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**Liquid Alts  
Special Section**

**A 'Liquid Alt'  
Renaissance?**

Plus, fund managers  
discuss their  
their strategies.

# 10 YOUNG ADVISORS TO WATCH

In a graying industry, younger advisors are entering the field in surprising ways, and with surprising attitudes about the future of the business.

Meghan Pinchuk,  
Morton Capital  
Management



MAY / JUNE 2015  
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Private  
Wealth

ADVISING THE EXCEPTIONALLY AFFLUENT

## INSURING THE ELITE

FRANK SENECO HAS SPENT DECADES HELPING HIGH-END PROFESSIONALS CATER TO THE LIFE INSURANCE NEEDS OF THE WEALTHY.

**PLUS:** CLIMATE PHILANTHROPY COOLS,  
EMERGING ISLAMIC WEALTH  
AND POPPING THE PRENUP QUESTION

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# Social Security: A Building Block for a Better Retirement

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# Social Security Reform in the United States

Wade D. Pfau, Ph.D., CFA



**inStream**



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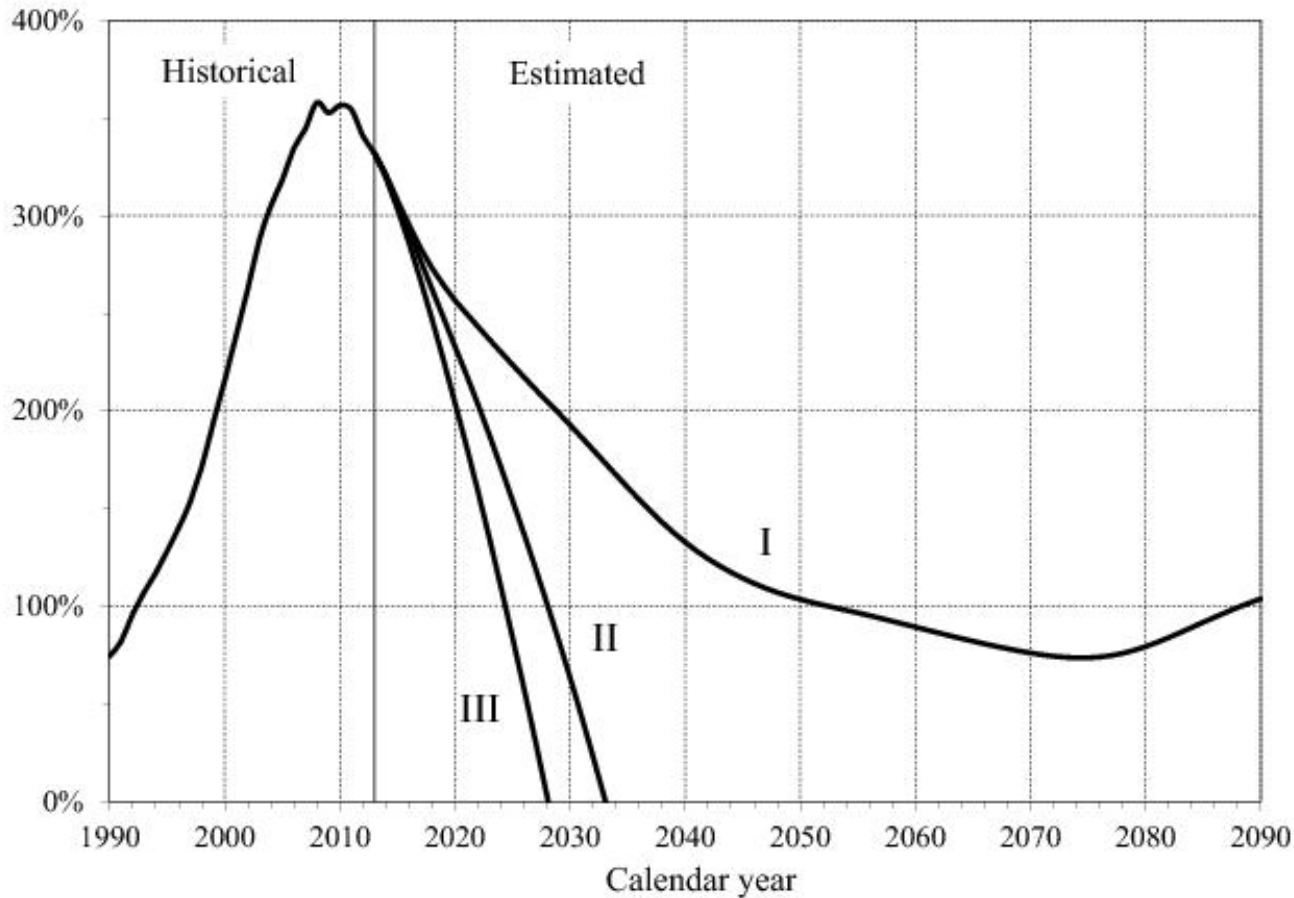
[www.RetirementResearcher.com](http://www.RetirementResearcher.com) | Twitter: @WadePfau | [wadepfau@gmail.com](mailto:wadepfau@gmail.com)

