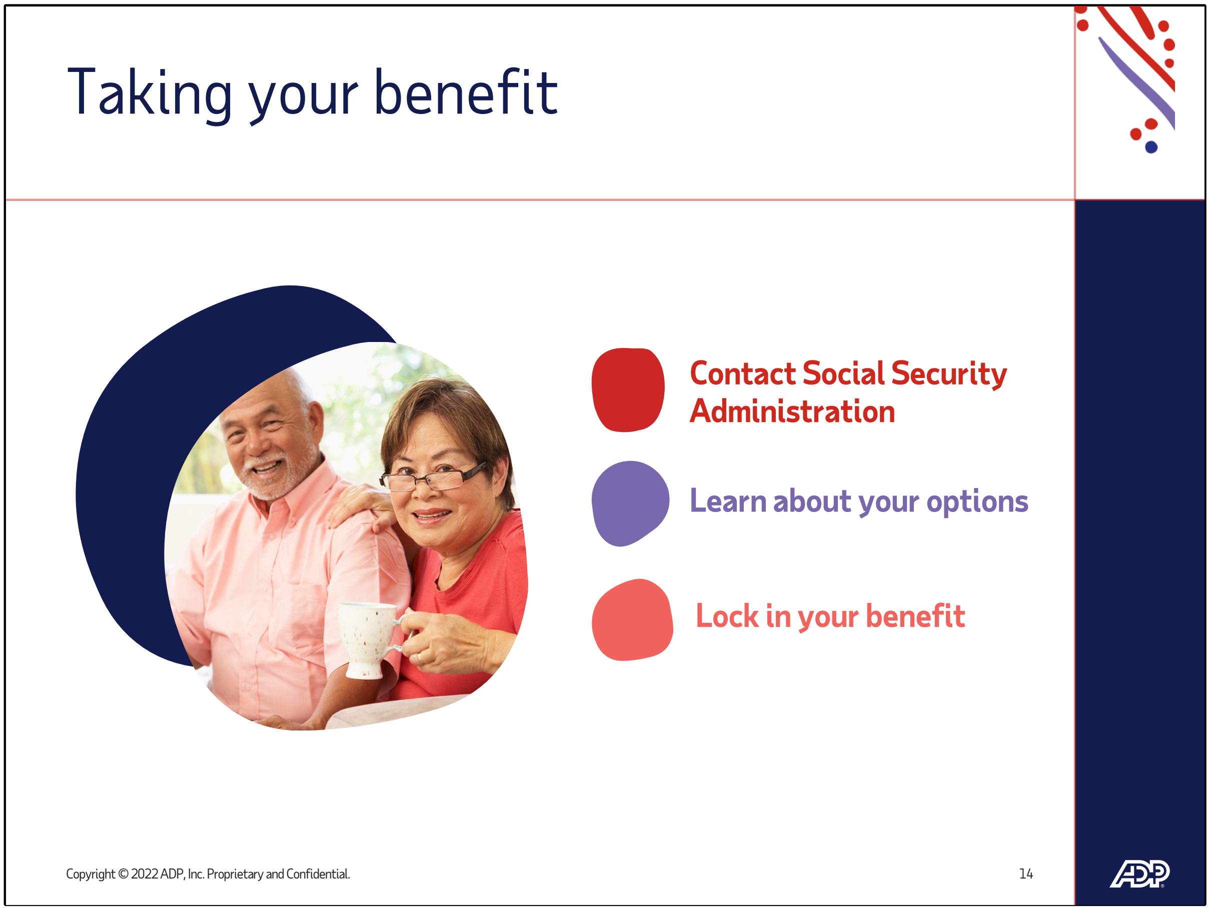


By the way, Social Security offers a cost of living adjustment or **COLA**. Congress enacted the COLA provision as part of the 1972 Social Security Amendments, and automatic annual COLAs began in 1975. Before that, benefits were increased only when Congress enacted special legislation.

Periodically Social Security may issue the COLA increase in your check when inflation is present. This is positive because it's a hedge against inflation for you. The purpose of the COLA is to ensure that the purchasing power of your benefits is not eroded by inflation. Social Security benefits **increased 8.7 percent in 2023**.

You may wonder how the COLA is calculated. Social Security bases the COLA on the percentage increase in the Consumer Price Index as determined by the Bureau of Labor Statistics in the Department of Labor.

