TOTAL INVESTMENT MANAGEMENT

When Will You Begin Taking Social Security Benefits?

Introduction

Trying to figure out when to take Social Security can feel overwhelming. When do you file? When do you start taking benefits? If you are married, should you or your spouse file first?

These choices determine the amount of Social Security you receive, and can impact the overall results of your financial plan. To select the best strategy, you need to consider more than simply maximizing your total benefits. You also should understand how Social Security choices affect your overall plan.

Identify Your Goals

If you don't have a financial plan, start by identifying your goals. (If you already have a plan, use this opportunity to review your goals and other assumptions.) Create Goals for expenses that will be paid (fully or partially) from your Investment Assets (i.e., savings and investment accounts). Do not include Goals for any expenses that are paid entirely from your employment income (e.g., cars, annual vacations). What goals are important for you to have a satisfying retirement?

Most Common Goals		Other Goals		
Car	College	Wedding	New Home	Celebration
Travel	Home Improvement	Major Purchase	Start Business	Provide Care
Health Care	Gift or Donation	Leave Bequest	Private School	

After identifying all your Goals, we'll have a conversation about your loss tolerance, and then gather information about the resources you'll use to fund your Goals (including current investments, savings, and retirement income). We'll start with a baseline for Social Security.

The following example shows a Financial Goal Plan for John and Ann. Review the results for their plan to see how it helped them feel more confident about their future, and better prepared to choose the right Social Security strategy.






John and Ann are a 57-year-old couple with a three-year-old grandson, Timmy. John and Ann have identified five Goals that will make their retirement satisfactory and enjoyable. Compare their list of Goals to what you might want for your retirement. You could have fewer Goals or many more.

Example Plan

	Retirement Goals	Amount
	Needs	
10	**Retirement - Age and Living Expense** John Ann Both Retired (2020-2045) Ann Alone Retired (2046-2048)	 65 / 2020 65 / 2020 $81,600 $57,000
8	**John's SUV** when John Retires Recurring every 4 years for a total of 7 times	$30,000
	Wants	
7	**Annual Travel Fund** at Retirement Recurring every year for a total of 20 times	$15,000
5	**Ann's Prius** when Ann Retires Recurring every 7 years for a total of 2 times	$25,000
	Wishes	
2	**Gifts to Timmy** in 2013 Recurring every year for a total of 15 times	$10,000

We'll show the plan results by calculating a Probability of Success, using a Monte Carlo Simulation.

Example Result

Our goal is to get your plan within your Confidence Zone.*

Probability of Success: **76%**

In Confidence Zone

What Is A Monte Carlo Simulation?

We simulate thousands of Trials using different return sequences. Each Trial represents one possible outcome for the plan.

The Probability of Success equals the percentage of Trials (e.g., 76%) that funded all the Goals.

*The Confidence Zone is the range of probabilities that you and your advisor select as your target range for the Probability of Success result in your Plan.

First, we calculated a Probability of Success based on John and Ann's current savings and assumptions (the "current scenario" below). Unfortunately, their existing plan wasn't in their Confidence Zone (a target range of probabilities). Together, with John and Ann, we made some changes to the plan. For example, they were OK retiring a year later, reducing their spending a bit and saving a little more. With these changes, John and Ann's Recommended Scenario has a Probability of Success of 76%, which is in their Confidence Zone.

Example Result Summary for John and Ann

Results	**Current Scenario**	**Recommended Scenario**	
Likelihood of Funding All Goals Confidence Zone (70% - 85%)	 Probability of Success: **66%** **Below Confidence Zone***	 Probability of Success: **76%** **In Confidence Zone***	

	Current Scenario	**Recommended**	**Changes in Value**
Retirement			
John	65 in 2020	65 in 2020	
Ann	65 in 2020	65 in 2020	
Goals			
Total Spending for Life of Plan	**$3,002,600**	**$2,890,100**	**Decreased 4%**
Savings			
Total Savings This Year	**$29,000**	**$29,000**	
Investments			
Portfolio Value	**$970,000**	**$970,000**	
Allocation Before Retirement	**Current**	**Balanced II**	**16% Less Stock**
Allocation During Retirement	**Current**	**Balanced II**	**16% Less Stock**
Inflation	**3.00%**	**3.00%**	

Once the plan results were within their Confidence Zone, we analyzed which Social Security strategy was best.

In this example, the strategy that provided the highest lifetime benefit and gave their plan the highest Probability of Success was "Ann files / suspends, John restricted application." Ann would file for her benefit at full retirement age (FRA), and immediately suspend, so her benefit would continue to grow until age 70. John would file for a restricted application and receive a spousal benefit until age 70, when he would file for his own benefit.