# Long-term stresses on Social Security

- In stable systems, **benefits received** equals **payments collected**.
- Many PAYGO pensions are financially unstable. Instability is coming from:
  - Improving mortality rates
  - Declining fertility rates
  - Overly generous benefits relative to worker contributions.
- Social Security Trust Fund: Growth and Decline

# 2014 Social Security Trustees Report

## Evolution of the Trust Fund



# What happens in 2033?

- New Contributions will cover 75% of presently legislated benefits — across the board 25% benefit cut
- Raising the payroll tax by 2.88% now will cover 75-year projected funding needs

# Long-term stresses on Social Security

## BENEFITS:

# of Beneficiaries x Average Benefit:  $N_b B$

## CONTRIBUTIONS:

Tax Rate x # of Workers x Average Wage:  $t N_w W$

# Long-term stresses on Social Security

For solvency, we must have:  $N_b B = t N_w w$

Or rearranging:  $t = \left( \frac{N_b}{N_w} \right) \left( \frac{B}{w} \right)$

*Tax rate = dependency ratio x replacement ratio*



# Long-term stresses on Social Security

$$t = \left( \frac{N_b}{N_w} \right) \left( \frac{B}{w} \right)$$

## THE FORMULA SHOWS THE POSSIBILITIES FOR REFORM:

- Increase  $t$  : raise the taxes for Social Security
- Decrease  $N_b$  : Increase retirement age
- Increase  $N_w$  : Increase retirement age, increase fertility, expand the system to cover more workers
- Decrease  $B$  : reduce the benefit payments
- Increase  $w$  : policies that promote increasing productivity will help to grow out of Social Security funding problem

# Social Security reform

## TAXES

- Increase payroll tax rate
- Increase maximum taxable earnings

## BENEFITS

- Raise Full Retirement Age
- Use a Smaller COLA than CPI
- Switch from “wage indexing” to “price indexing”
- Use more than top 35 years of earnings
- Reduce Benefits to Reflect Increasing Longevity
- Lower replacement rate for high earners
- Eliminate strategies like “file and suspend” which may help the more informed and well-to-do

# Social Security Reform

## INVESTMENT STRATEGY

- Expand Trust Fund Investments Beyond US Treasuries
- Carve-Out Personal Retirement Accounts

## OUTSIDE THE BOX

- Allow individuals to purchase additional annuity income at the time they claim Social Security benefits

# Social Security

THE CHOICE OF A LIFETIME



Troy Simmons

Vice President – Nationwide Retirement Institute

# Important things to keep in mind

- Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution •
- Not insured by any federal government agency • May lose value •

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*Nationwide Retirement Institute*

