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**Amundi
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ASSET MANAGEMENT

Social Security & Medicare: Everything You Didn't Know to Ask

This material is not intended to replace the advice of a qualified attorney, tax advisor, investment professional, or insurance agent. Before making any financial commitment regarding the issues discussed here, consult with the appropriate professional advisor.

Agenda

- 1. The Basics of Social Security**
- 2. Spousal Claiming Strategies**
- 3. Widowhood**
- 4. Other Spousal Situations**
- 5. The ABCs of Medicare**

01

The Basics of Social Security

Social Security Simplified

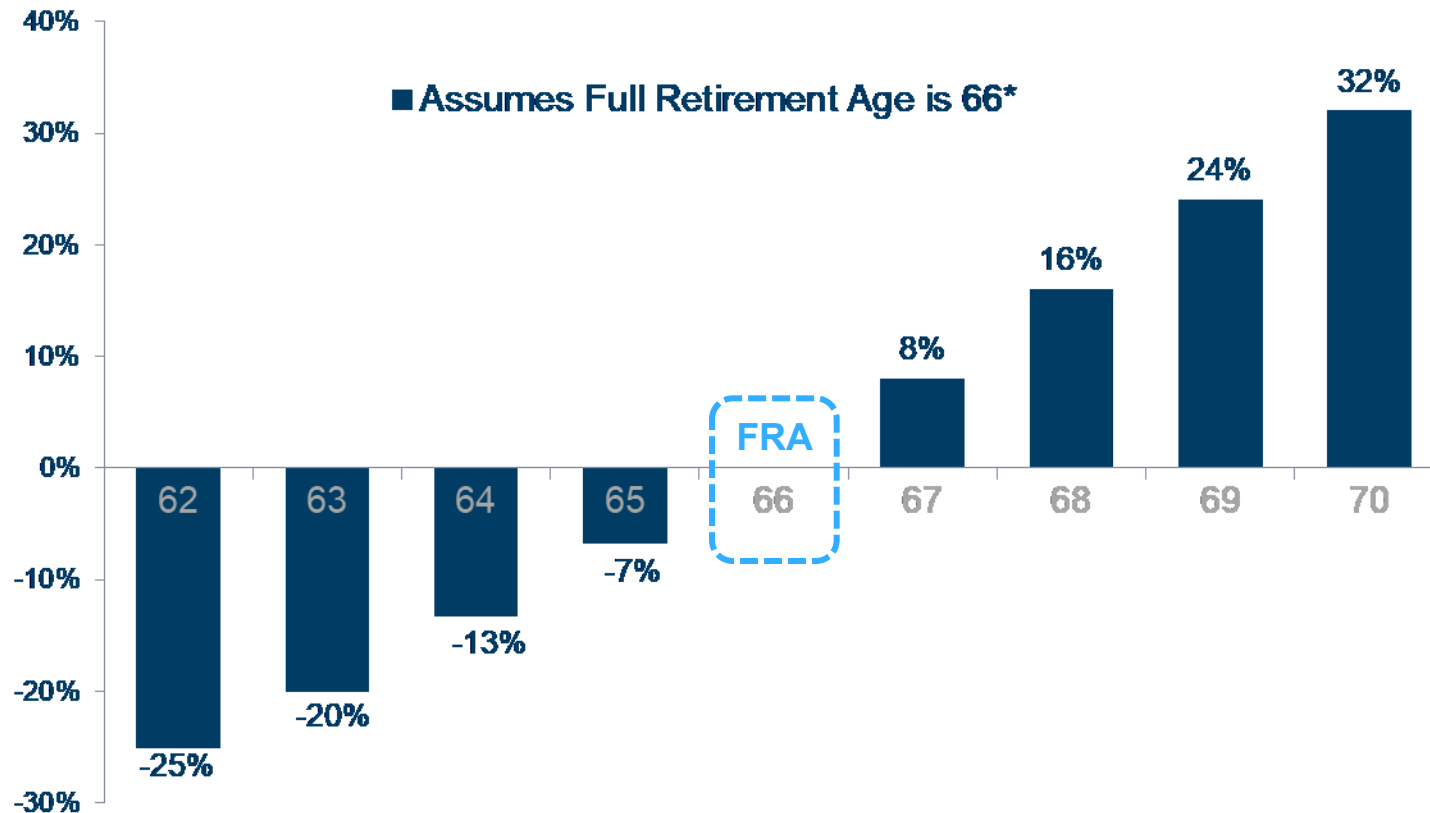
- Good things can happen if you claim at or after 66*
- Is the decision within your control?
 - Yes: there may be penalties
 - No: SSA is pretty understanding



*Assumes client was born between 1943 and 1954. See appendix for Full Retirement Age by birth year. We are using age 66 and 0 months because that is the Full Retirement Age for everyone retiring from 2009-2020.

Good Things Can Happen at Age 66: #1

Receive Full Retirement Benefit if You Apply At or After Age 66



*Assumes a client was born between 1943 and 1954.

Source: Social Security Administration. "Full Retirement Age: If You Were Born between 1943 and 1954." www.ssa.gov.

Good Things Can Happen at Age 66: #2

At 66, Can Work and Receive Full Retirement Benefits

Age	Benefit Reduction	2018 Earned Income Limits
62 until year attaining FRA	Lose \$1 in Social Security benefits for every \$2 earned above limit	\$17,040 (\$1,420/month first calendar year)
Year attaining FRA	Lose \$1 in Social Security benefits for every \$3 earned above limit	\$45,360 (\$3,780/month first calendar year)
After FRA	No benefit reduction	No limit on earnings

- Clients must still pay Medicare and Social Security taxes if they are working and receiving Social Security benefits.

Source: Social Security Administration. "How Work Affects Your Benefits." SSA Publication No. 05-10069. January 2018.

Good Things Can Happen at Age 66: #3

Maximum Spousal Benefit at Age 66

	Payment Period	Maximum Benefit	Partial Benefit
Spousal Benefit	While primary worker is still alive and applied for Social Security	Spouse of primary worker must be FRA when first claiming Maximum benefit is 50% of worker's benefit at FRA Spousal benefits do not increase after FRA	Spouse of primary worker must be at least 62 to receive a partial benefit Receives 32%-49.9% of worker's full benefit at FRA Reduction in benefit is permanent

Source: Social Security Administration

Case Study: Calculation of Spousal Benefits

Husband is Primary Worker

Dan and Laura

- Assume Dan is expected to receive \$1,300 a month in Social Security benefits at age 66.
- If he starts Social Security at age 62, he would receive \$950 a month.
- His wife, Laura, is four years younger and her personal benefit would be less than spousal benefit.
- **How much would they receive if:**
 - Both claimed at 62?
 - Both claimed at 66?
 - One claimed at 62 and the other claimed at age 66?



This case study is a hypothetical illustration only.

Case Study: Calculation of Spousal Benefits

Both Dan and Laura Claim at 66

	Dan Claims His Social Security at Age 62	Dan Claims His Social Security at Age 66
Laura Claims Spousal Benefit at Age 62		
Laura Claims Spousal Benefit at Age 66		<div>Dan = \$1,300 Laura = \$650</div>

This case study is a hypothetical illustration only.

Case Study: Calculation of Spousal Benefits

Dan Claims at 66, Laura Claims at 62

	Dan Claims His Social Security at Age 62	Dan Claims His Social Security at Age 66
Laura Claims Spousal Benefit at Age 62		<div>Dan = \$1,300 Laura = \$455 (35% of Dan's full benefit)</div>
Laura Claims Spousal Benefit at Age 66		<div>Dan = \$1,300 Laura = \$650</div>

This case study is a hypothetical illustration only.

