

The Social Security Planning Guide

Prepared by 5 Stone Financial Group

Why Social Security Deserves a Real Strategy

Social Security is one of the most important pieces of your retirement income, but too many people treat the claiming decision like guesswork. The choice of when and how to claim is deeply personal and can have lasting financial consequences.

Whether you're nearing retirement or recently retired, this guide will help you:

- Understand your benefit options and how they're calculated
- Recognize the difference between risk management and optimization
- Explore strategic opportunities, especially for married couples
- Avoid common mistakes that can cost you over time

This guide focuses on Social Security, but remember: your claiming decision should connect to your broader retirement income plan, tax strategy, and investment withdrawals. No decision is made in isolation.

Step 1: Get Your Social Security Estimates

Before you can evaluate your options, you need to understand your projected benefits. Here's how to get them directly from the source.

Go to www.ssa.gov/myaccount

If you haven't already created a 'my Social Security' account, follow the prompts to verify your identity and access your records.

Once logged in, locate your:

- Estimated benefit at age 62
- Full Retirement Age (FRA) benefit
- Estimated benefit at age 70

These three numbers give you a starting range. Your actual benefit will depend on your earnings history and when you begin collecting. Use the worksheet at the end of this guide to record your numbers for easy reference.

Step 2: The Core Question: Risk vs. Optimization

Before diving into tactics, it's important to understand the real question at the heart of Social Security planning:

Are you managing risk, or are you optimizing returns?

Delaying Social Security is most valuable when it meaningfully reduces household risk. For example, if delaying increases your guaranteed income floor enough to reduce pressure on your investment portfolio, that's risk management.

When delaying only improves your break-even math or lifetime income projections but doesn't materially change your financial security, that's optimization. In those cases, personal preference and life design should guide your choice.

This distinction matters especially for couples, where survivor benefits can transform Social Security from an individual decision into a household risk management tool.

Step 3: Key Factors to Consider

Choosing when to claim your Social Security benefits isn't just about your age. It's about your life. Here are the key factors to think through as you begin shaping your strategy.

Health and Family Longevity

Do you expect to live into your late 80s or 90s? If so, waiting to claim could significantly increase your lifetime income. If your health is more uncertain, earlier claiming may make more sense.

Current and Future Income Needs

If you don't need the income right away, you may have the flexibility to delay and earn a higher benefit. But if your retirement budget depends on that monthly check, starting earlier might help bridge a gap.

Other Retirement Income Sources

Do you have access to other income streams like pensions, annuities, or investment withdrawals? A coordinated plan may allow you to delay Social Security while drawing from other accounts.

Connection to broader planning: How much you need to withdraw from your investments and your overall portfolio risk both affect whether delaying Social Security increases or decreases your financial security.

Are You Still Working?

If you claim benefits before your Full Retirement Age and keep working, your benefits could be temporarily reduced due to the earnings limit. After FRA, there's no reduction, so your working income won't impact your benefit.

Desired Lifestyle vs. Guaranteed Income

How much of your lifestyle do you want covered by guaranteed income? Social Security is inflation-adjusted for life, which makes it a valuable hedge against longevity and a stable foundation for your spending plan.

Step 4: If You're Married (Coordinate Your Strategy)

Social Security isn't just an individual decision. For married couples, it can be a powerful tool if you plan it together. In many cases, it makes sense for the higher-earning spouse to delay benefits while the lower-earning spouse claims earlier. This helps maximize the survivor benefit and balances household income.

How Spousal Benefits Work

Even if you haven't earned enough credits to qualify for your own benefit, or your own benefit is smaller, you may be eligible for a spousal benefit worth up to 50% of your spouse's full retirement amount.

- You must be at least 62 and your spouse must have already filed for their benefits.
- Spousal benefits are based on your spouse's FRA amount, not delayed credits.
- You'll receive the higher of your own benefit or the spousal benefit, not both.

Understanding Survivor Benefits

If your spouse passes away, you may be eligible for a survivor benefit up to 100% of what your spouse was receiving. However, the lower benefit of the two will cease.

This is where household risk management comes in. If the higher-earning spouse delays to age 70, their surviving spouse receives a significantly higher income for the rest of their life. This isn't just about maximizing total benefits. It's about protecting the surviving spouse from running out of money.

For couples, the question isn't just 'who lives longer?' It's 'what income does the surviving spouse need?'

Why Break-Even Analysis Doesn't Work for Couples

Example: Coordinated Claiming

Scenario:

John and Sarah are both 66. John's benefit at Full Retirement Age is \$3,000 per month. Sarah's is \$1,200 per month. If John delays to age 70, his benefit grows to approximately \$3,720 per month (24% increase).

The coordination strategy:

- Sarah claims her own benefit at age 67 or 68, providing some household income while John delays.
- John delays his benefit to age 70, maximizing his (and eventually the survivor) benefit.
- Once John claims, Sarah may see an increase to \$1,500 per month (50% of John's FRA benefit) as a spousal benefit.
- If John passes away first, Sarah steps into the \$3,720 survivor benefit for the rest of her life.

The risk management value:

If John had claimed at 67 instead, Sarah's survivor benefit would have been \$3,000 per month. That's \$720 less per month, every month, for the rest of her life. Over 20 years, that's more than \$170,000 in lost guaranteed income. This isn't break-even math. This is household risk reduction.

Step 5: If You're Single

If you're single, widowed, or divorced, your Social Security decision is more straightforward in some ways but no less important. You're making a decision based on your own income needs, tax situation, and longevity expectations.

