

## A Labor Day Recipe for Maximizing Retirement Income

You know clients might be better off delaying Social Security retirement benefits. What information might convince them of that when they want to enjoy the fruits of their labor in the early retirement years?

Labor Day—a holiday signed into law in 1894 by President Grover Cleveland after riots broke out over poor working conditions—has become the traditional end-of-summer BBQ day. The reason for the holiday may be lost in translation, but we celebrate it in the spirit of rewarding hard work. It's likely your retiree clients want to enjoy the rewards of their own hard work. How do you help them maintain their lifestyles while maximizing Social Security retirement benefits?

### Social Security—What Clients Should Know about Timing

Many retirees rely on Social Security retirement benefits. For some, it's the only income source, but most combine it with other retirement income. Here are some basic facts clients should know about the timing of claiming benefits:

- Generally speaking, the earliest age to claim retirement benefits is 62.
- Claiming at full retirement age (FRA) pays 100% of the individual's primary insurance amount (PIA). FRA varies based on birth date, the oldest being age 67 for people born in 1960 or later. (You can find more information on age bands at [www.socialsecurity.gov](http://www.socialsecurity.gov).)
- Delayed retirement credits (DRC) increase Social Security retirement benefits 8% each year after attainment of FRA until age 70.

If full retirement age or delayed retirement credits are appropriate for your client's situation, here are some points you can discuss with them about using annuities to bridge the income gap and help maximize Social Security retirement benefits.

### Create Steady Income from a Portion of Annuity Assets

Some annuities offer the ability to partially annuitize (begin annuity income payments). This strategy can help individuals maximize Social Security retirement benefits by delaying their claims. Instead of turning the entire contract into annuity income payments and losing access to the contract value, clients turn only a portion of the annuity into payments. Income for a specified time (known as a "period certain") can cover a gap—for example, from the client's age 62-70, depending on the need—so they can take advantage of DRC to maximize Social Security retirement benefits. A bonus on nonqualified annuities is the tax efficiency provided by the exclusion ratio applied to payments, which means only a portion of each is taxable.

### Utilize a Guaranteed Withdrawal Benefit (GWB)

Annuities with optional guaranteed withdrawal benefits offer clients flexibility for income options in retirement without needing to annuitize. Many companies offer GWBs that can be added to an annuity for an additional cost. The allowable withdrawal percentage can vary, so it's a good idea to check with the companies you work with to assess what might be appropriate for each client. The income from these benefits is based on the contract terms and guarantees of the withdrawal benefit. Earnings will be distributed first and taxed as ordinary income; however, the client can stop withdrawals when he/she no longer needs the income. Stopping the income can reduce taxes and provide potential to leave the remaining balance for legacy planning.

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These Social Security claiming strategies can help clients on the fence about claiming early or delaying in order to receive DRC. Just as all client needs are different, so are the companies you work with and the products they offer. It's always a best practice to understand the companies' offerings and ensure they have the potential to help your clients reach their goals.

### **Help Reward Clients' Labor with a Strategy to Maximize Benefits**

So, as you bask in the sun during the long weekend enjoying family, friends, food, and relaxation, give thought to those workers whose actions sparked the declaration of a Labor Day holiday. And think about your clients who worked so hard to build their retirement savings and deserve the maximum benefit to which they are entitled.

#### **ACTIONS YOU CAN TAKE RIGHT NOW**

- **Reach out to clients considering claiming early to discuss options.**
- **Run a [Social Security analysis](#) to provide early, alternate, and optimal claiming strategies for Social Security retirement benefits.**
- **Touch base with clients who need stop-gap income, and discuss opportunities for a partial annuitization or, if applicable, income from a GLB.**

## Additional Resources and Links

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[Social Security Analyzer Tool](#)

[The Longevity Lesson from Social Security](#)

[The Key to Optimizing Your Client's Social Security Income](#)

For more information about retirement planning,  
please contact our Retirement Strategies Group at  
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