Case Study: Calculation of Spousal Benefits

Both Dan and Laura Claim at 62

	Dan Claims His Social Security at Age 62	Dan Claims His Social Security at Age 66
Laura Claims Spousal Benefit at Age 62	<div>Dan = \$950 Laura = \$455 (35% of Dan's full benefit)</div>	Dan = \$1,300 Laura = \$455 (35% of Dan's full benefit)
Laura Claims Spousal Benefit at Age 66		Dan = \$1,300 Laura = \$650

This case study is a hypothetical illustration only.

Case Study: Calculation of Spousal Benefits

Dan Claims at 62 and Laura Claims at 66

	Dan Claims His Social Security at Age 62	Dan Claims His Social Security at Age 66
Laura Claims Spousal Benefit at Age 62	Dan = \$950 Laura = \$455 (35% of Dan's full benefit)	Dan = \$1,300 Laura = \$455 (35% of Dan's full benefit)
Laura Claims Spousal Benefit at Age 66	Dan = \$950 Laura = \$650 (50% of Dan's age 66 benefit)	Dan = \$1,300 Laura = \$650

This case study is a hypothetical illustration only.

Additional Spousal Benefit Rules

- In order to receive a spousal benefit, the other spouse must have claimed (or applied for Social Security)
- Only one spouse at a time can receive a spousal benefit
- If both spouses worked:
 - Claiming before 66 reduces both the spousal and personal benefit*

*Technically, unless filing a restricted application, the individual's benefit is always paid first, and topped off if spousal amount would provide for a larger amount.
Source: Social Security Administration. "Retirement Planner: Benefits for You as a Spouse." www.ssa.gov.

Good Things Can Happen at Age 66: #4

File and Suspend is First Available at Full Retirement Age

- Filing before FRA, must take their Social Security benefit
- Filing at or after FRA: can suspend payments

Non-Married Clients*

- File and suspend at FRA
 - Fill out application to voluntarily suspend
 - Benefits grow by 8% per year
- Possible benefits of file and suspend
 - Provides increased benefit amount on top of COLA adjustments
 - Benefits will automatically start the month the client reaches age 70

*Non-married clients have never married or were not married long enough to qualify for spousal benefits.

Source: Social Security Administration. "Retirement Planner: Suspending Retirement Benefit Payments." www.socialsecurity.gov.

Recap

Good Things Can Happen at Age 66 #1-4

	Claim Before Age 66	Claim At or After Age 66
Social Security Retirement Benefits	Benefits permanently reduced	Benefits increase
Working and Collecting Social Security	Benefits reduced by \$1 for every \$2 of earned income over \$17,040*	Can earn as much as you want and collect Social Security
Spousal Benefits	Spousal benefits reduced	Maximum spousal benefit at FRA
File and Suspend	N/A	Provides higher individual/survivor benefit

Age 66 is the Full Retirement Age for participants born between 1943 and 1954. It gradually increases to age 67 for participants born in 1960 or later.

*In year of turning 66, benefits reduced by \$1 for every \$3 of earned income over \$45,360.

02

Spousal Claiming Strategies

Spousal Claiming Strategies

File & Suspend

No Changes	Changes After April 29, 2016
<ul style="list-style-type: none">– File and Suspend is first available at FRA– Filing of primary worker is still trigger for spousal benefit eligibility– Individuals continue to earn 8% credit for each year between FRA and age 70– Current/ex-spouses must be age 62 to receive a spousal benefit	<ul style="list-style-type: none">– During suspension, all spousal/child benefits are no longer payable*– Option to request retroactive payments of those suspended benefits no longer permitted*– Filer will not be able to claim any other benefit while their benefit is suspended*

- Before engaging in this strategy, your client should consult with a local Social Security and Medicare office for information on the implications such a strategy may have on the benefits for which they may be eligible.

*Individuals who have already suspended their benefits prior to April 30, 2016 will be grandfathered in.

Spousal Claiming Strategies

Restricted Application

No Changes	Changes After April 29, 2016
<ul style="list-style-type: none">- If you were born on or before January 1, 1954 the rules remain the same- At FRA, apply for Social Security benefits & restrict application to spousal benefits only- Personal benefit will continue to grow by 8% per year until age 70- Switch to higher personal benefit	<ul style="list-style-type: none">- If you were born on or after January 2, 1954, this claiming strategy will no longer exist*- If you are eligible for both a personal benefit and a spousal benefit, you must apply for both benefits.- Monthly benefit will be the higher of both benefits

- Before engaging in this strategy, your client should consult with a local Social Security and Medicare office for information on the implications such a strategy may have on the benefits for which they may be eligible.

*Individuals born before January 1, 1954 are grandfathered in, even if they plan to file for spousal benefits later and have not yet reached Full Retirement Age.

CASE STUDY: File and Suspend

Husband was Sole Breadwinner (Question 1 of 2)

David and Susan

- Steven is 66. His wife Margaret is 62.
 - Margaret has never worked.
 - Steven wants to keep working and delay his Social Security for as long as possible.
- Can Steven suspend his payments?



Yes. Because Steven is age 66 (FRA), he can elect to file and suspend.

This case study is a hypothetical illustration only.

Source: Social Security Administration. "Retirement Planner: Suspending Retirement Benefit Payments." www.socialsecurity.gov.

CASE STUDY: File and Suspend

Husband was Sole Breadwinner (Question 2 of 2)

David and Susan

- Steven is 66. His wife Margaret is 62.
 - Margaret has never worked.
 - Steven wants to keep working and delay his Social Security for as long as possible.
- Can Margaret receive a spousal benefit while Steven files & suspends his benefit?



No. Even though Steven is 66 (FRA) and can elect to file and suspend his own personal benefit, Margaret cannot collect a spousal benefit during the suspension period. She could only collect a spousal benefit if Steven was currently collecting his own benefit.

This case study is a hypothetical illustration only.

Source: Social Security Administration. "Retirement Planner: Suspending Retirement Benefit Payments." www.socialsecurity.gov.

Good Things Can Happen at Age 66: #5

If Both Spouses Worked, Applying at Age 66 for Anything Gives More Options

	Claim Before FRA	Claim At or After FRA
Can payments be suspended?	No. Voluntary suspension only available at FRA or later.	Yes. Payments can be suspended.
What if your client files <u>before</u> their spouse applies for Social Security?	Start off with <u>reduced personal</u> benefit; when their spouse applies, a client may receive additional benefits (50% of spouse's age 66 benefit minus a client's age 66 benefit)*	Start off with <u>personal benefit</u> ; still eligible for <u>spousal benefits</u> when their spouse applies for Social Security
What if your client files <u>after</u> their spouse applied for Social Security?	Automatically receive <u>greater of reduced personal or reduced spousal</u> benefit*	Two choices: 1. Take personal benefit 2. Start off with full spousal benefit with restricted application and switch to personal benefit plus credit later**

- It is not possible to start off with a reduced spousal benefit and then switch to full personal benefit at age 66.

*Technically, your benefit is always paid first, and then topped off if your spousal benefit would provide for a greater amount.

** Restricted Application is eligible for individuals if you were born on or before January 1, 1954.

CASE STUDY: Options When Both Spouses Worked

Wife Applies before Age 66 and before Husband Applies (Question 1 of 2)

Joseph and Diane

- Joseph and Diane both worked.
 - Diane is 62 (her FRA is 66) and wants to collect Social Security.
 - Joseph has not yet claimed Social Security.
- Can Diane receive a spousal benefit?



No. Diane's only option is to receive her reduced personal benefit because Joseph has not applied for Social Security. When Joseph applies, Diane may receive additional benefit (Calculation: 50% of Joseph's age 66 benefit minus Diane's age 66 benefit).

This case study is a hypothetical illustration only.

Source: Social Security Administration. "Retirement Planner: Suspending Retirement Benefit Payments." www.socialsecurity.gov.