Example Social Security Strategies*

Social Security Strategy	Strategy Used in What if 1	At Retirement	At FRA	At Age 70	Ann Begins at age 70 and John begins at FRA	Ann files / suspends, John restricted application	John files / suspends Ann restricted application
Start Age John Ann	 66 66	 65 65	 66 66	 70 70	 66 70	 66 70	 70 66
First year benefit in current dollars John Ann	 $28,070 $30,359	 $25,887 $27,998	 $28,070 $30,359	 $36,678 $39,669	 $28,070 $39,669	 $15,180 $39,669	 $36,678 $14,035

*FRA = Full Retirement Age

Maximization Based on Cash Received

Social Security Strategy	Strategy Used in What if 1	At Retirement	At FRA	At Age 70	Ann Begins at age 70 and John begins at FRA	Ann files / suspends, John restricted application	John files / suspends Ann restricted application
Total lifetime benefit in current dollars	$1,551,803	$1,484,992	$1,551,803	$1,722,301	$1,653,810	$1,783,019	$1,778,440
Break Even Point John Ann		 N/A N/A	 77 77	 81 81	 81 81	 79 79	 79 79

Maximization Based on Overall Plan Result

Social Security Strategy	Strategy Used in What if 1	At Retirement	At FRA	At Age 70	Ann Begins at age 70 and John begins at FRA	Ann files / suspends, John restricted application	John files / suspends Ann restricted application
Probability of Success	76%	75%	76%	73%	72%	**77%**	77%

Summary

Social Security choices can be complicated. MoneyGuidePro makes it easy – by showing you how to maximize total benefits and how the different strategies affect the results of your financial plan. Remember to review these strategies each time you update your plan with your advisor.

*Contact your advisor or SSA.gov for more details on Social Security benefit choices and strategies.

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MoneyGuidePro results may vary with each use and over time.

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Information that you provided about your assets, financial goals, and personal situation are key assumptions for the calculations and projections in this Report. Please review the Report sections titled "Personal Information and Summary of Financial Goals", "Current Portfolio Allocation", and "Tax and Inflation Options" to verify the accuracy of these assumptions. If any of the assumptions are incorrect, you should notify your financial advisor. Even small changes in assumptions can have a substantial impact on the results shown in this Report. The information provided by you should be reviewed periodically and updated when either the information or your circumstances change.

All asset and net worth information included in this Report was provided by you or your designated agents, and is not a substitute for the information contained in the official account statements provided to you by custodians. The current asset data and values contained in those account statements should be used to update the asset information included in this Report, as necessary.

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MoneyGuidePro offers several methods of calculating results, each of which provides one outcome from a wide range of possible outcomes. All results in this Report are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. All results use simplifying assumptions that do not completely or accurately reflect your specific circumstances. No Plan or Report has the ability to accurately predict the future. As investment returns, inflation, taxes, and other economic conditions vary from the MoneyGuidePro assumptions, your actual results will vary (perhaps significantly) from those presented in this Report.

All MoneyGuidePro calculations use asset class returns, not returns of actual investments. The projected return assumptions used in this Report are estimates based on average annual returns for each asset class. The portfolio returns are calculated by weighting individual return assumptions for each asset class according to your portfolio allocation. The portfolio returns may have been modified by including adjustments to the total return and the inflation rate. The portfolio returns assume reinvestment of interest and dividends at net asset value without taxes, and also assume that the portfolio has been rebalanced to reflect the initial recommendation. No portfolio rebalancing costs, including taxes, if applicable, are deducted from the portfolio value. No portfolio allocation eliminates risk or guarantees investment results.

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Risks Inherent in Investing
Investing in fixed income securities involves interest rate risk, credit risk, and inflation risk. Interest rate risk is the possibility that bond prices will decrease because of an interest rate increase. When interest rates rise, bond prices and the values of fixed income securities fall. When interest rates fall, bond prices and the values of fixed income securities rise. Credit risk is the risk that a company will not be able to pay its debts, including the interest on its bonds. Inflation risk is the possibility that the interest paid on an investment in bonds will be lower than the inflation rate, decreasing purchasing power.

Cash alternatives typically include money market securities and U.S. treasury bills. Investing in such cash alternatives involves inflation risk. In addition, investments in money market securities may involve credit risk and a risk of principal loss. Because money market securities are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency, there is no guarantee the value of your investment will be maintained at $1.00 per share. U.S. Treasury bills are subject to market risk if sold prior to maturity. Market risk is the possibility that the value, when sold, might be less than the purchase price.

Investing in stock securities involves volatility risk, market risk, business risk, and industry risk. The prices of most stocks fluctuate. Volatility risk is the chance that the value of a stock will fall. Market risk is chance that the prices of all stocks will fall due to conditions in the economic environment. Business risk is the chance that a specific company's stock will fall because of issues affecting it. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

International investing involves additional risks including, but not limited to, changes in currency exchange rates, differences in accounting and taxation policies, and political or economic instabilities that can increase or decrease returns.