Break-Even Is More Relevant for Singles

Because there's no spousal or survivor benefit to coordinate, break-even becomes a more useful data point. It's essentially the age at which the total income received from delaying surpasses what you would have received by claiming early.

For most people, that break-even point falls around age 78 to 80. If you expect to live longer than that, delaying benefits may result in more total income over your lifetime.

But break-even is just one input. It doesn't account for tax efficiency, portfolio withdrawal sequencing, or how much risk you're comfortable taking with your income floor. Longevity matters, but so does your broader financial plan.

Health and Longevity

Delaying only makes sense if you believe you'll live long enough to benefit from the larger monthly checks. Consider your own health history and family longevity when weighing your options.

Tax Planning for Singles

As a single filer, you may have more control over tax brackets and income sequencing. That makes coordinating your Social Security start date with Roth conversions or capital gains harvesting even more valuable.

Delaying Social Security may reduce your provisional income in the early years of retirement, giving you a window to complete tax-saving moves before benefits begin. This is an area where integration with your broader tax strategy pays off.

Step 6: Tax Planning and Social Security

Social Security benefits may be taxable depending on your total income. This often catches retirees off guard, especially when Required Minimum Distributions (RMDs) begin or when selling appreciated assets.

Understanding Provisional Income

Whether your Social Security is taxable depends on your 'provisional income,' which includes:

- Your adjusted gross income (AGI)
- Any tax-exempt interest
- 50% of your Social Security benefits

If your provisional income exceeds certain thresholds, a portion of your Social Security becomes taxable:

Filing Status	Provisional Income Range	Taxable Portion
Single	Up to \$25,000	0%
Single	\$25,001 to \$34,000	Up to 50%
Single	Over \$34,000	Up to 85%
Married Filing Jointly	Up to \$32,000	0%
Married Filing Jointly	\$32,001 to \$44,000	Up to 50%
Married Filing Jointly	Over \$44,000	Up to 85%

How to Reduce Taxes on Your Benefits

Strategic planning can help minimize how much of your Social Security is taxed:

- **Delay claiming if possible.** This creates a window in your 60s to complete Roth conversions or harvest capital gains before Social Security income begins.
- **Manage your withdrawal sequencing.** Drawing from Roth accounts instead of traditional IRAs can reduce your provisional income.
- **Plan for RMDs.** Required Minimum Distributions from traditional IRAs can push more of your Social Security into taxable territory. Roth conversions in your 60s can reduce this impact.
- **Be aware of Medicare IRMAA.** High provisional income can also trigger Medicare premium surcharges. This is another reason to plan your income carefully.

The Integration Opportunity

Social Security doesn't exist in a vacuum. Your claiming decision affects your tax bracket, your portfolio withdrawal rate, and your overall retirement income durability. Planning these pieces together (rather than in isolation) is where real value is created.

Step 7: Common Mistakes to Avoid

Even thoughtful retirees can get tripped up by misconceptions or assumptions about Social Security. Here are a few mistakes to watch out for.

Claiming Early Just to 'Get Something Out of It'

It's understandable. You've paid into the system for years, and it's tempting to start benefits as soon as they're available. But starting too early can mean permanently locking in a much smaller monthly benefit. If you don't truly need the income right away, you may be giving up a lot over the long run.

Ignoring the Tax Impact of Your Benefits

Social Security can be taxable depending on your other sources of income. Claiming too early or combining benefits with other income (like RMDs or investment sales) can cause more of your benefit to be taxed and may even impact your Medicare premiums.

Making a Decision Without a Plan

Social Security should be part of your broader retirement income and tax strategy, not a standalone decision. The right choice depends on your entire financial picture:

longevity, income needs, other income sources, tax brackets, and even estate goals. Don't make this decision in isolation.

Not Knowing You Can Change Your Mind

Many people don't realize that if you claim Social Security and later regret it, you have options:

- **Withdraw your application within 12 months.** You'll need to repay everything you've received, but you can restart later at a higher benefit.
- **Suspend benefits at Full Retirement Age.** If you've already claimed but want to delay, you can suspend benefits and earn delayed retirement credits up to age 70.

Your Social Security Planning Worksheet

Use this worksheet to reflect on what you've learned and begin shaping your strategy.

Benefit Snapshot

Record your estimated monthly benefit from SSA.gov:

Claiming Age	Your Monthly Benefit	Spouse's Monthly Benefit
Age 62		
Full Retirement Age		
Age 70		

Key Personal Considerations

Health and Longevity:

- ☐ I have a strong family history of longevity
- ☐ I have ongoing health concerns
- ☐ I expect to live past 80

Income Needs:

- ☐ I will need Social Security income right away
- ☐ I have other income sources (investments, pension, etc.)

Work:

- ☐ I plan to continue working after 62
- ☐ I would like to fully retire by age _____

Spousal Strategy

- ☐ I am married or was previously married
- ☐ My spouse's benefit is higher than mine
- ☐ I want to coordinate our claiming strategy
- ☐ I understand how survivor benefits work

Tax and Timing

- ☐ I understand what provisional income is
- ☐ I've reviewed my tax situation
- ☐ I plan to coordinate Social Security with RMDs or Roth conversions

My Claiming Plan

I'm leaning toward claiming at age: _____

I still need help evaluating: _____

My next step:

- ☐ Run a break-even analysis
- ☐ Coordinate with my spouse
- ☐ Review my tax situation and provisional income
- ☐ Review how this connects to my broader retirement plan

5 Stone Financial Group

Built Through Hard Work. Enjoyed Through Good Planning.

www.5stonefinancial.com