CASE STUDY: Options When Both Spouses Worked

Wife Applies before Full Retirement Age (Question 1 of 2, continued)

Joseph and Diane

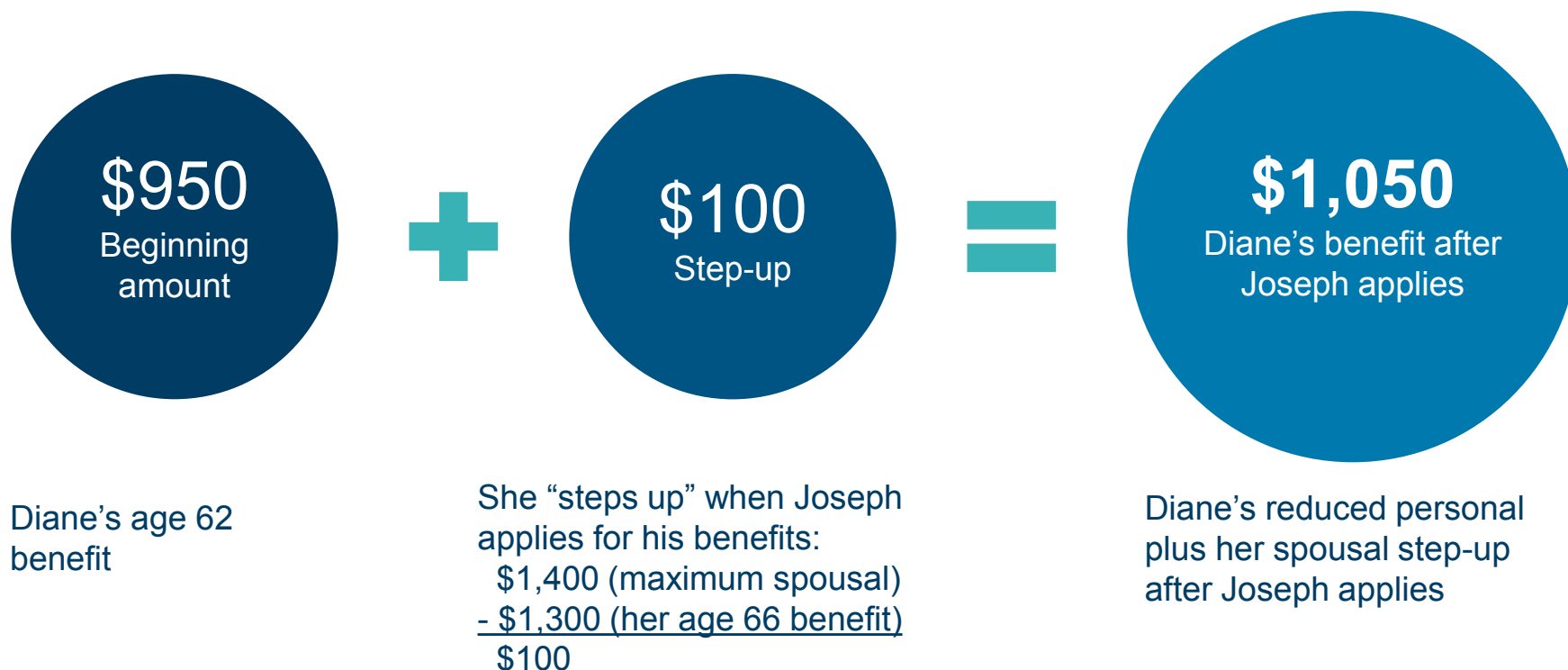
- Diane's Social Security benefits:
 - Her Social Security retirement benefit at age 66: \$1,300/month
 - She starts Social Security at age 62: \$950/month
- Joseph has not claimed.
 - His retirement benefits at age 66: \$2,800/month
 - Maximum spousal benefit for Diane: \$1,400/month



This case study is a hypothetical illustration only.

CASE STUDY: Options When Both Spouses Worked

Diane Applies before Full Retirement Age (Question 1 of 2, continued)



This case study is a hypothetical illustration only.

CASE STUDY: Options When Both Spouses Worked

Wife Applies at/after Age 66 and after Husband Applies (Question 2 of 2)

Joseph and Diane

- Joseph and Diane both worked.
 - Diane applies for Social Security at age 66.
 - Joseph is 67 and has applied for Social Security.
- Can Diane choose if she wants to start off with the personal or spousal benefit?

Yes. Diane has options because she was born before January 1, 1954, applied at age 66 and her husband Joseph already applied for his Social Security.

Now, she can:

- Choose her personal benefit, **OR**
- Start off with full spousal benefit and switch to personal plus credit at later date



This case study is a hypothetical illustration only.

Source: Social Security Administration. SSA FAQ #3095 "How does delaying my Social Security retirement benefits and receiving benefits as a spouse affect me?" www.ssa.gov.

Recap: Both Spouses Worked

Claiming before 66 Reduces Personal and Spousal Benefits

	Wife Applies Before Age 66	Wife Applies at Age 66 or Older
Wife applies before husband	<p>Must start off with her reduced personal benefit (spousal not available until husband applies).</p> <p>When husband applies, an additional benefit may be added to wife's reduced personal. Additional benefit is: (50% of husband's age 66 benefit) – (wife age 66 benefit)</p>	<p>Must start off with her personal benefit (spousal not available until husband applies).</p> <p>When husband applies, she can step-up to full spousal (50% of his benefit)</p>
Wife applies after husband	<p>Receives greater of reduced spousal or reduced personal.</p>	<p>If born on/before January 1, 1954, she can choose if she wants to start off with full spousal or full personal.</p> <p>If she chooses full spousal benefit:</p> <ul style="list-style-type: none">– Her personal benefits will accrue delayed credit– Can switch to personal any time between ages 66 and 70

Source: Social Security Administration. Retirement Planner: Recent Social Security Changes www.ssa.gov.

03

Widowhood

Good Things Can Happen at Age 66: #6

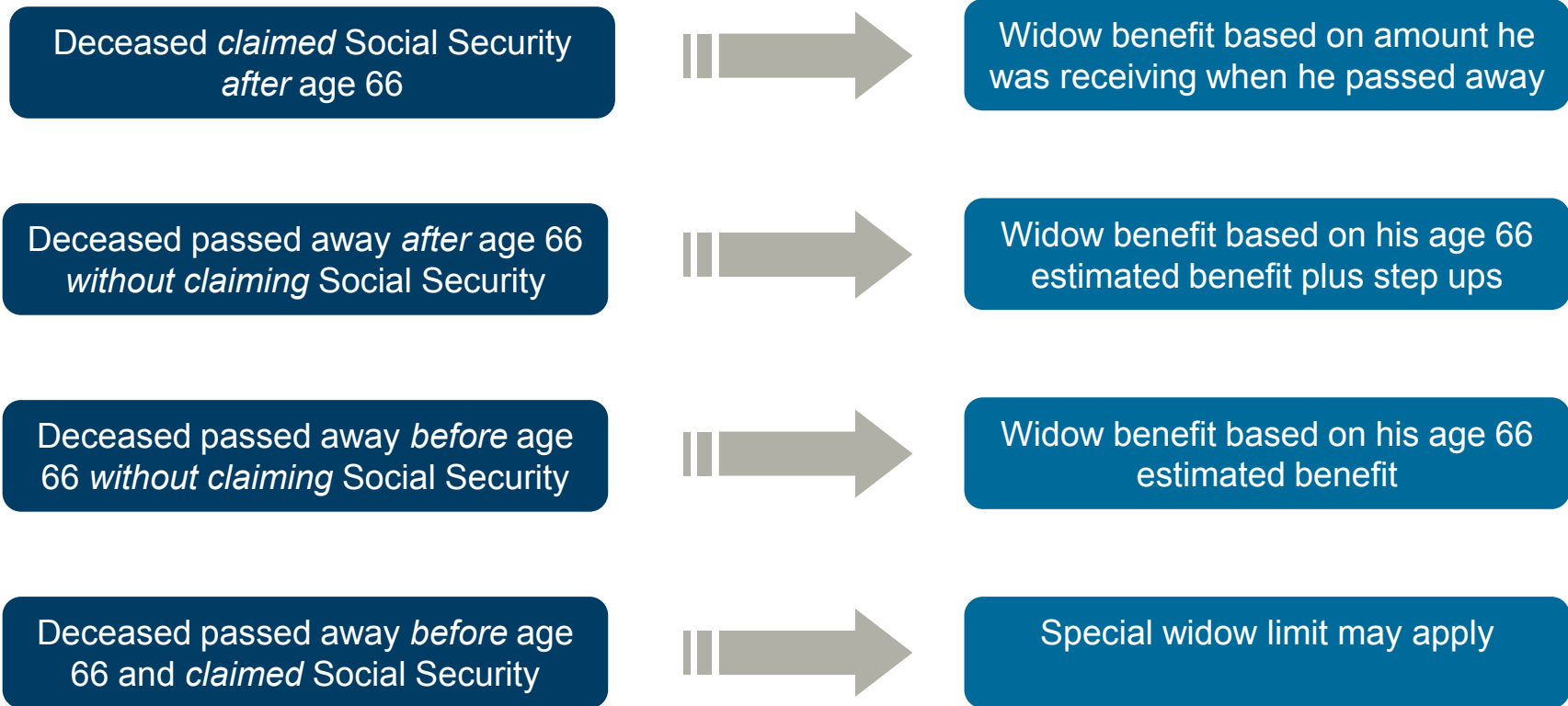
Maximum Survivor Benefit if Survivor Benefit Claimed at Age 66+