Report Is a Snapshot and Does Not Provide Legal, Tax, or Accounting Advice
This Report provides a snapshot of your current financial position and can help you to focus on your financial resources and goals, and to create a plan of action. Because the results are calculated over many years, small changes can create large differences in

future results. You should use this Report to help you focus on the factors that are most important to you. This Report does not provide legal, tax, or accounting advice. Before making decisions with legal, tax, or accounting ramifications, you should consult appropriate professionals for advice that is specific to your situation.

Results Using Monte Carlo Simulations

Monte Carlo simulations are used to show how variations in rates of return each year can affect your results. A Monte Carlo simulation calculates the results of your Plan by running it many times, each time using a different sequence of returns. Some sequences of returns will give you better results, and some will give you worse results. These multiple trials provide a range of possible results, some successful (you would have met all your goals) and some unsuccessful (you would not have met all your goals). The percentage of trials that were successful is the probability that your Plan, with all its underlying assumptions, could be successful. In MoneyGuidePro, this is the Probability of Success. Analogously, the percentage of trials that were unsuccessful is the Probability of Failure. The Results Using Monte Carlo Simulations indicate the likelihood that an event may occur as well as the likelihood that it may not occur. In analyzing this information, please note that the analysis does not take into account actual market conditions, which may severely affect the outcome of your goals over the long-term.

MoneyGuidePro uses a specialized methodology called Beyond Monte Carlo™, a statistical analysis technique that provides results that are as accurate as traditional Monte Carlo simulations with 10,000 trials, but with fewer iterations and greater consistency. Beyond Monte Carlo™ is based on Sensitivity Simulations, which re-runs the Plan only 50 to 100 times using small changes in the return. This allows a sensitivity of the results to be calculated, which, when analyzed with the mean return and standard deviation of the portfolio, allows the Probability of Success for your Plan to be directly calculated.

Glossary

Current Portfolio
Your Current Portfolio is comprised of all the investment assets you currently own (or a subset of your assets, based on the information you provided for this Plan), categorized by Asset Class and Asset Mix.

Inflation Rate
Inflation is the percentage increase in the cost of goods and services for a specified time period. A historical measure of inflation is the Consumer Price Index (CPI). In MoneyGuidePro, the Inflation Rate is selected by your advisor, and can be adjusted in different scenarios.

Liquidity
Liquidity is the ease with which an investment can be converted into cash.

Monte Carlo Confidence Zone
The Monte Carlo Confidence Zone is the range of probabilities that you (and/or your advisor) have selected as your target range for the Monte Carlo Probability of Success in your Plan. The Confidence Zone reflects the Monte Carlo Probabilities of Success with which you would be comfortable, based upon your Plan, your specific time horizon, risk profile, and other factors unique to you.

Monte Carlo Probability of Success / Probability of Failure
The Monte Carlo Probability of Success is the percentage of trials of your Plan that were successful. If a Monte Carlo simulation runs your Plan 10,000 times, and if 6,000 of those runs are successful (i.e., all your goals are funded and you have at least $1 of Safety Margin), then the Probability of Success for that Plan, with all its underlying assumptions, would be 60%, and the Probability of Failure would be 40%.

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Needs / Wants / Wishes
In MoneyGuidePro, you choose an importance level from 10 to 1 (where 10 is the highest) for each of your financial goals. Then, the importance levels are divided into three groups: Needs, Wants, and Wishes. Needs are the goals that you consider necessary for your lifestyle, and are the goals that you must fulfill. Wants are the goals that you would really like to fulfill, but could live without. Wishes are the "dream goals" that you would like to fund, although you won't be too dissatisfied if you can't fund them.
In MoneyGuidePro, Needs are your most important goals, then Wants, then Wishes.

Recommended Scenario
The Recommended Scenario is the scenario selected by your advisor to be shown on the results page, in Play Zone, and in the Presentation.

Target Goal Amount
The Target Goal Amount is the amount you would expect to spend, or the amount you would like to spend, for each financial goal.

Target Retirement Age
Target Retirement Age is the age at which you would like to retire.

Target Savings Amount
In the Resources section of MoneyGuidePro, you enter the current annual additions being made to your investment assets. The total of these additions is your Target Savings Amount.

Willingness
In MoneyGuidePro, in addition to specifying Target Goal Amounts, a Target Savings Amount, and Target Retirement Ages, you also specify a Willingness to adjust these Target values. The Willingness choices are Very Willing, Somewhat Willing, Slightly Willing, and Not at All.

TOTAL INVESTMENT MANAGEMENT

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