EDUCATION  
& INSIGHTS

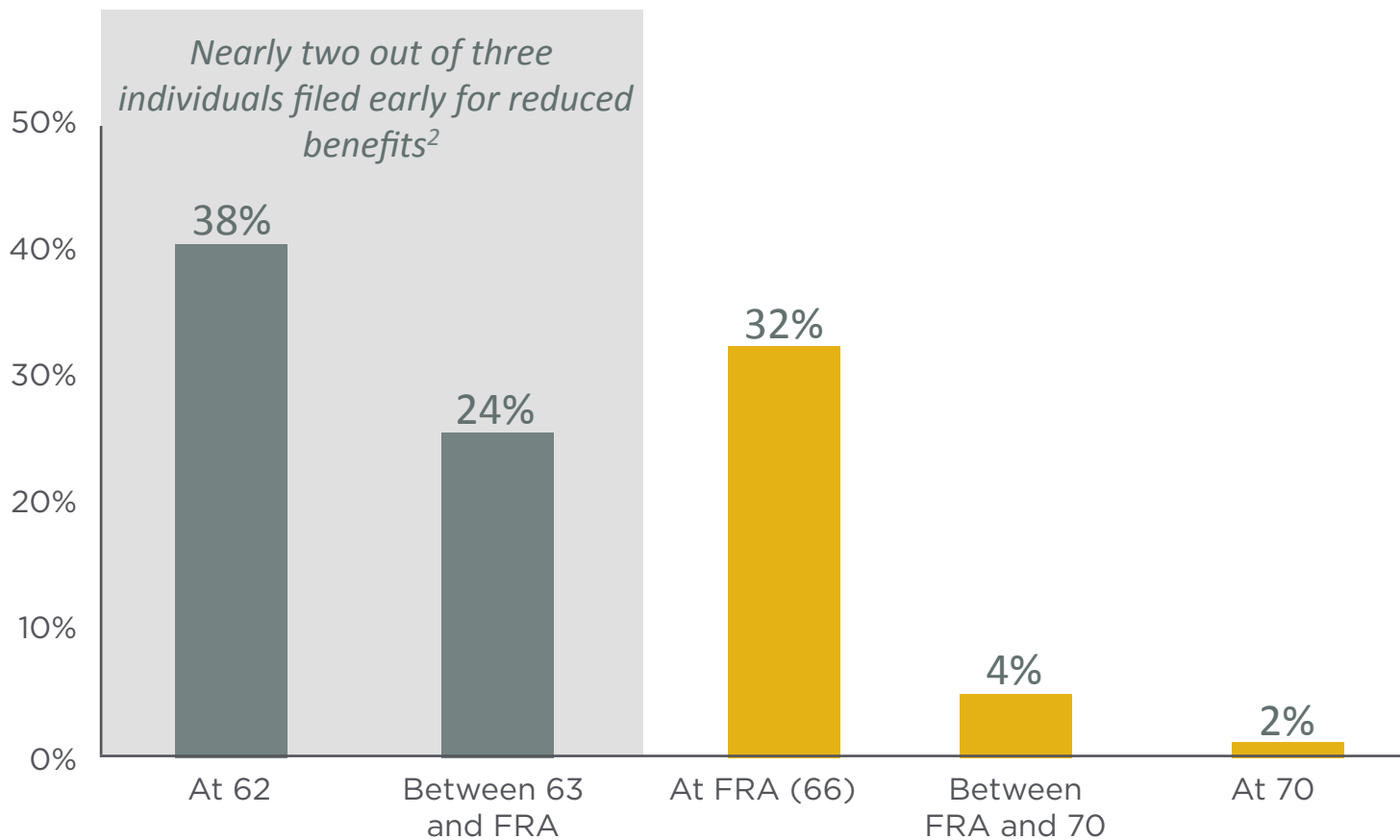
ACTIONABLE  
TOOLS

CONSULTATIVE  
SUPPORT

WHY SOCIAL SECURITY IS THE CHOICE OF A LIFETIME

# Many Americans file early

New Social Security claimants in a calendar year<sup>1</sup>



<sup>1</sup> Source: SS Supplement 2014. Table 6.B.1, Social Security Administration. <sup>2</sup> FRA = Full retirement age. For this data, FRA is 66.

