PARTNERS
WEALTH MANAGEMENT
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For Couples: Key Social Security Benefit Rules

When you retire, you're entitled to receive Social Security benefits after paying into the system during all of your working years. But the Social Security Administration (SSA) won't start sending you checks automatically. You must apply for benefits. What's more, you'll likely face some difficult choices, especially if you're married. Consider these common scenarios:

Single-Income Couples

If your family has depended on a sole breadwinner, the spouse who didn't have annual earnings is eligible for retirement benefits when the working spouse claims retirement benefits, or to get survivor benefits when the working spouse dies. (The working spouse doesn't get survivor benefits at the death of the spouse who didn't work.)

Two key rules may affect the decisions about Social Security of single-income couples:

- If the working spouse delays retirement benefits past full retirement age (FRA), up to age 70, both the retirement benefits and the potential survivor benefits will increase. By the same token, if the working spouse claims early benefits, starting at age 62, both retirement benefits and potential survivor benefits will be reduced permanently.
- A nonworking spouse can't claim spousal retirement benefits until the working spouse claims retirement benefits. However, under a special rule, a working spouse can claim retirement benefits at FRA while the nonworking spouse begins spousal benefits at age 62. Then the working spouse can suspend benefits until reaching age 70. During this time, the potential survivor benefits of the nonworking spouse keep growing.

Dual-Income Couples

Typically, as a married couple nears FRA, the earnings records of both spouses may affect the Social Security retirement benefits each of them will receive. Each spouse could claim spousal benefits based on the other spouse's earnings history, as well as a survivor benefit when the other spouse dies.

Either spouse can begin taking retirement benefits as early as age 62. And once one spouse begins receiving Social Security payments, the other can start receiving spousal benefits at age 62, or survivor benefits if the other spouse dies, beginning as early as age 60.

There's one guiding principle to keep in mind as you navigate these complicated rules: You can claim only one kind of Social Security benefit at a time. Usually, that simply means claiming the highest benefit available to you, but that's not always the best choice.

Generally, if one spouse has earned significantly less than the other spouse, the lower-earning spouse could decide to forgo his or her own benefits and instead

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Noteworthy Team News

In October, we welcomed Mike Rodgers to the team as a Client Services Manager. Mike comes to us with experience in the retail, cost, and tax accounting areas, as well auditing and individual online trading. Most recently, he had been developing software for the telephony industry. Mike has his Bachelor's degrees in Accountancy and Computer Science from Northern Illinois University and a Master's degree in Computer Science from Illinois Institute of Technology.

"I am excited to be able to contribute to the success of Partners Wealth Management. I believe in the vision, the desire to provide excellent service to the clients and the team dynamic." – Mike Rodgers

Also, we'd like to acknowledge the work anniversary of Sara Zappani, our Office Manager. She has been dutifully managing the day-to-day functions of the headquarters of Partner Wealth Management. We are very appreciative of her contribution to our team.

Sara earned her Bachelor of Science degree in Agriculture and Consumer Economics with a concentration in Finance and a minor in Italian from the University of Illinois at Urbana Champaign. Sara is licensed as an Illinois Life, Health and Disability Producer and is currently pursuing her Series 7: FINRA General Securities Representative license.

John

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Three Ways To Defuse Estate Rifts

It's impossible to know what will happen to your family after you're gone, but it's doubtful you're envisioning a bitter squabble over your possessions. Yet many a family is torn asunder when a patriarch or matriarch leaves this world.

Although there are no guarantees the claws won't come out, here are three documents that may reduce the potential for a serious rift:

1. A will. Virtually every adult with assets of any value needs a will. Typically, a will is the centerpiece of an estate plan and covers everything from appointing guardians for young children and addressing estate tax issues to determining who will receive your most valuable assets. A will gives you the opportunity to spell out who will inherit the beach house or expensive jewelry as well as other items of sentimental value.

A properly executed will is legally enforceable, so it's crucial that yours meets all of the technicalities of your jurisdiction. If you have significant assets you'll probably need to hire an attorney to draw up the document. It's likely that it will need to be updated in the future as your family circumstances change.

2. Personal property memorandum. Your will likely won't cover every last trinket you own, and it's a hassle to revise it all the time for minor changes. A personal property memorandum can supplement a will and may be referred to in the will itself. The memorandum can list all of your personal assets and your intended beneficiary for each item.

More than half of the nation's states have laws recognizing a personal property memorandum as legally binding. To avoid confusion, include a detailed description of your property. Make sure your executor has an official copy of both the will and the memorandum.

3. Letter of instruction. This is the last piece of the puzzle. Although a letter of instruction isn't legally binding, it can clarify certain issues and provide additional guidance to your heirs. The letter may include:

- The location of important documents, such as your will, insurance policies, titles, and deeds;
- Details of cemetery plots and funeral arrangements;
- Contacts for legal, tax, and financial information;
- A list and descriptions of all financial assets, including savings and checking accounts, stocks, bonds, and retirement accounts;
- The location of your tax returns for the past three years;
- The location of safe deposit boxes and keys; and
- Other special requests (for example, preferences for grandchildren attending college).