Source: https://www.ssa.gov/cola/

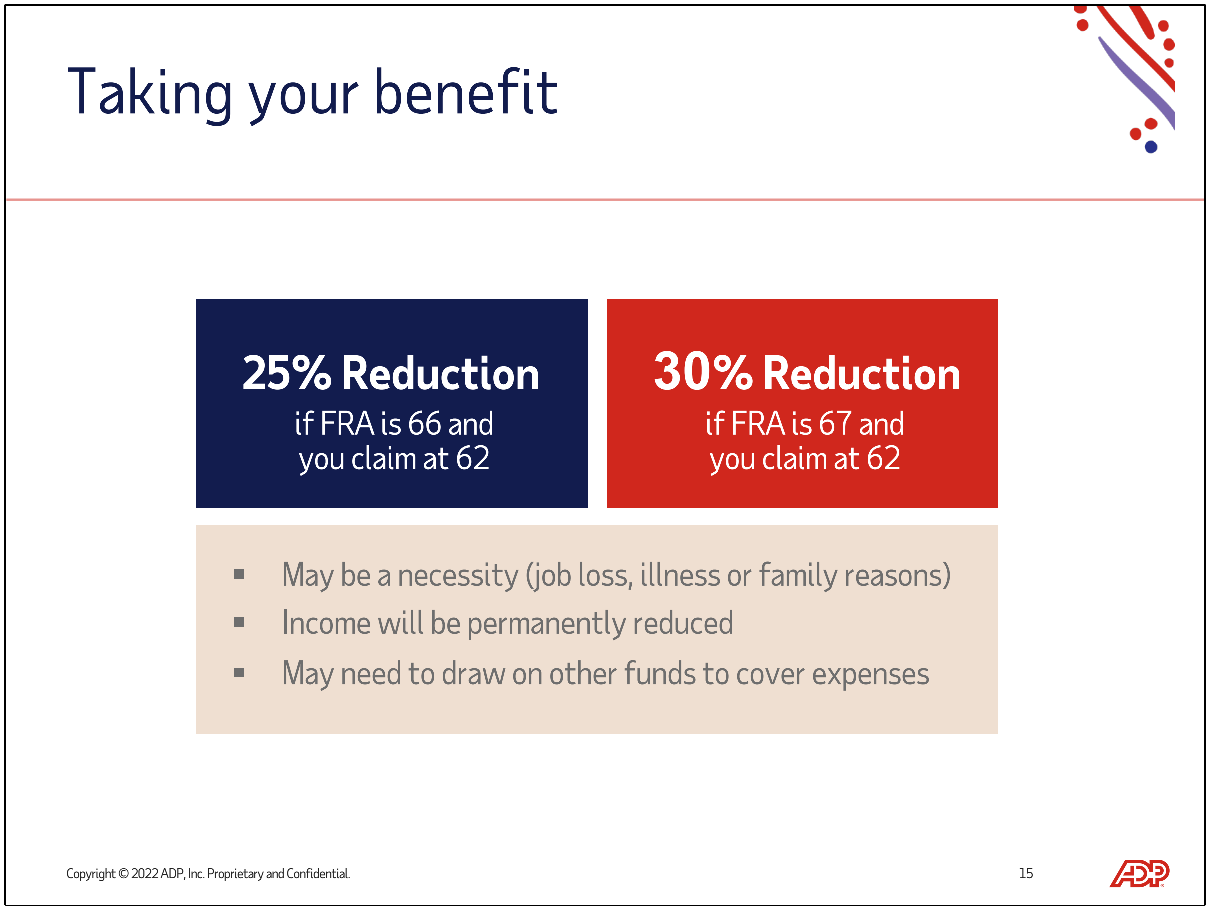


Let’s switch gears and talk about how to make your decision on Social Security. We’ve covered some basics, but let’s talk about your circumstances.

Choosing **when** to take Social Security benefits is an important personal decision. No matter what age you decide to retire, contact Social Security in advance to learn as much as you can about the choices you have. As we’ve pointed out, when you retire and when you take your Social Security benefit may be two different things; you can retire but not take Social Security right away.

What is important for you to know is that your decision locks in your benefit.