Age	% Widow Receives When Claiming Survivor Benefit
60	71.5%
61	76.3%
62	81.0%
63	85.8%
64	90.5%
65	95.3%
66	100% of deceased's benefit
67	100% of deceased's benefit
68	100% of deceased's benefit
69	100% of deceased's benefit
70	100% of deceased's benefit

Source: Social Security Administration. "Full Retirement Age for Survivors: If You Were Born Between 1945 and 1956." www.ssa.gov.

Good Things Can Happen at Age 66: #7

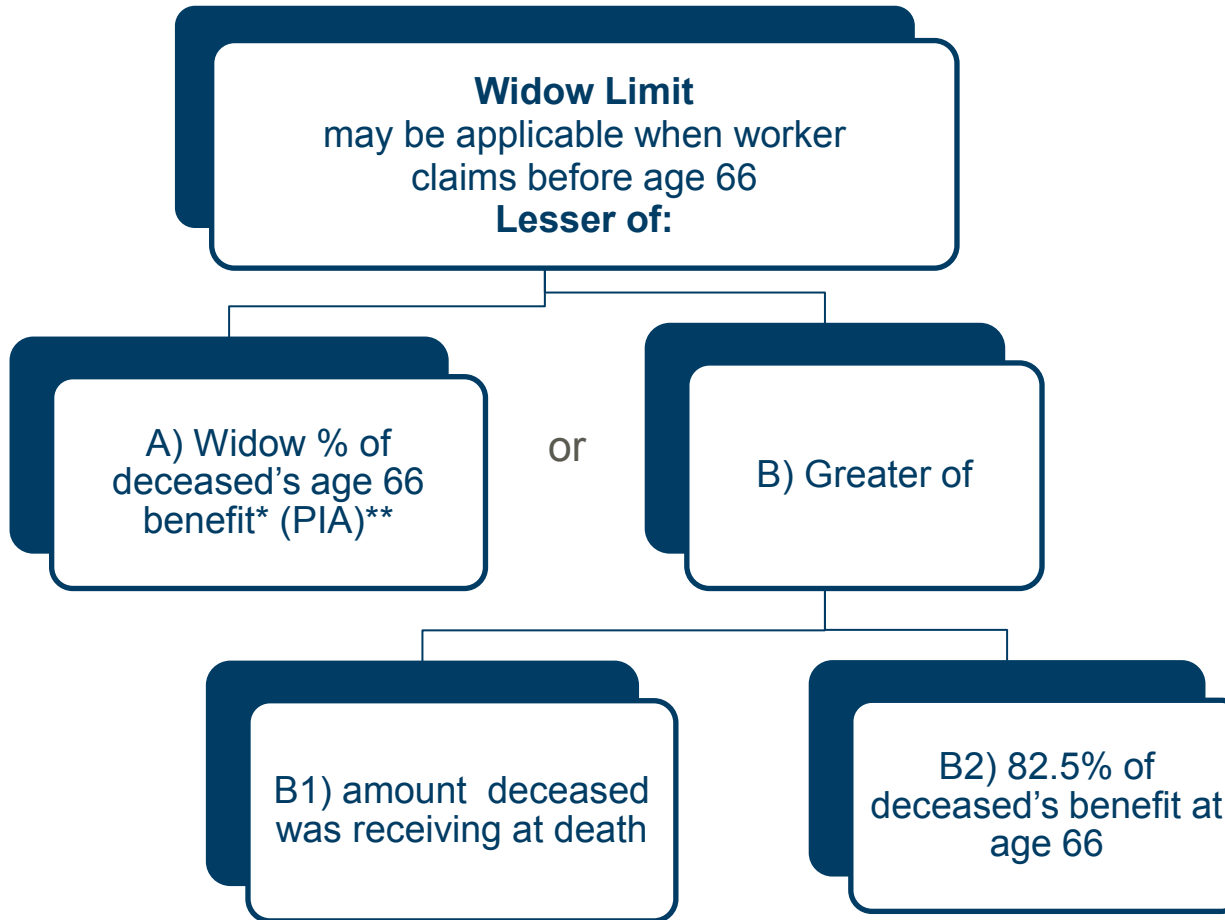
Deceased Maximizes Benefit to Widow



- Age 60 is the earliest a widow can collect a survivor benefit.

Deceased Claimed Before 66

May Subject Widow to a “Widow Limit”



*Assumes deceased's FRA is 66 and 0 months. If FRA is different, the widow benefit is calculated based off of the deceased FRA benefit.
** PIA stands for Primary Insurance Amount, which is the client's benefit at FRA.