Last, but not least, your family members need to know about these three documents and where to find them. ●

Add To Your 401(k) With No Pain

We don't have to tell you how important it is to save as much as you can for retirement through a 401(k) or other plan offered by your company. But that's often easier said than done. When you're paying off a big mortgage on your home and putting your kids through college, you may be left without much you can direct into your retirement plan. But there may be a way to add to your 401(k) without feeling any pain.

It has to do with timing. If you earn more than the maximum Social Security wage base—$118,500 in 2015—you could allocate all or some of your year-end payroll tax savings to add to your 401(k) salary deferral. If you do that every year, you could boost your 401(k) account balance by tens of thousands of dollars or more. And you may not even notice those extra contributions.

With a 401(k) plan, you can defer part of your salary before taxes to an account established on your behalf, within generous limits adjusted for inflation. For 2015, the maximum you can put in is $18,000—or $24,000, if you're age 50 or older. Your company may sweeten the pot with matching contributions based on a stated percentage of your compensation.

Both employee and employer contributions to your account will grow and compound on a tax-deferred basis until you take money out, usually during retirement. If you start early enough and save diligently, you can accumulate a sizable nest egg during your working career.

Suppose that you contribute $12,000 a year and your employer provides a 3% match of your contributions. If you are 20 years away from retirement and earn an 8% return annually, you will accumulate $858,990 before calling it quits. But adding to your contributions at the end of each year can help you do even

After Five Great Years, What's Next?

Once again, investors have been taught about the power of investing in stocks for the long run. The lesson is illustrated in this chart of returns of a diverse array of 13 investments, including European stocks, commodities, and bonds as well as U.S. stocks. It is a lesson investors have been taught many times before but remains difficult to learn. The chart spans a five-year period, which is a long time, and it covers investments that in the past behaved differently from one another.

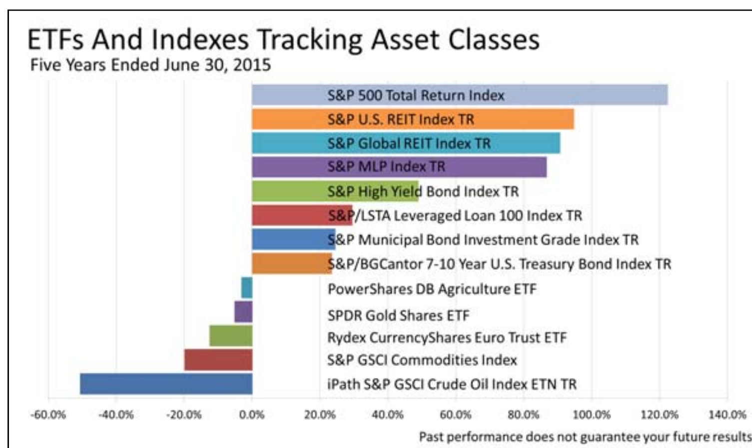
Atop the chart, the best investments by far, were America's blue-chip publicly held companies. Also among the best-performing asset classes for the five years were real estate investment trusts (REITs), both U.S. and foreign, and master limited partnerships.

The worst asset class on the list for the past five years was crude oil and other commodities, along with the euro currency. The euro lost 13% versus the U.S. dollar over the five years.

As for the bond total return indices, U.S. Treasuries returned 23%, or 4.6% per year. Municipal bonds gained 25%, or about 5% per year. Leveraged loans gained 30%, or about 6% annually, while high-yield "junk" bonds gained 49%, about 9.8% per year.

An ounce of gold, in this five-year period, shot from approximately $1,200 to $1,800 before losing luster, recently settling at $1,120. Gold bulls had counted on the Fed's liquidity program going too far, triggering inflation and "debasing" the U.S. dollar. It never happened. Inflation and bond yields are lower than investors, including the Federal Open Market Committee, the central bankers who make up the Federal Reserve, had expected.

But the most important takeaway from this accompanying chart is not the returns on specific asset classes over these last five years, but the unpredictable nature of investments. At the end of 2009, Time magazine declared the two biggest news stories of the year were the "non-recovery" of the economy and the war in Afghanistan. Who would have thought the U.S. recovery would go so well and that oil prices and commodities would plunge in the years ahead? Who would have known in 2009, amid the global slowdown, that the U.S. was leading the world from recession and the stock market had just started one of the biggest bull markets of the last century? Such things are unpredictable, which is why our investment approach is guided by long-term wisdom about markets and human nature.