SOCIAL SECURITY BASICS

# Comparing options

Jim files and suspends; Linda files restricted

Cumulative benefits: \$1,342,908

Jim files restricted; Linda files and suspends

Cumulative benefits: \$1,312,656

2% less in benefits

Standard filing for both at FRA

Cumulative benefits: \$1,170,744

13% less in benefits

Both file early at 62 (deemed filing)

Cumulative benefits: \$1,027,404

24% less in benefits



MANAGING THE SOCIAL SECURITY DISCUSSION

# Simplifying Social Security decisions

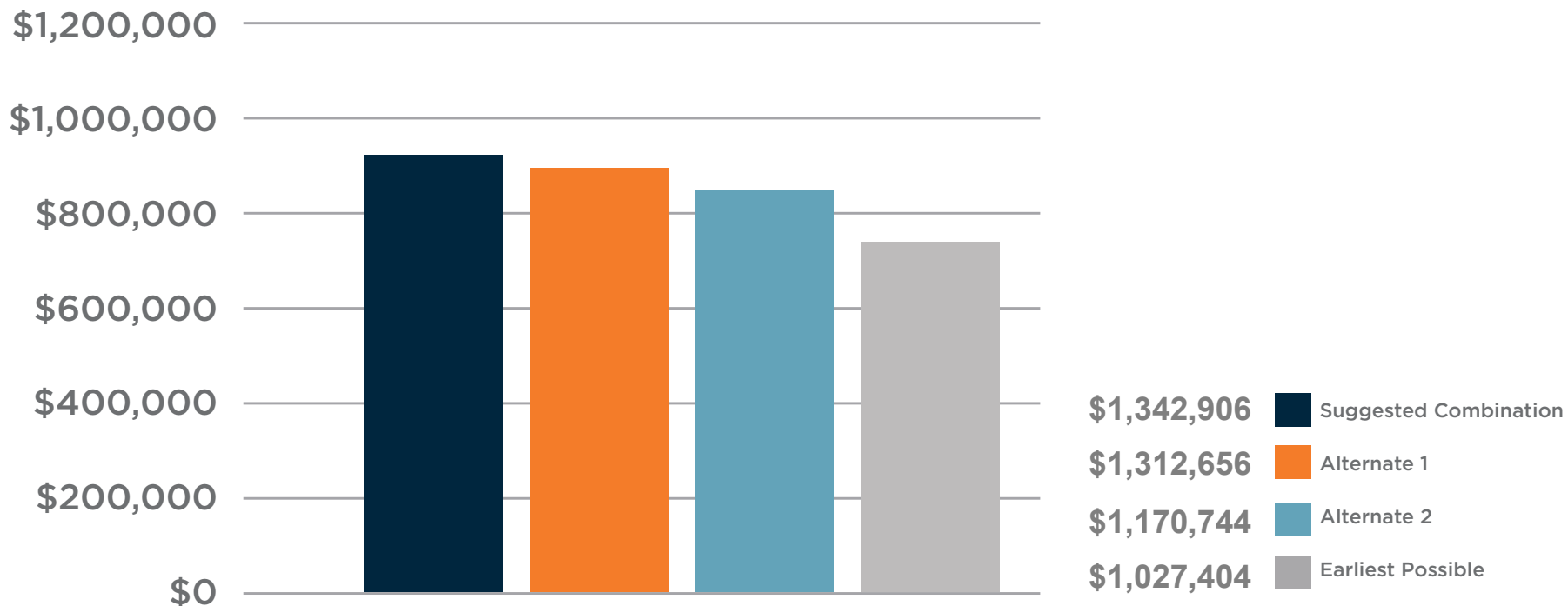
## Nationwide's Social Security 360 Analyzer<sup>SM</sup> tool

- Identifies optimal filing methods and allows you to adjust parameters to compare different strategies
- Provides instructions on how to file
- Helps you integrate Social Security into your comprehensive retirement income plan

# Compare filing strategies

The client's Social Security report shows cumulative benefits of an optimization strategy vs. early filing and alternative filing strategies

