



Working your book

---

# Social Security planning



# Half of Americans age 65 and older

rely on Social Security  
for over 50% of their  
household income.

Source: [www.ssa.gov/policy/docs/ssb/v77n2/v77n2p1.html](https://www.ssa.gov/policy/docs/ssb/v77n2/v77n2p1.html), 2023



Not FDIC or NCUA insured

May lose value • Not a deposit • No bank or credit union guarantee  
Not insured by any federal government agency

For financial professional use only. May not be used with the public.

# Build your business with Social Security planning

As your clients approach retirement, they may have questions about whether or not they'll have enough money. For many of them, the money they get from Social Security will play a big part in their retirement income plans.

And yet as important as Social Security is for most people, there remains confusion over how it works — including important options that can help maximize benefit amounts. Factors that may affect Social Security benefits include:

Age

Income

Working and taxation

Marital status

By discussing these considerations with clients, you can help them understand how choices they make now may affect their future lifetime income. And you'll build their trust in you as a retirement planning professional.

66%

of those receiving  
retirement benefits  
today are collecting  
a reduced amount.

Source: Social Security  
Administration's Annual  
Statistical Supplement, 2022.

➤ **How to help clients understand Social Security**

How to get started

For the average worker today, Social Security replaces **30% of pre-retirement earnings**.

Source: [ssa.gov/news/press/factsheets/basicfact-alt.pdf](https://ssa.gov/news/press/factsheets/basicfact-alt.pdf), 2022.

# Help your clients understand Social Security Planning

When investors make Social Security decisions based on incomplete information, it can have a significant impact on their retirement income strategies.

That’s why it’s so important to help clients learn the facts about Social Security and how it can affect their overall financial plans.

Common investor mistakes	How you can help
Underestimating the critical role Social Security benefits can play in retirement income planning	Inform clients on how to embrace retirement income planning and Social Security benefits election, allowing them to maximize benefits and minimize the impact to their personal savings
Filing at a younger age with a reduced benefit	Educate clients that waiting to collect could yield more money
Making decisions based solely on individual benefits without considering their spouse	Teach clients how to approach planning collectively—this can have an impact on lifetime benefits for both individuals and other income sources
Not considering the earning limitations and tax effects on Social Security when planning withdrawals from all income sources	Help clients to maximize their income by considering tax implications in retirement income planning
Feeling entitled to their money and how it’s invested	Show clients how delaying Social Security can provide an 8% increase per year after full retirement age and may be adjusted for inflation

## How age affects benefits

A person's full retirement age is a critical component of when clients should elect benefits. It can have an impact on their individual benefits as well as on their spouse's. Those who start Social Security benefits before their full retirement age receive reduced benefits. Those who wait until after full retirement age will receive additional credits—increasing their benefits at retirement.

### EARLY VS. LATE SOCIAL SECURITY BENEFIT ELECTION

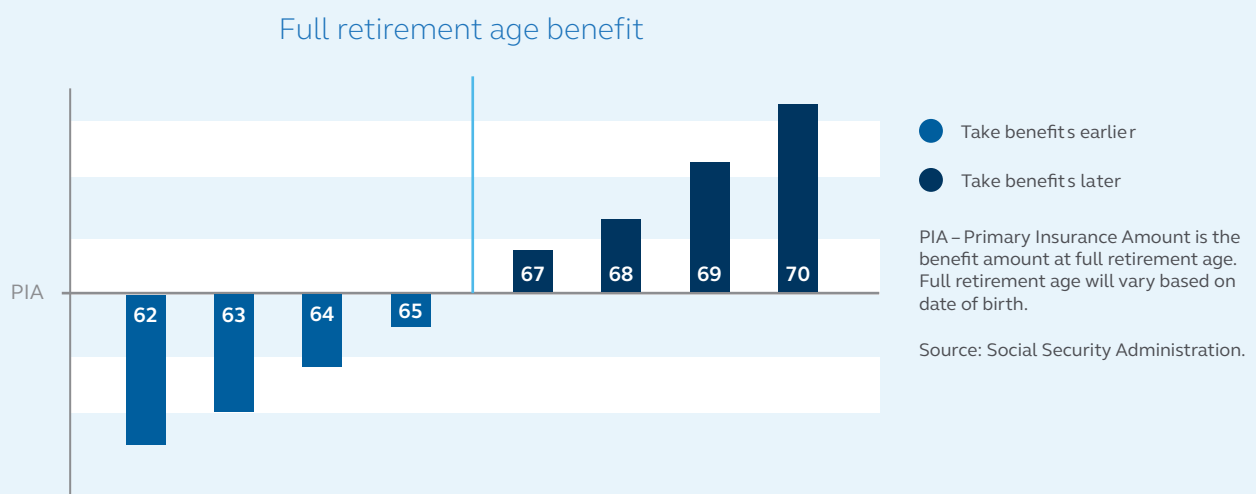


Table is for illustrative purposes only. Not to scale.

## How to help clients understand social security

How to get started



### TAKE ACTION

Order the *Help reduce taxes on your Social Security benefits* (RF1312) worksheet to share with your clients.

