



USING RETIREMENT FUNDS TO “MIND THE GAP” FOR SOCIAL SECURITY BENEFITS

The average Social Security benefit in 2021 is \$1,543 per month. Delaying claim until age 70 could raise that benefit by 32% or to \$2,037 per month. The challenge for most is how to cover the gap in income from retirement until age 70.

By maximizing a client's delayed retirement credits, you can maximize his/her Social Security benefits claim, providing a benefit that in some cases would be more than 30% greater than his/her benefit at full retirement age and up to 75% greater than an early claim. However, in order to achieve that, clients would need to replace Social Security benefit payments with another form of protected income. One option is to use a guaranteed minimum withdrawal benefit (GMWB) from an annuity that allows 7% withdrawals starting at age 65.

Replacing the average Social Security benefit of \$1,543 per month with an annuity that provides a 7% income benefit at ages 65-69 may require much less capital than other replacement methods. At age 70, clients would make a delayed claim for Social Security benefits and either continue, reduce, or stop altogether the guaranteed withdrawal benefit.

Why might this be a good strategy? The reason is to secure a higher income floor. Social Security benefits are the only source of inflation-adjusted guaranteed income for most retirees. By delaying the claim, a client, or his/her surviving spouse, potentially will have significantly more lifetime income from the program. Additionally, this could be tax smart on two fronts: Social Security is relatively tax-efficient with a maximum of 85% included in taxable income, so deriving more of one's income from this source could have positive tax impact; and this strategy can help by spending down a tax-deferred retirement account to potentially lower future required minimum distributions (RMDs) that could place a client in a higher marginal tax bracket.

While there are [income solutions to “mind the gap” and deliver consistent income](#), this strategy could help your clients achieve desired retirement goals.

Additional Resources and Links

[Protected Retirement Income](#)

[Deciding When to Claim Social Security Benefits](#)

[Social Security FAQs](#)

For more information about retirement planning,
please contact the Retirement Strategies Group at
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Only one guaranteed minimum withdrawal benefit (GMWB) can be purchased on a variable annuity.

Living benefits are available for an additional cost.

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