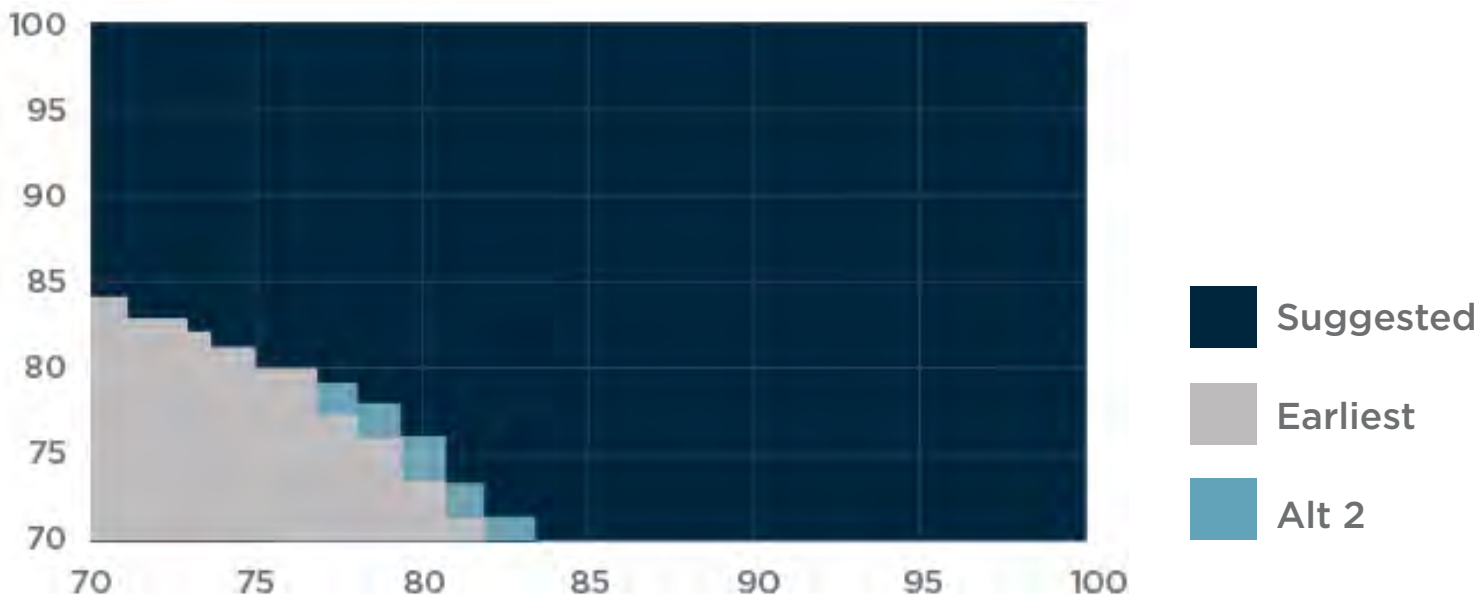
## Lifetime Benefits



# Analyze break-even points

Illustrates which of the outlined strategies provides the best outcome at any given set of mortality assumptions for SS claimants

## Break Even Chart



MAKING YOUR SOCIAL SECURITY DECISION

# Your Suggested Social Security Strategy

The expected lifetime family benefit using this strategy is: **\$933,120**

*Note that this illustration is for educational purposes only.*

## Jim

- **File a standard application for benefits at your age 66 year.**  
This will allow Linda to collect a spousal benefit under your earnings record.
- **Immediately request that benefits be suspended.**  
This will allow you to claim delayed retirement credits during the time your benefit is suspended.
- **At age 70 years, request that your benefit be paid.**  
Your approximate monthly benefit would be: **\$3,859.**