It demonstrates how an annuity could be used to reduce retirement income taxes.

**Principal**  
Invest in a tax-deferred annuity

### Help reduce taxes on your Social Security benefits

When you retire, up to 85 percent of your Social Security benefits may be taxable. But you may be able to decrease that amount if you invest a portion of your assets into a tax-deferred investment like an annuity.

**Determine your taxable Social Security benefits**

Filing status	Income base allowance
Single	\$13,000
Married, filing jointly with separate returns	\$26,000
Married, filing jointly	\$32,000
Married, filing separately	Any income

**Total taxable income**

Vague \$ \_\_\_\_\_  
 Pension \$ \_\_\_\_\_  
 Dividends \$ \_\_\_\_\_  
 Interest \$ \_\_\_\_\_  
 Other \$ \_\_\_\_\_

**Total above \$ \_\_\_\_\_**

**Amount of benefits taxed**

50% \_\_\_\_\_ 85% \_\_\_\_\_

**Compare your provisional income for the base allowance for your filing status.** If your provisional income is equal to or less than your base allowance, none of your Social Security benefits are taxable. If your provisional income is more than the base allowance shown, up to 50% to 85% of your Social Security benefits may be taxed.

**Provisional income**

Base allowance (check box for filing status) \_\_\_\_\_

**Worksheet for use with 2021 tax returns**

© 2021 Principal Financial Services, Inc. All rights reserved. Principal Financial Services, Inc. is a registered service mark of Principal Financial Group, Inc. (Principal Financial Group, Inc. is a registered service mark of Principal Financial Group, Inc.)

## How income affects benefits

For higher wage earners, Social Security will replace an even smaller portion of their pre-retirement income. For these clients, the decision regarding when to start taking Social Security benefits is still important, but there will be more pressure on these high earners to accumulate additional personal savings to adequately replace their pre-retirement employment income.

### SOCIAL SECURITY BENEFITS

Social Security benefits compared to past earnings: Low, average, high, and maximum earner.

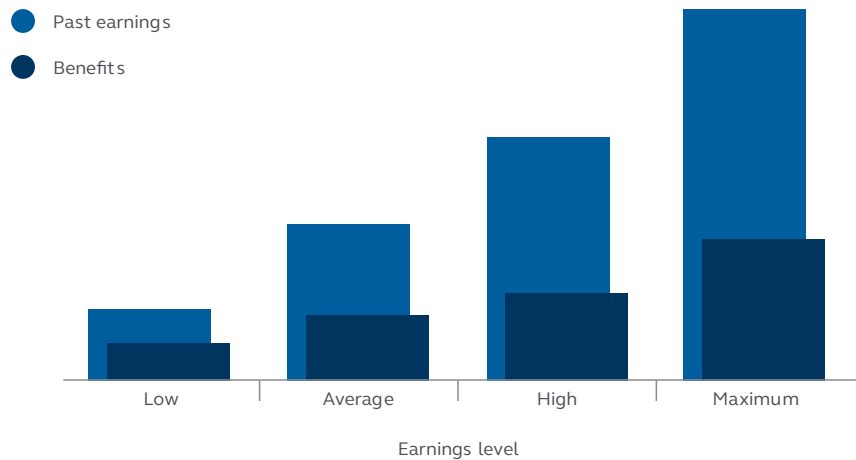


Table is for illustrative purposes only. Not to scale.

Principal Funds, 2022

Social Security benefits are subject to change without notice.

## How working and taxation affect benefits

Your clients may continue working and elect benefits before their Full Retirement Age. But their monthly benefit amount may be initially reduced, depending upon how much they earn. Once the client is at full retirement age, their benefits are no longer reduced due to earned income.

Age	Employment income 2020 limits	Considerations
Under full retirement age	\$21,240	For every \$2 over the limit, \$1 is withheld from benefits
In the year full retirement age is reached	\$56,520	For every \$3 over the limit, \$1 is withheld from benefits until the month in which full retirement age is reached
At full retirement age or older*	No limits on earnings	None

\* At full retirement age, your benefit amount is adjusted upward to accommodate for the earlier reduction.  
[ssa.gov/benefits/retirement/planner/whileworking.html](https://ssa.gov/benefits/retirement/planner/whileworking.html), 2023

A portion of a Social Security benefit may be federally taxed as ordinary income. The specific percentage is determined by the level of an individual or couple's provisional income. Provisional income is adjusted gross income (taxable income from all sources) plus any tax-exempt interest and 50% of the client's Social Security benefits. It is important to consider the impact of income and associated taxes on benefits.

Filing single		Married filing jointly	
Provisional income	Benefits subject to tax	Provisional income	Benefits subject to tax
Under \$25,000	0%	Under \$32,000	0%
\$25,000–\$34,000	Up to 50%	\$32,000–\$44,000	Up to 50%
Over \$34,000	Up to 85%	Over \$44,000	Up to 85%

Note: State and local taxes may differ. Source: [ssa.gov/benefits/retirement/planner/taxes.html](https://ssa.gov/benefits/retirement/planner/taxes.html), 2023.