CASE STUDY: Widow Limit

Claiming before 66 Limits the Widow Benefit

Michael and Patricia

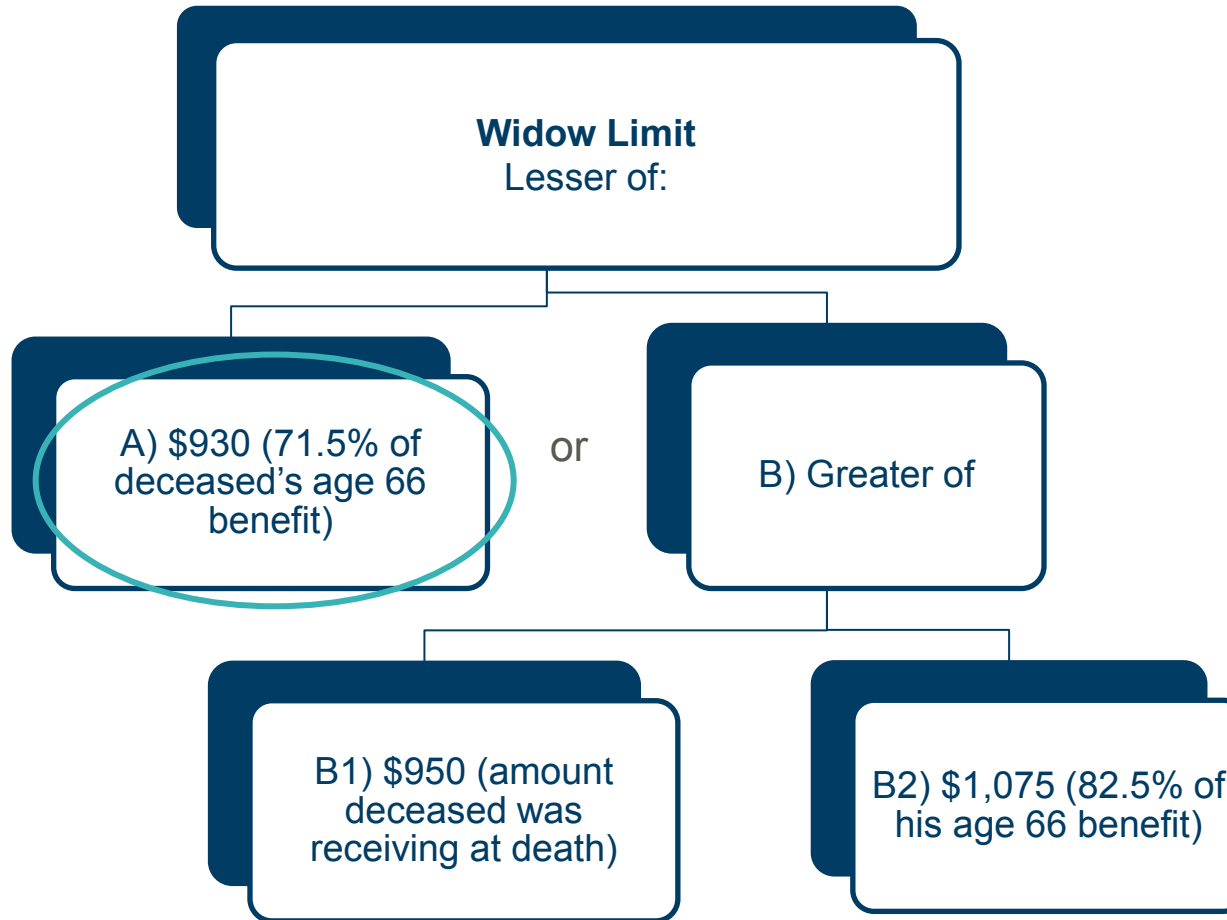
- Michael claims Social Security at age 62.
 - His monthly benefit at age 66 would have been \$1,300.
 - His monthly benefit at age 62 is \$950.
- What is the survivor benefit to Patricia if she becomes widowed at:
 - Age 60?
 - Age 63?
 - Age 66?



This case study is a hypothetical illustration only and assumes that Michael is the higher earner.

Widowed at Age 60

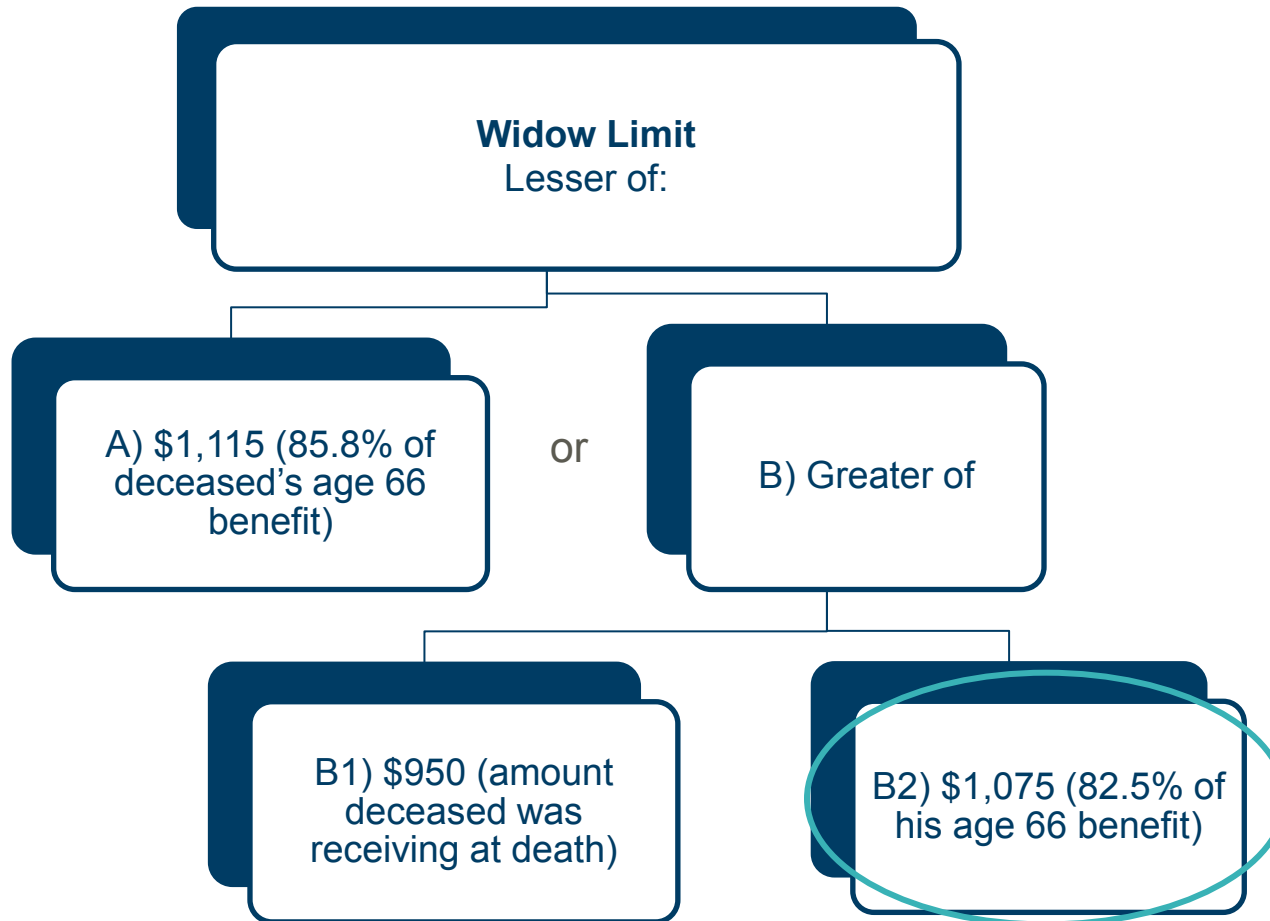
Typically Receive Widow Percentage Based on Deceased's Age 66



This case study is a hypothetical illustration only.