## Linda

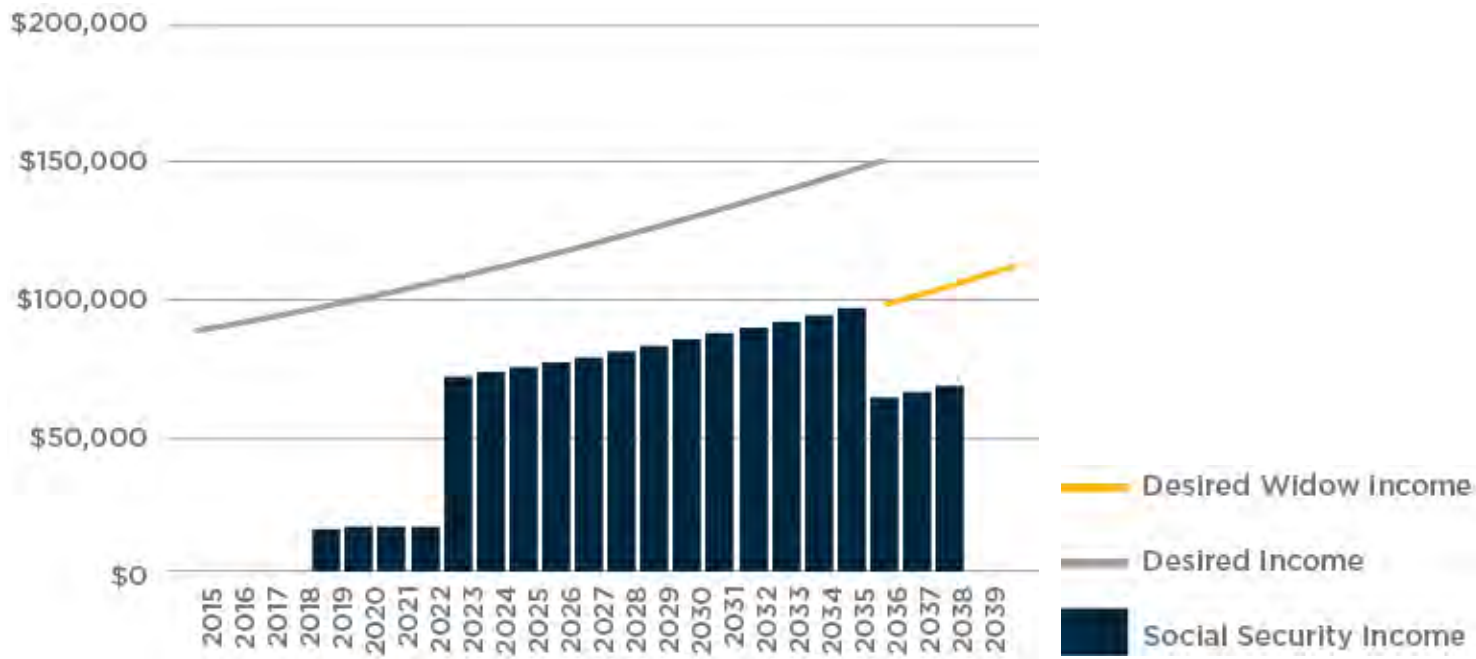
- **File a Restricted application for only your spousal benefit based on Jim's earnings record at your age 66 years.**  
This allows you to continue to earn delayed retirement credits on your own benefit. Your approximate spousal benefit would be **\$1,324.**
- **File for your own benefit at age 70 years.**  
Your approximate benefit on your own earnings record would be **\$2,090.**

MANAGING THE SOCIAL SECURITY DISCUSSION

# Identify income gaps

The report illustrates annual Social Security cash flow for the suggested filing strategy vs. projected retirement income needs.

## Estimated vs. Desired Income



# Cashflow analysis helps identify income gaps

Jim begins claiming at age 70; Linda begins her own increased benefit.