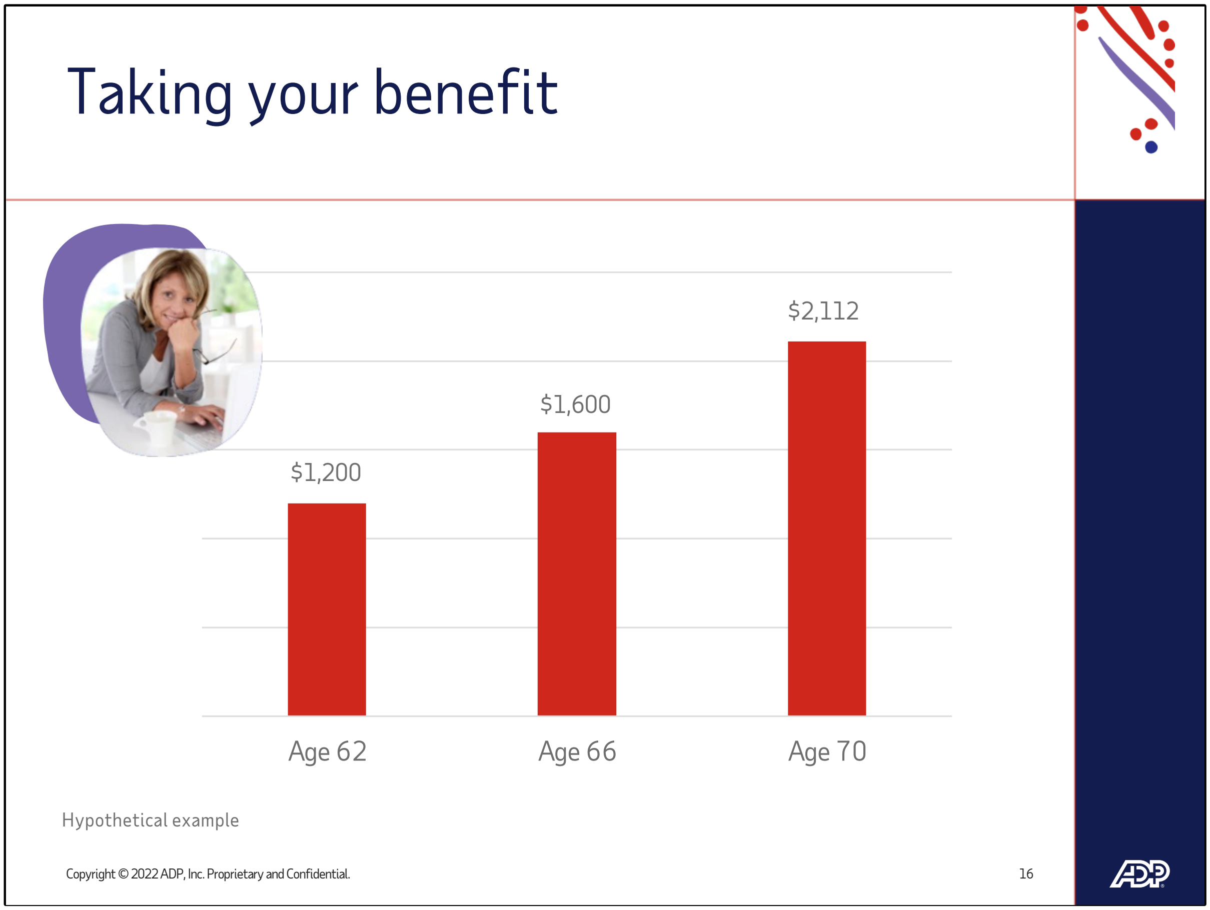
So doing your homework early, by coming here today, by visiting the website, by talking to Social Security, all of that is smart planning.



Let's talk about what happens if you claim benefits early. First, you might need to claim early, and that's ok. There may be reasons for doing so: you may face a job loss, suffer an illness or need to care for another family member.

Regardless of the reason, be aware that it will mean a significant decrease in one source of guaranteed income that you may have available, so you will want to carefully consider taking your benefit earlier than your full retirement age. After all, Social Security is meant to be a safety net and not everyone will be able to wait until full retirement age.

What is important to know is that claiming early generally means **a permanent reduction** in benefits. For example, if your full retirement age is age 66, but you want to claim at 62 (which is the earliest age to request benefits), the result would be a 25% reduction in your benefit payments throughout your retirement. If your FRA is 67, the reduction is even higher – a 30% decrease in payment amount. Since you would be taking a reduced benefit, you may need to draw on other funds to cover all your living



Here is an example of how it can pay to wait.

Let's say that Sarah is 62, and her FRA is 66. If she takes benefits at 62, she will receive $1,200 a month. But if she waits until 66 she would receive $1,600 a month. If she waits until 70, she would receive $2,112 a month.

The longer you wait, the higher your benefit: Waiting until age 66 provides Sarah with 33% more and waiting until age 70 is 76% more.

Of course, this is a hypothetical example, and your numbers may differ. But you can see there is a significant difference in the numbers.

Taking your benefit

Lifespan	65-year-old male	65-year-old female
85 years old	55% chance	65% chance
90 years old	35% chance	46% chance

Source: Society of Actuaries Life Expectancy

How long you think you may live should also factor into your decision. The good news is that we're living longer. With Social Security, you have longevity protection payments will last as long as you live.