Widowed at Age 63

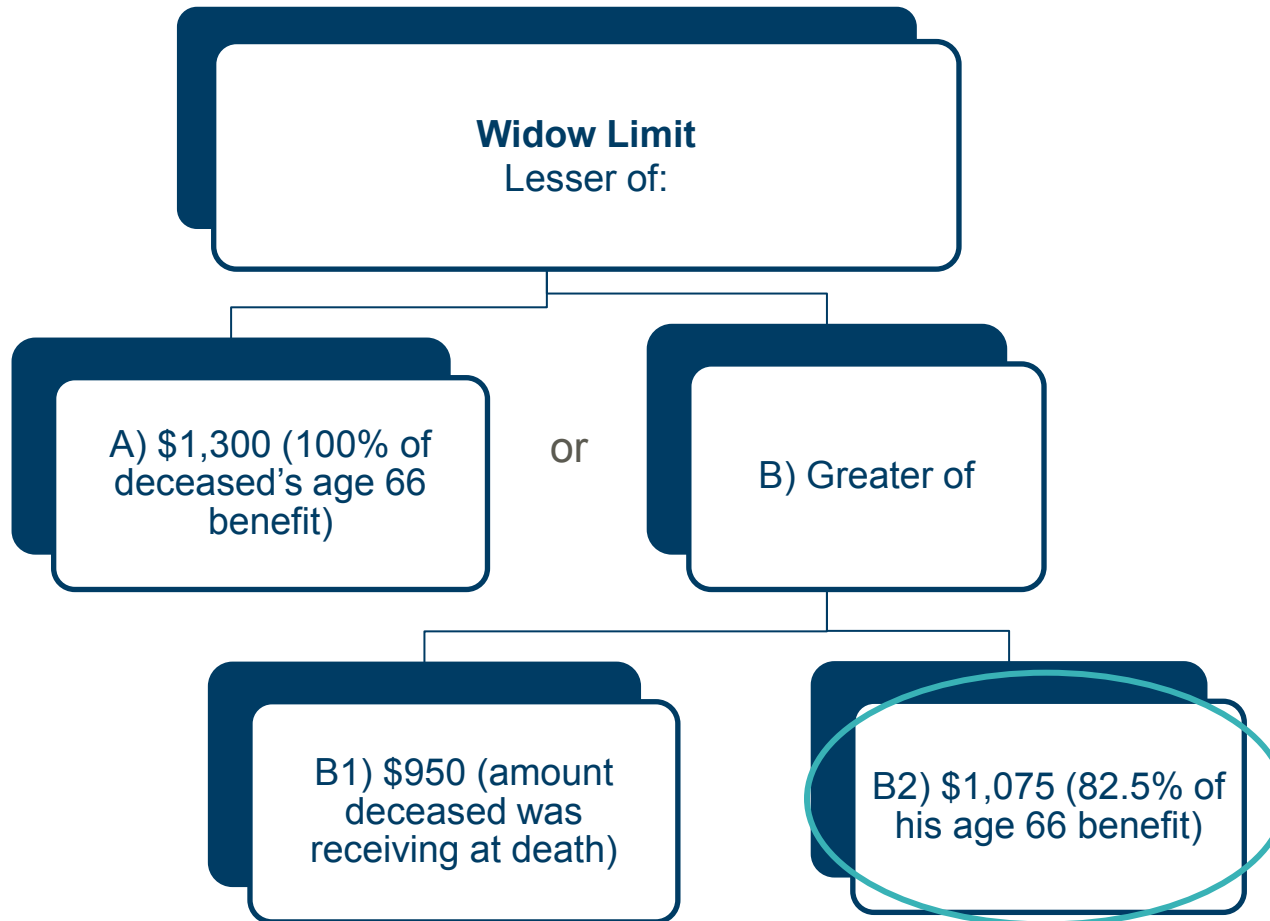
Widow Limit of 82.5% of Deceased's Age 66 Benefit may Apply



This case study is a hypothetical illustration only.

Widowed at Age 66

If Deceased Claimed at 62, Widow Benefit Reduced by at least 17.5% for Her Life



This case study is a hypothetical illustration only.

Case Studies: Widow Benefit

Comparison if Worker Claimed at 66, 70 or 62

Deceased Spouse's Age	At what age did the spouse pass away: <ul style="list-style-type: none">– 60?– 70?– 62?
Deceased Spouse's Claiming Status	Did the deceased spouse: <ul style="list-style-type: none">– Claim Social Security?– Pass away before claiming Social Security?
Widow's Age When Claiming	At what age does the wife claim the widow benefit: <ul style="list-style-type: none">– 60?– 63?– 66?

Assumes the deceased spouse's Social Security retirement benefits at age 66 are \$1,300 a month.
This is a hypothetical illustration only.

He Passes Away at 66

Widow Benefit Based on Amount Deceased Receiving/Entitled to Receive

	Widow Base Amount	Widow Claims Widow Benefit at 60 (71.5%)	Widow Claims Widow Benefit at 63 (85.8%)	Widow Claims Widow Benefit at 66 (100%)
He claimed at age 66	\$1,300 (Amount he was receiving at death)	\$930 (71.5% of his benefit)	\$1,115 (85.8% of his benefit)	\$1,300 (100% of his benefit)
He did not claim	\$1,300 (Widow benefit based off of the amount he was entitled to receive on the day of death)	\$930 (71.5% of the amount he was entitled to at death)	\$1,115 (85.8% of amount he was entitled to at death)	\$1,300 (100% of amount he was entitled to at death)

If the widow is working, under Full Retirement Age, and earning more than \$17,040 in 2018, her widow and personal benefits would be reduced by \$1 for every \$2 over that limit. This case study is a hypothetical illustration only.

He Passes Away at 70

Widow Benefit Entitled to Step-ups; Widow Benefit Maximized

	Widow Base Amount	Widow Claims Widow Benefit at 60 (71.5%)	Widow Claims Widow Benefit at 63 (85.8%)	Widow Claims Widow Benefit at 66 (100%)
He claimed at age 70	\$1,700 (Amount he was receiving at death)	\$1,215 (71.5% of his benefit)	\$1,460 (85.8% of his benefit)	\$1,700 (100% of his benefit)
He did not claim	\$1,700 (Widow benefit based off of the amount he was entitled to receive on the day of death)	\$1,215 (71.5% of the amount he was entitled to at death)	\$1,460 (85.8% of amount he was entitled to at death)	\$1,700 (100% of amount he was entitled to at death)

If the widow is working, under Full Retirement Age, and earning more than \$17,040 in 2018, her widow and personal benefits would be reduced by \$1 for every \$2 over that limit. This case study is a hypothetical illustration only.

He Passes Away at 62

If Deceased Claimed before Age 66, Widow Limit Applies

	Widow Base Amount	Widow Claims Widow Benefit at 60 (71.5%)	Widow Claims Widow Benefit at 63 (85.8%)	Widow Claims Widow Benefit at 66 (100%)
He claimed at age 62	\$950 (Amount he was receiving at death)	\$930 (71.5% of his age 66 benefit is less than the amount he was receiving at death and 82.5% of his benefit)	\$1,075 (85.8% of his age 66 benefit is greater than the amount he was receiving at death, but less than 85.8% of his age 66 benefit)	\$1,075 (82.5% of his age 66 benefit is greater than the amount he was receiving at death, but less than 100% of his age 66 benefit)
He did not claim	\$1,300 (Widow benefit based off of his age 66 benefit)	\$930 (71.5% of his age 66 benefit)	\$1,115 (85.8% his age 66 benefit)	\$1,300 (100% of amount he was entitled to at death)

If the deceased was under age 66 when he or she claimed Social Security, the widow benefit is based off of the lessor of: A) the percentage of the deceased's age 66 benefit that the widow was entitled to (based on the widow's age when claiming the widow benefit), OR B) the greater of B1) the amount the deceased was receiving at death or B2) 82.5% of the deceased's age 66 benefit. This case study is a hypothetical illustration only.

Widow Switch Up Strategies for Widowhood before Age 66

OPTION 1

Reduced Widow to Full Spousal

- **Age 60:** Start off with reduced widow benefit
- **Age 62+:** Switch to personal benefit

OPTION 2

Reduced Personal to Full Widow

- **Age 62:** Start off with reduced personal benefit
- **At 66:** Switch to full widow benefit

- If working and under age 66, survivor benefit and personal benefit are subject to earnings limits.

Source: Weaver, David E. "Widows and Social Security." Social Security Bulletin. Vol. 70, No.3, 2010.

CASE STUDY: Widow Switch-Up Strategies before FRA

Wife looking to file for Widow Benefits (Question 1 of 2)

Robert and Mary

- Robert passed away at 64. His wife Mary is 58.
 - Mary is eligible for benefits based on her own work history.
 - Robert had not yet applied for social security benefits.
- Can Mary receive a widow benefit now and switch over to her own benefit at a later time?



Answer: No. The earliest Mary would be able to receive a widow benefit would be at age 60.

This case study is a hypothetical illustration only and assumes that Robert is the higher earner.
Source: Social Security Administration. "Survivor Benefits. SSA Publication No. 05-10084. June 2017.