**Estimated Cashflows for your Suggested Social Security Strategy**

Jim Combined Benefit Breakdown Net Present Value						Linda Combined Benefit Breakdown Net Present Value											
Retirement			Spousal			Widow			Retirement			Spousal			Widow		
\$494,045			\$0			\$0			\$207,501			\$57,576			\$113,998		

Expected Cashflow Future Values															
Jim					Linda					Summary					
2021	68	\$0	\$0	\$0	68	\$0	\$16,692	\$0	\$16,692	\$104,372					(\$87,680)
2022	69	\$0	\$0	\$0	69	\$0	\$17,112	\$0	\$17,112	\$106,981					(\$89,869)
2023	70	\$46,308	\$0	\$0	70	\$25,080	\$0	\$0	\$71,388	\$109,656					(\$38,268)
2024	71	\$47,460	\$0	\$0	71	\$25,704	\$0	\$0	\$73,164	\$112,397					(\$39,233)
2022	69	\$0	\$0	\$0	69	\$0	\$17,112	\$0	\$17,112	\$106,981					(\$89,869)
2023	70	\$46,308	\$0	\$0	70	\$25,080	\$0	\$0	\$71,388	\$109,656					(\$38,268)
2024	71	\$47,460	\$0	\$0	71	\$25,704	\$0	\$0	\$73,164	\$112,397					(\$39,233)
2025	72	\$48,648	\$0	\$0	72	\$26,340	\$0	\$0	\$74,988	\$115,207					(\$40,219)
2026	73	\$49,872	\$0	\$0	73	\$27,000	\$0	\$0	\$76,872	\$118,087					(\$41,215)
2034	81	\$60,744	\$0	\$0	81	\$32,892	\$0	\$0	\$93,636	\$143,878					(\$50,242)
2035	82	\$62,268	\$0	\$0	82	\$33,720	\$0	\$0	\$95,988	\$147,475					(\$51,487)
2036	83	\$0	\$0	\$0	83	\$0	\$0	\$63,828	\$63,828	\$100,774					(\$36,946)
2037	84	\$0	\$0	\$0	84	\$0	\$0	\$65,412	\$65,412	\$103,294					(\$37,882)
2035	82	\$62,268	\$0	\$0	82	\$33,720	\$0	\$0	\$95,988	\$147,475					(\$51,487)
2036	83	\$0	\$0	\$0	83	\$0	\$0	\$63,828	\$63,828	\$100,774					(\$36,946)
2037	84	\$0	\$0	\$0	84	\$0	\$0	\$65,412	\$65,412	\$103,294					(\$37,882)
2038	85	\$0	\$0	\$0	85	\$0	\$0	\$67,056	\$67,056	\$105,876					(\$38,820)
2039	86	\$0	\$0	\$0	86	\$0	\$0	\$0	\$108,523						(\$108,523)
2040	87	\$0	\$0	\$0	87	\$0	\$0	\$0	\$111,236						(\$111,236)
		\$701,052	\$0	\$0			\$379,584	\$65,076	\$106,296	\$1,342,908	\$2,076,187				(\$1,833,279)

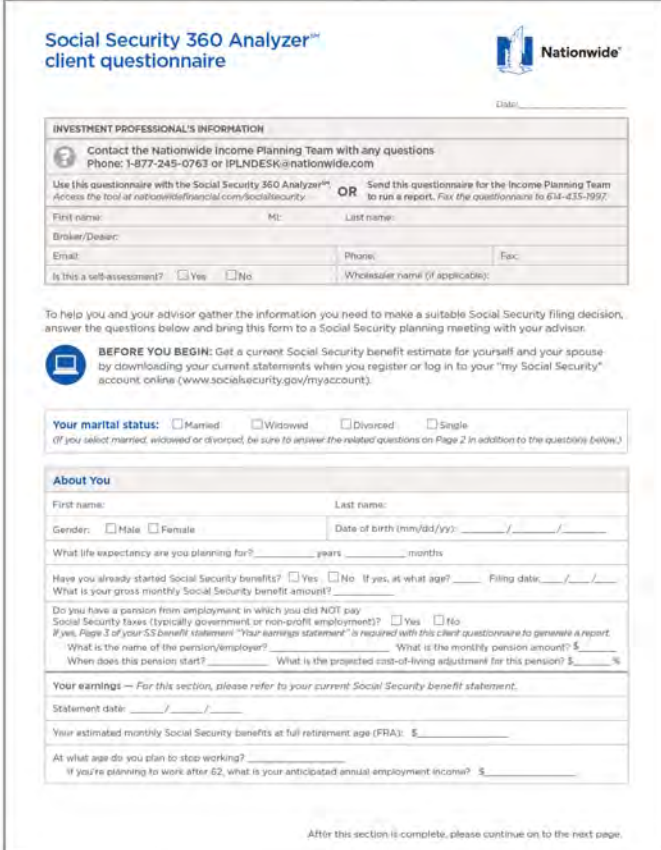
After Jim passes away, Linda begins her survivor benefit.