Why is this important? Because you have many years to plan for, and taking a reduced benefit early means you should be confident of the ability of your other income sources to cover your needs for a lifetime.

Looking at the chart here, according to the Society of Actuaries, a 65-year-old male today, in average health, has a 55% probability of living to age 85. For a 65-year woman, the probability of reaching 85 is 65%.

Age 90 isn't some wild outlier. The Society of Actuaries' data suggests that a 65 old male today, in average health, has a 35% chance of living to 90; for a woman the odds are 46%. If our two 65-year-olds live together, there is a 50% chance both will still be alive 16 years later, and that one will survive 27 years.

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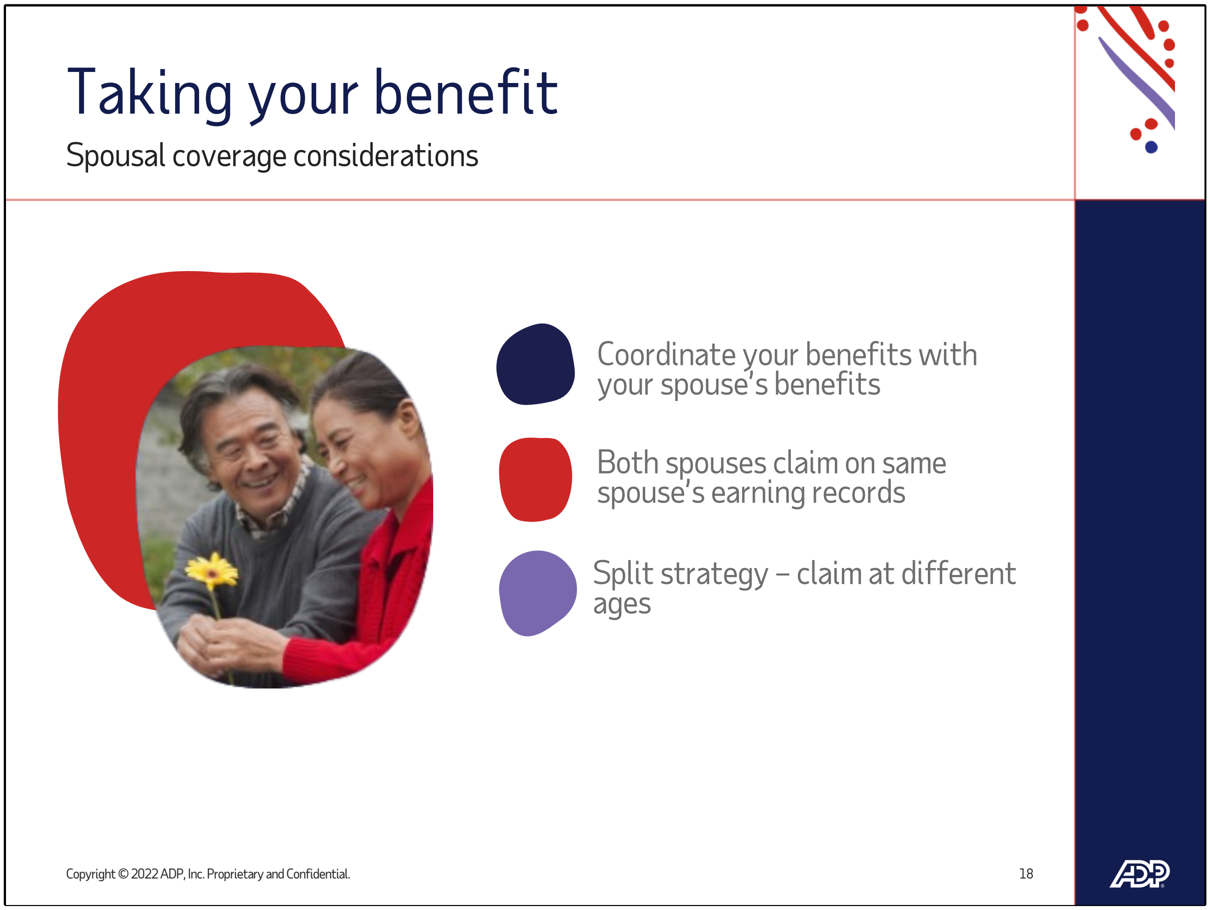
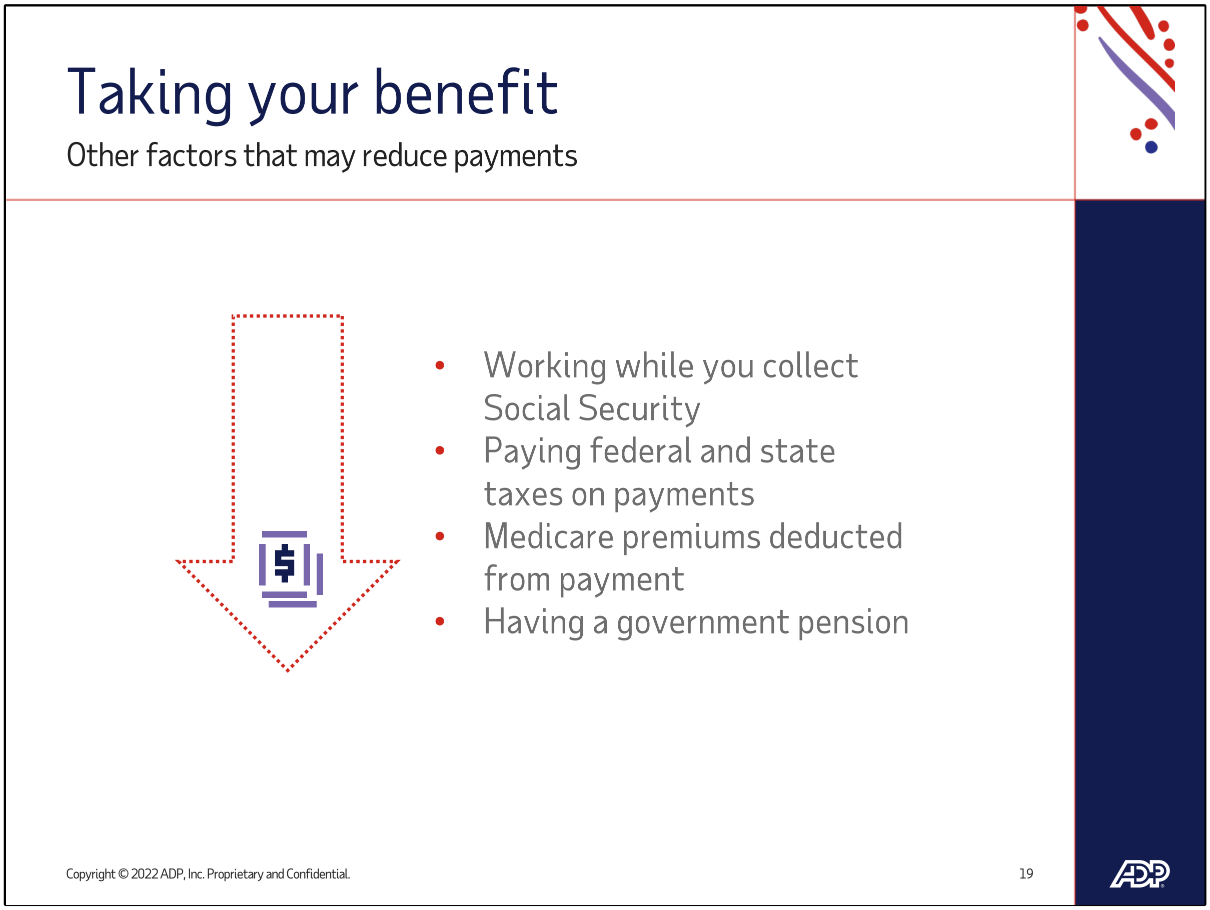