CASE STUDY: Widow Switch-Up Strategies before FRA

Wife looking to file for Widow Benefits (Question 2 of 2)

Robert and Mary

- Robert passed away at 64. His wife Mary is 62.
 - Mary is eligible for benefits based on her own work history.
 - Robert had not yet applied for Social Security benefits.
- Can Mary start collecting her own reduced benefit now and switch over to a full widow benefit later?



Answer: Yes. Mary could start to collect her own reduced personal benefit starting at age 62. Once she turns 66 (FRA), she could then switch over to a full widow benefit.

This case study is a hypothetical illustration only and assumes that Robert is the higher earner.
Source: Social Security Administration. "Survivor Benefits. SSA Publication No. 05-10084. June 2017.

Questions to Consider When Advising Widowed Clients

- Is the client working?
 - Under age 66: any Social Security benefit (personal, spousal, widow) reduced by \$1 for every \$2 of earned income over \$17,040 in 2018*
 - Age 66 or older: can work and receive full Social Security benefits
- Personal assets and income needs
 - If one of the spouses is terminally ill and has not claimed, do they need the income now to cover medical expenses?
 - How does the claiming decision affect the longevity of personal assets?

*In year of turning FRA (but before month of attaining FRA): Lose \$1 in Social Security benefits for every \$3 in earned income over \$45,360 in 2018.

Recap of Widow Benefits

	Spouse Passed Away Before FRA	Spouse Passed Away At or After FRA
Deceased Claimed Social Security before FRA	Widow benefit may be restricted to 82.5% of deceased's FRA benefit	Widow benefit may be restricted to 82.5% of deceased's FRA benefit
Deceased Claimed Social Security at or after FRA	N/A	Widow benefit based on amount that deceased was receiving
Deceased had yet to Claim Social Security	Widow benefit based on deceased's FRA benefit	Widow receives age 66 benefit plus 8% credit for each year after age 66 (up to age 70)

- Widow may be able to take a widow benefit at age 60 and switch to personal benefit at age 62 or later.

04

Other Spousal Situations

- a) Divorcées
- b) Public employees who did not pay into Social Security

What if a Client is Divorced?

Eligible for Spousal/Survivor Benefits if:

- Married for at least 10 years
- Divorced for at least 2 years
- Must be age 62 to receive a spousal benefit, age 60 (50 if disabled) to receive a survivor benefit
- Ex-spouse must be at least age 62 and worked 40 quarters to receive a spousal benefit
- Did not remarry:
 - If a client remarries, they generally forfeit benefits off of ex-spouse
 - If ex-spouse remarries and the client did not, they remain entitled to spousal and survivor benefits off of ex-spouse



Source: Social Security Administration. "Retirement Planner: Benefits for Your Divorced Spouse." www.ssa.gov.

What if a Client Remarries?

Remarriage Generally Forfeits the Benefits of Prior Spouse

	Remarry Before 60 (50 is Disabled)	Remarry After 60 (50 is Disabled)
Spousal Benefit on Ex-Spouse	Forfeit	Forfeit
Survivor Benefit on Ex-Spouse	Forfeit	Keep

- If the second marriage ends, a client may again become entitled to benefits based on first marriage.
- A client cannot claim benefits on two ex-spouses at the same time.

Source: Social Security Administration. "Survivors Planner: How Much will Your Survivors Receive." www.ssa.gov.

CASE STUDY: Widow Switch-Up Strategies before FRA

Options for Divorcée Under Age 66

Maria

- Maria is 63 and a divorcée.
 - Married for twenty years
 - Never remarried
 - Worked
 - Qualifies for her own Social Security benefit
- Can she start off with a reduced spousal benefit at age 63 and switch to full personal benefit at age 66?



Answer: No

- If she applies before age 66, she will receive greater of reduced ex-spousal or reduced personal benefit.
- If she is under age 66, working and receiving any Social Security benefit (ex-spousal or personal), the benefit will be reduced by \$1 for every \$2 of earned income over \$17,040 in 2018.*

*In year of turning FRA (but before month of attaining FRA), lose \$1 in Social Security benefits for every \$3 in earned income over \$45,360.

This case study is a hypothetical illustration only.

Source: Social Security Administration. "Retirement Planner: Benefits for Your Divorced Spouse." www.ssa.gov.

Claiming Options for Divorcées

Divorced Couples	
Maximum Number of Spousal Benefits*	Two. Both can collect simultaneously at FRA when first applying for any benefit
Does one spouse need to apply for personal benefit in order for other spouse to receive spousal?	No**
Switch-Up Strategies	Must be FRA when first applying for any benefit

*Must be age 62 and divorced for at least two years to be eligible for a spousal benefit off of an ex-spouse. Ex-spouse must be fully insured (at least age 62 and worked 40 quarters) at time of application to receive a spousal benefit.

**If divorcée is younger than FRA and applies for Social Security, the individual will receive greater of reduced personal or reduced spousal benefit. The divorcée is locked into this amount.

Public Sector Workers Who Did Not Pay into Social Security

- Government workers who did not pay into Social Security may have their benefits calculated differently
 - Includes some state and municipal workers
 - Some federal employees hired before January 1, 1984
- Government Pension Offset
 - Affects government workers who did not pay into Social Security, their spouse worked in the private sector
 - Reduces Social Security Spousal and survivor benefit by 2/3 of government pension
 - Does not reduce the government pension



Source: Social Security Administration. "Government Pension Offset." SSA Publication No. 05-10007. www.ssa.gov.

Case Study

Government Pension Offset (GPO)

Deborah

- Deborah worked in a government position that did not pay into Social Security.
 - Her expected government pension is \$900.
- Her husband worked in the private sector.
 - Deborah's spousal benefit from Social Security is \$1,000.
- What will Deborah's total benefits be after the GPO is calculated?



This case study is a hypothetical illustration only.

Case Study: Government Pension Offset

Only Impacts Social Security Spousal Benefit

	Government Pension Not Paying into Social Security	Social Security Spousal Benefit	Total
Initial Estimate	\$900	\$1,000	
Minus GPO to Social Security Spousal Benefits (2/3 of Government Pension)	N/A	\$600 (2/3x900)	
Final Benefit	\$900	\$400	\$1,300

This case study is a hypothetical illustration only.

What if Deborah and Spouse had Worked in Private Sector?

Case Study: Government Pension Offset (GPO)

Deborah

- Deborah would receive the greater of:
 - Her personal Social Security benefit (\$900)
 - OR
 - Spousal Benefit (\$1,000)
- Reduction to Social Security spousal benefits is smaller under the GPO than if both spouses worked in the private sector.
- What will Deborah's total benefits be after the GPO is calculated?



General Rule – If a client's government pension is 1.5x greater than the Social Security spousal/widow benefit, GPO may wipe out Social Security spousal/widow benefit.


This case study is a hypothetical illustration only.


05

The ABCs of Medicare

The ABCs of Medicare

- Determine when to enroll in Medicare

- 
- Understand what the various parts mean and how to use them

- 
- Choose the right mix of Medicare coverage for you and your family (and review annually)

Medicare

When are You Eligible?