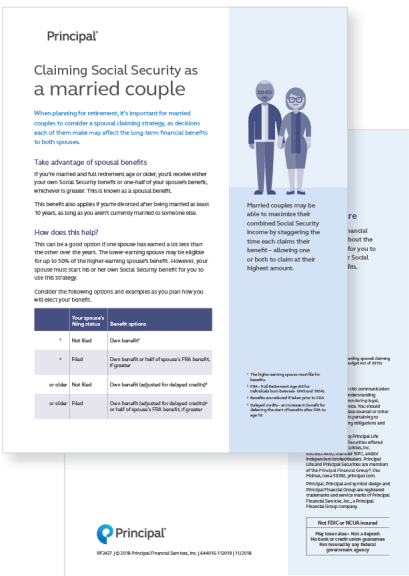


➤ **How to help clients understand social security**

How to get started

**MAXIMIZE BENEFITS FOR MARRIED COUPLES**

Married couples have unique opportunities when it comes to Social Security planning. Make sure they understand how one spouse's choices may affect benefits for both. Order RF2427 (PDF) to help explain their options.



**How marital status affects benefits**

Married couples have additional options available to help them maximize their household benefit amount. It's important to evaluate both spouses' ages and benefit amounts when providing guidance on election options.

This chart can help you explain how these factors can affect the future income of both spouses.

A divorced spouse may also benefit from this option if they had been married at least 10 years and as long as they aren't currently married to someone else.

Married couples may also benefit from staggering the time that each individual begins taking their benefit. Staggering can allow them to increase one monthly benefit amount. This can positively impact their longevity risk by potentially increasing their Social Security benefit later and thus reducing the amount of income necessary from their personal savings.

Social Security strategy	Definition	Benefit	Considerations	Clients most likely to benefit
Spousal benefit	A married person born prior to Jan. 2, 1954, may receive the greater of their own benefit, or half of their spouse's full retirement age amount. <sup>1</sup>	Allows couples to potentially generate more income.	Both parties need to be considered, as one decision impacts the other person's lifetime benefits.	<ul style="list-style-type: none"><li>• All married couples</li><li>• Individuals currently divorced but married greater than 10 years</li></ul>

<sup>1</sup>Spouse must be full retirement age and receiving a benefit. Social Security makes this determination automatically prior to individual's Full Retirement Age.





› **How to get started**

# How to get started

## STEP 1

Contact your wholesaler or regional marketing contact to request your supply of marketing materials. Or, order online at **advisors.principal.com**.

- ☐ Pre-approach materials
  - Postcard (RFC3370)
- ☐ Approach materials
  - Email (RF2252)
- ☐ Investor guide (MM4926)

## STEP 2

Review your client list on a regular basis to determine if any of your clients meet the classifications outlined previously. Reach out to those who do using the pre-approach postcard (RFC3370) and schedule an appointment. Ask clients to bring the following information to the meeting:

- ☐ An estimate of their Social Security benefits
- ☐ Most recent tax return
- ☐ Most recent pay statement from employer
- ☐ Latest statement from IRA, 401(k), and other retirement plan(s)
- ☐ Latest statement from mutual funds
- ☐ Life and disability insurance policies
- ☐ Annuity contracts
- ☐ Wills and trust document(s)

## STEP 3

- ☐ Use the investor guide (MM4926) to direct the conversation during your meeting. During one-on-one meetings:
  - Educate clients on the key aspects of Social Security
  - Discuss full retirement age and the implications of delaying retirement
  - Leverage the discussion to uncover other assets
  - Identify strategies for their individual situation
  - Help clients determine the best course of action
- ☐ The planning worksheet at the back of the investor guide can be a valuable resource during this discussion.

## STEP 4

- ☐ At the end of the meeting, discuss next steps and schedule any necessary follow-up meetings.

## STEP 5

- ☐ Send your client a thank-you note. Confirm what was decided at the meeting and any action you or your client is taking.

## Benefits to **your clients**

- Make well-informed decisions about when to elect Social Security benefits
  - Take advantage of little-known provisions that can impact the benefits they receive
  - Understand the role Social Security plays in their retirement income plan
- 

## Benefits to **you**

- Emphasize your value as a knowledgeable professional
- Uncover additional assets through the planning process
- Obtain referrals from clients that help to grow your business



<b>Not FDIC or NCUA insured</b>
May lose value • Not a deposit • No bank or credit union guarantee Not insured by any federal government agency

**For financial professional use only. May not be used with the public.**

Annuity products and services are offered through Principal Life Insurance Company. Securities offered through Principal Securities, Inc., member SIPC, and/or independent broker/dealers. Referenced companies are members of the Principal Financial Group®, Des Moines, Iowa 50392, [principal.com](http://principal.com).

The subject matter in this communication is provided with the understanding that Principal® is not rendering legal, accounting or tax advice. A client should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax or accounting obligations and requirements.

Principal®, Principal Financial Group®, and Principal and the logomark design are registered trademarks of Principal Financial Services, Inc., a Principal Financial Group company, in the United States and are trademarks and service marks of Principal Financial Services, Inc., in various countries around the world.

© 2023 Principal Financial Group, Inc.

RF1871-04 | 01/2023 | 2659552-012023