For those of you who are married - with just a little planning, you and your spouse can make the most of your Social Security benefits.

Here are some things you may want to consider:
• Coordinating your benefits with your spouse's benefits can help you both get the most out of your Social Security payments.
• In some cases, it makes sense for both spouses to claim on the same spouse's earnings record.
• Many couples use a "split strategy," which means they begin claiming at different ages. It might be worthwhile for the higher earner to wait longer to collect.

To find out what the best option is for you (and your spouse), you should talk to a financial professional.



Earlier we talked about taking your benefit early, before your Full Retirement Age and how that would reduce the amount you would receive. There are other factors that may reduce your benefit too.

Before you plug your Social Security estimates into your retirement income calculations, be sure to adjust those estimates if any of these factors apply to see how much you might actually end up with.

- Working while you collect Social Security may temporarily reduce your benefits
- You may pay Federal and State taxes on your payments
- Your Medicare premiums may be deducted from your payments
- Having a government pension could also decrease your benefits

As you consider the right time to start collecting Social Security, remember that if you decide to delay, you can revisit that decision as often as you'd like.

Let's talk about resources to get more help and some next steps you can take.

Your best next step is to visit the Social Security website if you haven't done so already. It's one of the best ways to learn about Social Security. Social Security has done a nice job of making the site easy to understand and navigate.

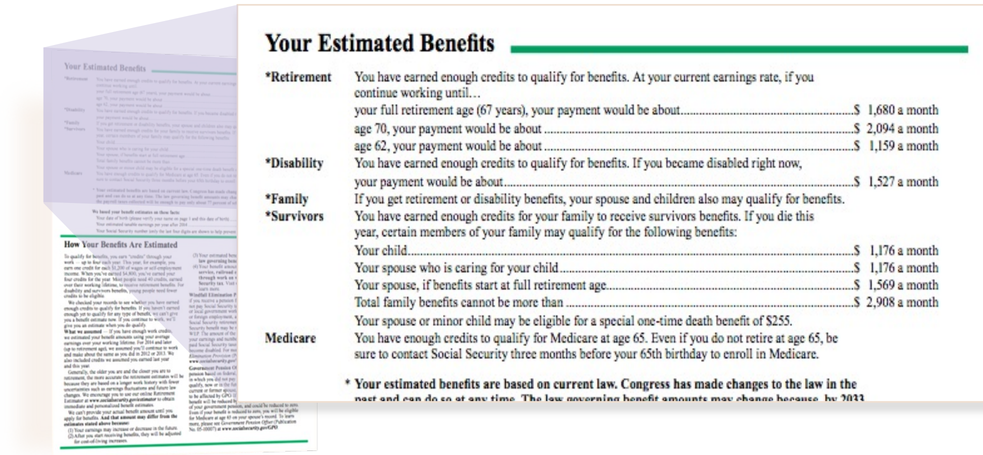
It's easy to set up an account and begin using its tools and resources. Just go to ssa.gov.

It takes less than a minute to establish your account, and that way you'll be able to get your personalized information and make informed decisions based on your actual numbers.

You can also follow their blog on Facebook and Twitter.