## MANAGING THE SOCIAL SECURITY DISCUSSION

# Social Security client questionnaire

Helps gather relevant client information to prepare a filing strategy comparison

- Marital status
- Expected benefit amount
- Life expectancy
- Planned retirement date
- Desired retirement income
- Retirement goals, concerns, etc.



**Social Security 360 Analyzer™**  
client questionnaire

**Nationwide**

Date: \_\_\_\_\_

**INVESTMENT PROFESSIONAL'S INFORMATION**

Contact the Nationwide Income Planning Team with any questions  
Phone: 1-877-245-0763 or IPLNDESK@nationwide.com

Use this questionnaire with the Social Security 360 Analyzer™. OR Send this questionnaire for the Income Planning Team  
Access the tool at [nationwidefinancial.com/socialsecurity](http://nationwidefinancial.com/socialsecurity) to run a report. Fax the questionnaire to 614-435-7997.

First name: \_\_\_\_\_ M: \_\_\_\_\_ Last name: \_\_\_\_\_

Broker/Dealer: \_\_\_\_\_ Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email: \_\_\_\_\_

Is this a self-assessment?  Yes  No Wholesaler name (if applicable): \_\_\_\_\_

To help you and your advisor gather the information you need to make a suitable Social Security filing decision, answer the questions below and bring this form to a Social Security planning meeting with your advisor.

**BEFORE YOU BEGIN:** Get a current Social Security benefit estimate for yourself and your spouse by downloading your current statements when you register or log in to your "my Social Security" account online ([www.socialsecurity.gov/myaccount](http://www.socialsecurity.gov/myaccount)).

**Your marital status:**  Married  Widowed  Divorced  Single  
(If you select married, widowed or divorced, be sure to answer the related questions on Page 2 in addition to the questions below.)

**About you**

First name: \_\_\_\_\_ Last name: \_\_\_\_\_

Gender:  Male  Female Date of birth (mm/dd/yy): \_\_\_\_/\_\_\_\_/\_\_\_\_

What life expectancy are you planning for? \_\_\_\_\_ years \_\_\_\_\_ months

Have you already started Social Security benefits?  Yes  No If yes, at what age? \_\_\_\_\_ Filing date: \_\_\_\_/\_\_\_\_/\_\_\_\_

What is your gross monthly Social Security benefit amount? \_\_\_\_\_

Do you have a pension from employment in which you did NOT pay Social Security taxes (typically government or non-profit employment)?  Yes  No  
If yes, Page 3 of your SS benefit statement "Your earnings statement" is required with this client questionnaire to generate a report.

What is the name of the pension/employer? \_\_\_\_\_ What is the monthly pension amount? \$ \_\_\_\_\_

When does this pension start? \_\_\_\_\_ What is the projected cost-of-living adjustment for this pension? % \_\_\_\_\_

**Your earnings** — For this section, please refer to your current Social Security benefit statement.

Statement date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Your estimated monthly Social Security benefits at full retirement age (FRA): \$ \_\_\_\_\_

At what age do you plan to stop working? \_\_\_\_\_

If you're planning to work after 62, what is your anticipated annual employment income? \$ \_\_\_\_\_

After this section is complete, please continue on to the next page.

# Next steps

Partner with Nationwide with Social Security 360<sup>SM</sup>

- [www.Nationwide360TestDrive.com](http://www.Nationwide360TestDrive.com)
- Nationwide Retirement Institute Income Planning Team for help with specific cases

**1-877-245-0763**

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