- 65 years old
- US citizen or permanent resident
- Eligible for Social Security/Railroad Retirement benefits
 - If employer did not pay into Social Security, then at least 40 quarters of Medicare payroll taxes must be paid
- Before 65 years old you may be eligible to receive Medicare if:
 - If you receive disability benefits from Social Security or certain disability benefits from the Railroad Retirement Board (RRB) for at least 24 months in a row
 - If you have amyotrophic lateral sclerosis (ALS) - Lou Gehrig's disease
 - If you have end-stage renal disease (ESRD)

Medicare

Understanding the Options

Original Medicare (includes parts A and B)



Part A

Covers hospital visits and prolonged stays

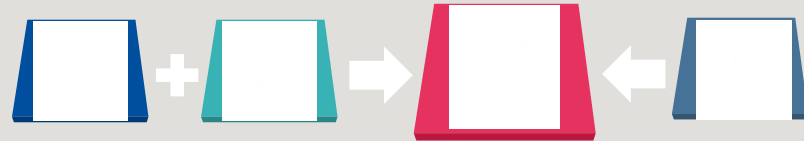


Part B

Covers doctors' visits and outpatient care

Medicare Advantage

(Provided through **Medicare Part C:**
Combines Parts A and B, and usually Part D)



Prescription Drug Coverage

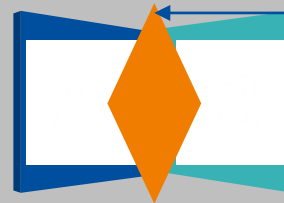


Part D

Helps cover the cost of prescription drugs

Medicare Supplement Insurance

(Helps pay for costs not covered by Parts A and B)



Also known as
Medigap Policy


Medicare

Choosing the Right Coverage

- Review current health plan coverage
- Consider the following questions:
 - What benefits will my client need during retirement?
 - How much can a client afford to spend on monthly premiums?
 - Does my client plan to travel in retirement?
 - How important is the ability to choose their own doctors?
 - Will my client need prescription drug coverage?
 - What if my client has a Health Savings Account (HSA)?
 - If a client contributes to an HSA after Medicare coverage starts, your client may incur tax penalty
- Analyze plan features & costs of various insurance providers
- Remember that spouses must each enroll in Medicare




Medicare




When to Enroll

Initial Enrollment			
3 months prior	Age 65	3 months after	6 months after
	 	 	 

Parts A, B, D, and MA

Medigap

Annual Election Period		
October 15	November	December 7
		

General Enrollment		
January	February	March
		

Medicare

Penalties for Late Enrollment

	Part A*	Part B	Part D
Amount	10% flat penalty	10% incremental penalty	1% incremental penalty based on National base premium of \$35.02
Rate of Increase	Does not increase	Increases 10% for each 12 month period you were eligible for Part B but were not enrolled	Increases 1% for each full month you were eligible for Part D coverage but were not enrolled

*Only applies if you do not qualify for premium free Part A coverage.
Source: Medicare.gov.

When is the Right Time to Discuss Medicare?

- **Anytime.** Encourage clients to start thinking about Medicare well before their 65th birthday. Consider partnering with their tax advisor to discuss strategies to help minimize spikes in modified adjusted gross income (MAGI) during the two years proceeding Medicare enrollment and throughout retirement years (if possible).*
- Discuss the impact of any of these life events:
 - Selling a home
 - Converting to Roth IRA
 - Required Minimum Distributions (RMDs)
 - Qualified Charitable Distributions (QCDs)*
 - Contributing to HSAs
 - Other “controllable” spikes in income
- **Additionally,** urge clients to review their Medicare coverage annually, during open enrollment (October 15 - December 7). A client’s needs will change, whether it be required prescriptions, medical specialists, or even changes to their actual plan coverage.
- Clients should contact Medicare if they move, their spouse dies, or they experience lifetime events that may impact various Medicare plan coverages. See special circumstances (Special Enrollment Periods) at www.Medicare.gov for additional information.

*Medicare has a two-year lookback which impacts the amount that beneficiaries pay for Parts B and D.

06

Recap Social Security & Medicare

5 Things Clients should Consider before Claiming Social Security

1. Impact of claiming Social Security on other assets:
 - If a client can live off of less than 4% of assets, let benefits grow*
 - If a client needs more than 4% of assets, take the benefits*
2. Longevity of the longest living spouse
3. Highest earning spouse should delay as long as possible
4. Claiming at age 66 (if possible) may offer more options:
 - Work and receive Social Security
 - File and Suspend**
 - Start off with spousal benefit, switch to personal benefit later**
5. Widows can start off with reduced benefit at age 60 and switch later

*The 4% rule is a general guideline that suggests that withdrawing only 4% of your assets increases the chance that you may not run out of money during retirement. However, results can change based on market conditions and life events. It is best to consult with a financial advisor about your personal circumstance and the factors effecting your withdrawal rate.

** Refer to Bipartisan Budget Act of 2015 for further rules and regulations at www.ssa.gov.

5 Things Clients should Consider When Enrolling in Medicare

1. It is mandatory once a client retires¹
2. It is not “automatic”-beware of penalties
3. It will not cover everything
 - Supplemental insurance may be essential
4. Out-of-pocket expenses may be higher than expected
5. Understand the options available

¹Medicare is not mandatory when you turn 65, provided you are covered by an employer's group health insurance *where you (or your spouse) actively work*.

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07

Appendix

Survivor Benefits

Deceased's Age 66 Benefit of \$1,300

Deceased		60	61	62	63	64	65	66	Maximum Widow Benefit Age
Age When First Claimed	Amount When First Claimed	71.5%	76.3%	81.0%	85.8%	90.5%	95.3%	100%	Widow Incentive
62	\$950	\$930	\$992	\$1,053	\$1,075	\$1,075	\$1,075	\$1,075	No incentive for wife to delay survivor benefit past age 63
63	\$1,029	\$930	\$992	\$1,053	\$1,075	\$1,075	\$1,075	\$1,075	No incentive for wife to delay survivor benefit past age 63 (technically 62 and four months)
64	\$1,112	\$930	\$992	\$1,053	\$1,115	\$870	\$870	\$870	No incentive for wife to delay survivor benefit past age 64
65	\$1,198	\$930	\$992	\$1,053	\$1,115	\$1,177	\$1,205	\$1,205	No incentive for wife to delay survivor benefit past age 65
66	\$1,300	\$930	\$992	\$1,053	\$1,115	\$1,177	\$1,239	\$1,300	Widow benefit maxed when both claim at age 66

Assumes widow is not working or is earning less than the earned income limits.

Source: Amundi Pioneer

Full Retirement Age is Dependent on Year of Birth

Year of Birth	Full Retirement Age (FRA)
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: Social Security Administration. "Social Security: Understanding the Benefits." SSA Publication No. 05-10024. March 2016.

Widows and Social Security

Different Widow Classes

Eligibility	Aged Widow	Child-in-Care Widow	Disabled Widow
Basic	Age 60 or older Worker died either currently or fully insured	Has a child in care who is <16 or disabled Worker died either fully or currently insured	Aged 50-59 and disabled Worker died either currently or fully insured
Marital Status: Unmarried	Unmarried or remarried after 60	Unmarried	Unmarried or remarried after 50 & after onset of disability
Marital Status: Divorced	Marriage must equal or exceed ten years	Marriage does not have to equal or exceed ten years	Marriage must equal or exceed ten years

NOTE: Not all eligibility requirement or factors affecting the monthly benefit are included in the table. Requirements for insured status are complex, but fully insured status can require 40 quarters of covered work, and currently insured status can require 6 quarters of work in the 13 quarters before death.

Source: Weaver, David E. "Widows and Social Security." Social Security Bulletin. Vol. 70, No.3, 2010.

Widows and Social Security

Not All Benefits are Equal

Benefit Determinants	Aged Widow	Child-in-Care Widow	Disabled Widow
Benefit Rate	100%	75%	71.5%
Other Factors	<p>Can remarry after age 60 and still receive a widow benefit from first spouse</p> <p>Reduced if claimed before FRA (71-99% of PIA)</p> <p>Increased if the deceased worker earned delayed retirement credits</p> <p>Earnings test</p>	<p>Unmarried</p> <p>Family maximum (150-187.5% of deceased's PIA)</p> <p>Earnings test</p>	<p>None</p>

Source: Weaver, David E. "Widows and Social Security." Social Security Bulletin. Vol. 70, No.3, 2010.