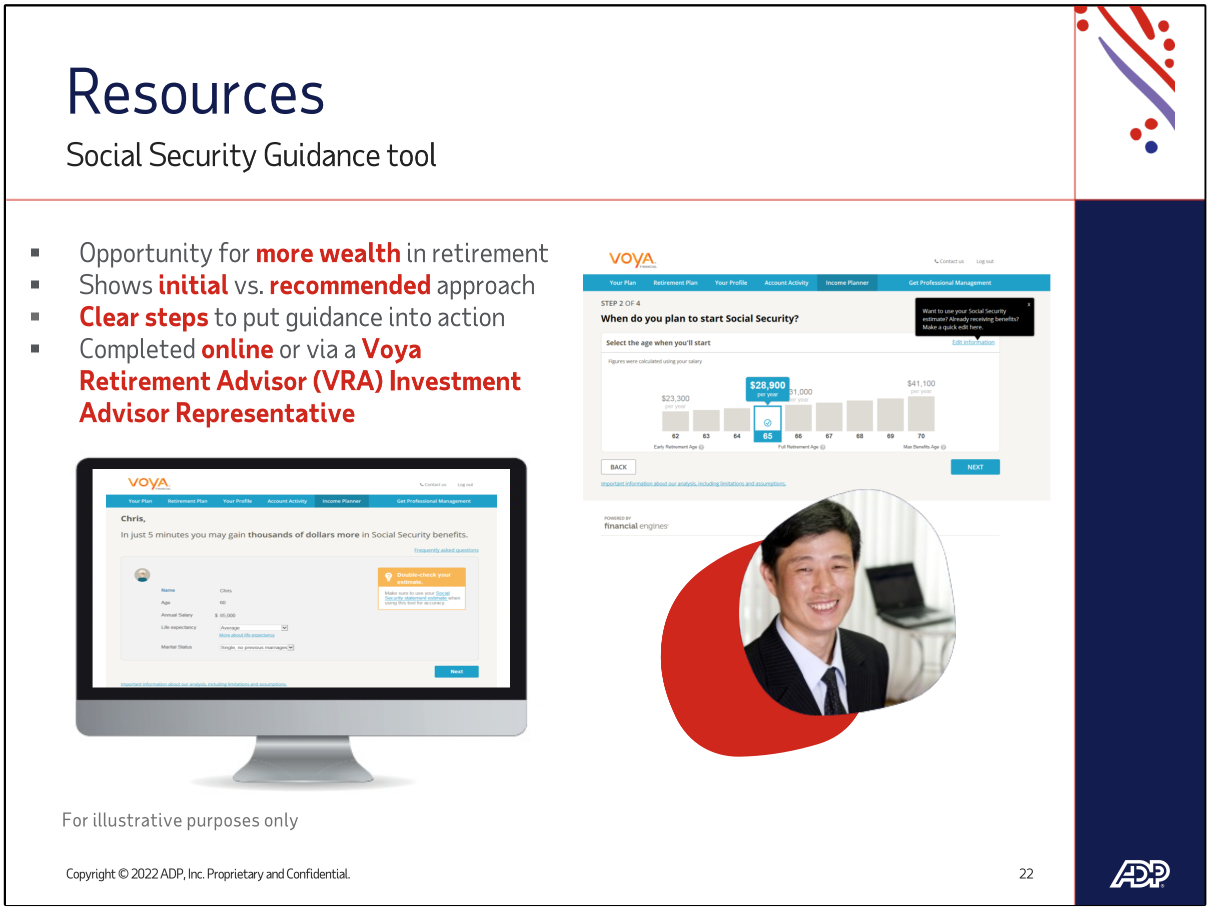
Resources

Benefits estimate



It’s a good idea to get your benefits estimate. This is easy to obtain at the Social Security Administration website.

With just a few keystrokes and by verifying your identity, age and address, in a few moments you will have your personalized Social Security statement that you can print and save.



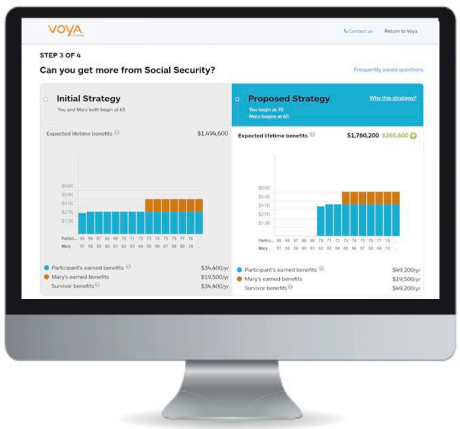
To help you optimize your payments based on your savings, check out **Voya Retirement Advisors' Social Security Guidance** tool, available to you through Voya Retirement Advisors investment advisory services. This ***free*** guidance compares different Social Security strategies and provides clear four-step process to put guidance into action.

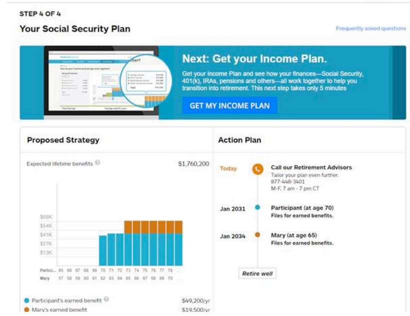
1. Log in to your ADP TotalSource Retirement Savings Plan **account** and click **Investment Advice** at the top of the page.
2. Follow the You **Do The Work** path (unless you want to enroll in Professional Managed Accounts) until you land on the **Overview** tab, then click on the **Income Planner** tab to begin using Social Security Guidance.
3. Follow the step-by-step prompts to get your proposed strategy and action plan.

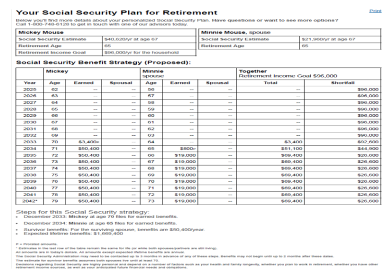
Resources

Social Security Guidance tool

Action plan that is printable and savable, with sequencing and timeframes







For illustrative purposes only

After you’ve completed the steps, you will get an action plan that you can print and save.

