Social Security
INTEGRATING SOCIAL SECURITY INTO RETIREMENT PLANNING

Even for the affluent, lifetime Social Security benefits can be a significant part of retirement income. According to an analysis by the Urban Institute, a couple with combined annual earnings of $124,300 turning 65 in 2020, will receive $759,000 in Social Security benefits in their lifetime.

MAKING DECISIONS

Deciding when to retire is highly personal and depends on a number of factors. These include your current and anticipated future financial needs and obligations, your health and family’s longevity, whether you plan to work in retirement or have other retirement income sources. Another key factor is the amount of your future Social Security benefit.

It’s important to understand the current state of Social Security and the trade-offs you may have to consider when evaluating your options and deciding when to start benefits. Timing is a key consideration because your benefit payment is affected by the age at which you decide to retire and take benefits. Importantly, the amount you receive when you first begin taking benefits sets the base for the rest of your life. For example, if you retire and begin taking benefits at age 62 (the earliest possible retirement age for Social Security), your benefit will be lower than if you wait until a later date.

Whether you invest independently, or work with an J.P. Morgan Financial Advisor, it’s a good idea to analyze your current situation, broader goals, and planning and savings needs in order to make the best decision for your family.

*Source: Social Security and Medicare Lifetime Benefits and Taxes, Urban Institute, 2015*
MAXIMIZING BENEFITS
Depending on your situation and how much money you and your spouse contributed to the program, there are ways to maximize your benefits, considering your ages and earnings. For example, if you're the primary breadwinner and significantly older than your spouse, taking your benefits early will result in a lower survivor benefit for your spouse, who may rely on those benefits for many years beyond your lifetime.

CONSIDERATIONS

LONGEVITY
Many people tend to underestimate how long they'll live after retiring and overestimate how long they'll be able to work in order to save for retirement. For example, for the average 65-year-old couple, there is a 49% chance that one spouse will live to age 90.**

OTHER INCOME SOURCES
Since Social Security replaces only about 40 percent of preretirement income for the average worker, pensions, savings and investments play an important role. If you are still working or have income from other sources, it will be easier for you to delay taking your benefits.

HEALTH
Your health and life expectancy as well as your spouse's (if you're married) are important when thinking about giving up larger benefits in exchange for receiving benefits sooner.

PORTFOLIO
The size of your portfolio and other income sources play a role in determining when to take Social Security. Some retirees aren't eager to tap into their savings to pay expenses and elect to take Social Security early. This decision can be complicated because of the opportunity costs related to selling investments, if needed, to bridge the gap until you begin taking Social Security benefits. If you work with a J.P. Morgan Financial Advisor, he or she can help you weigh your options.

SPOUSE’S BENEFITS
Coordinating your benefits with your spouse, including claiming of spousal benefits, may help maximize your family’s income.
There are several strategies that can be used for different situations.

**Source: Social Security Administration, Period Life Table, 2014 (published in 2017), J.P. Morgan Asset Management
HEALTH OF THE SYSTEM

Many people have heard the widely reported statistic that the Social Security pool will begin running into problems funding its liabilities in 2034. But that doesn't mean you'll be shut out.

According to the 2015 Social Security Board of Trustees report, current payroll taxes are projected to fund 73% of Social Security benefits through 2089. Therefore, total elimination of benefits, even for younger workers, is unlikely. Recent proposals have focused on adjusting Social Security to be more sustainable for the long term. They include:

- Increasing the retirement age to keep pace with increased longevity
- Increasing payroll taxes for those with higher incomes
- Reducing benefits for those with the highest lifetime earnings

Current retirees and those nearing retirement shouldn’t be too concerned since proposed changes likely will be phased in over time to minimize their impact. Younger workers and higher earners likely will be the most affected by changes to the system, so it’s important to begin planning as early as possible. While it is unclear which changes to the system will go into effect, Katherine Roy, J.P. Morgan Chief Retirement Strategist, suggests it may be prudent for younger investors to consider a conservative assumption of 75% of their current estimated benefits as they develop their retirement plan.

WHAT’S NEXT?

Early planning for how and when to elect your Social Security benefits can make a significant difference in your retirement income and help you to have more financial flexibility over the long term. Talk with your spouse and your J.P. Morgan Financial Advisor—if you work with one—early to help you make the best decisions for you and your family.

Investing involves market risk, including possible loss of principal, and there is no guarantee that investment objectives will be achieved.

JPMORGAN CHASE AND ITS AFFILIATES DO NOT PROVIDE TAX, LEGAL OR ACCOUNTING ADVICE. THIS MATERIAL HAS BEEN PREPARED FOR INFORMATIONAL PURPOSES ONLY, AND IS NOT INTENDED TO PROVIDE, AND SHOULD NOT BE RELIED ON FOR, TAX, LEGAL OR ACCOUNTING ADVICE. YOU SHOULD CONSULT YOUR OWN TAX, LEGAL AND ACCOUNTING ADVISORS BEFORE ENGAGING IN ANY TRANSACTION.

Asset allocation/diversification does not guarantee a profit or protect against a loss.

JPMorgan Chase Bank, N.A. and its affiliates (collectively “JPMCB”) offer investment products, which may include bank managed accounts and custody, as part of its trust and fiduciary services. Other investment products and services, such as brokerage and advisory accounts, are offered through J.P. Morgan Securities LLC (JPMS), a member of FINRA and SIPC. Annuities are made available through Chase Insurance Agency, Inc. (CIA), a licensed insurance agency, doing business as Chase Insurance Agency Services, Inc. in Florida. JPMCB, JPMS and CIA are affiliated companies under the common control of JPMorgan Chase & Co. Products not available in all states.