Disclosure

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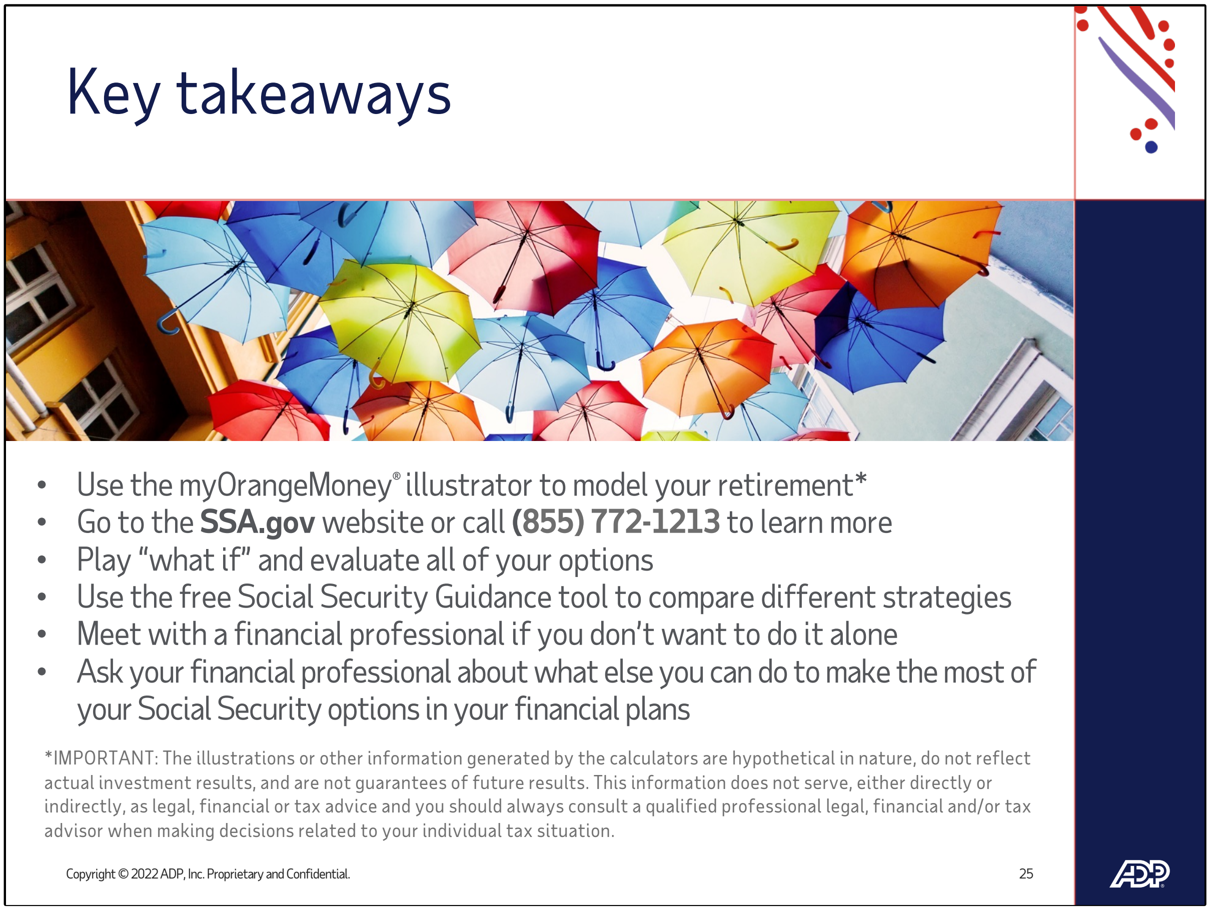
Social Security guidance can provide reasonable estimates for your participants and their spouses ages 18-69. Income planning experience available for participants ages 55-69 AND 7 years or less from retirement. Estimates are not guarantees of future benefit payments. All estimates are based upon information about the participant, their stated goals as well as current Social Security laws, rulings and formulas available from the Social Security Administration. Decisions regarding Social Security are highly personal and depend on a number of factors. Certain limitations apply.



Thank you for participating today. As you can see, there are many considerations that affect how you make the most of your Social Security benefit.

Log into your ADP TotalSource Retirement Savings Plan account and use the myOrangeMoney® illustrator to model your retirement

It contains a lot of actual information about your scenario and can provide valuable information.

Go to the SSA.gov website or call them to learn more

You can apply online or obtain additional information prior to applying.

Play "what if" and evaluate all of your options

So many factors come into play that a "one size fits all" recommendation may not be your best path at all

Meet with a financial professional if you don't want to do it alone

There are a lot of really great tools and resources out there for you to use and many people like to do their own research and make their own decisions. But financial professionals devote their careers to helping people like you make sense of this important decision.

Ask your financial professional about what else you can do to make the most of your Social Security options in your financial plans

At Voya, we take our mission to help Americans retire well financially and emotionally seriously. And a thoughtful analysis of your Social Security options – in conjunction with the other resources and priorities you have – can help set the stage for you to so, too. Let us know if you would like us to help you evaluate how you might make the most of your Social Security benefits in correlation to your overall retirement plan.

Thanks again for attending today!

Questions?

Important notes

- This session was designed to provide you with fundamental information on retirement planning and to outline other sources of information to assist you in managing your personal finances
- This presentation does not constitute legal, investment or financial advice of any kind
- Please consult your own financial, legal and/or tax advisors for such advice

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