With the outperformance of U.S. stocks over this five-year period, today's markets are different than they were five years ago. Stock prices have tripled, and only three bull markets have lasted as long as this one since the advent of the modern securities markets in the 1920s. The longer the bull market goes on, the more likely it will be interrupted by a period of sharp losses. However, bull markets have continued longer than expected many times in the past and this one could go on. It would be folly to abandon stocks now as though we can predict what will happen over the coming five years.

While investors must be realistic about the possibility of a bear market, stock valuations by historic standards were not out of line in the third quarter of 2015. Corporate earnings were in line with analysts' predictions, and the U.S. economy was continuing to grow. You never should expect past performance to predict your investment results reliably, you should expect the next five years to be totally different from the last five years. But enduring truths about how asset classes historically behave and the power of stocks over the long run remain paramount. ●

better. Note: This example is hypothetical. Actual results will vary and are not guaranteed.

During the year, Social Security tax is deducted from your paychecks. For 2015, you'll pay 6.2% on that first $118,500 of wages. Once you clear this Social Security wage base for the year, you can increase your 401(k) deferrals instead of pocketing the extra money. Because your take-home pay isn't reduced, you won't feel any pain.

How much will it help? Suppose, in the previous example, that you're able to increase your annual deferrals by $3,000 a year. With the same 8% annual return over 20 years, your nest egg will grow to $1,073,738—or $214,748 more than if you had spent your year-end payroll tax savings!

Even if your wages don't exceed the Social Security wage base this year, you can look for ways to earmark more of your salary for retirement savings—a top priority no matter what your financial circumstances. ●

How A Financial Advisor Can Help

What are your hopes and dreams for the future? They probably begin with being able to provide for yourself and your family. But you also might aspire to a bigger home, an exotic vacation or another luxury, savings for your children's education, and a nest egg for retirement.

While you may be able to achieve all of those things, you can't just snap your fingers and make them happen. You'll need hard work and financial discipline, and you'll need to make a long-term commitment to work toward your goals. Enlisting the services of a financial advisor could help guide you along the way.

Of course, you still would be the one calling the shots, but an advisor can provide valuable assistance in many respects. An advisor can help you:

- Assess your current financial status, including your income, investments, assets, liabilities, insurance coverage, tax situation, and estate plan;
- Set goals that are both ambitious and reasonable;
- Account for changes in your personal circumstances (births, deaths, marriage, or divorce);
- Address weaknesses in your current investment and retirement planning;
- Develop a comprehensive plan to suit your current needs and future desires.

Couldn't you do all of this on your own? If you're sufficiently savvy about financial matters you could, but few people have the time, expertise, and inclination to do all that's required. And even if you're determined to tackle your financial objectives by yourself, you could need a push to get you started. What's more, an objective third party such as a professional financial advisor may add a valuable new perspective to your own outlook. You might benefit from having someone review key decisions about your financial future.

Even if you don't feel you need the help of a financial planner now, something could happen to trigger a call for help. For instance, maybe you've inherited a large sum of money or property and you're not sure how to handle it. Perhaps you, or your spouse, have been laid off from a job and suddenly money is tight and you're forced to make financial trade-offs. Or you may require assistance on other financial fronts ranging from elder-care planning to paying higher-than-expected college costs for your kids or resolving a shortfall in your retirement savings.

If you do decide to use a professional financial advisor, you'll still need to find one who is experienced and has experience helping clients in your situation. We would be glad to show you the high level of services that we provide. ●

Social Security Benefit Rules

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claim a spousal benefit of up to 50% of the first spouse's full retirement benefit.

If the higher-earning spouse delays benefits past FRA, that spouse's eventual benefits will increase until he or she reaches age 70. But the lower-earning spouse can't claim spousal benefits until the other spouse applies for benefits, and the amount of the spousal benefit is capped at 50% of the benefits available to the first spouse at FRA. There is no increase in the spousal benefit if the higher-earning spouse delays benefits.

However, using the claim-and-suspend strategy, the higher-earning spouse can claim retirement benefits at FRA—thus enabling the lower-earning spouse to claim spousal benefits—and then suspend the benefits claim. The higher-earning spouse can wait as long as until age 70 to "unsuspend" and claim higher benefits than those allowed at FRA. In the meantime, the lower-earning spouse can collect spousal benefits.

Claim-and-switch strategies: When you reach FRA, you may be able to claim the higher of the benefits based on your earnings history and your spouse's earnings history. However, if the spousal benefit amount is close to the amount of your own benefit, you could file a "restricted application" allowing only spousal benefits, which then enables your own retirement benefits to continue to grow. Later, you can switch to your own retirement benefit, which will be 8% higher for each year you delay past FRA, up to age 70. Then you can rely permanently on these higher benefits.

With another claim-and-switch strategy, you might claim early retirement or spousal benefits at age 62 and switch to survivor benefits after your spouse dies. Normally, you would be locked into lower benefits by claiming early retirement benefits, but that doesn't apply to subsequent survivor benefits. (However, if your spouse also elects early retirement, your eventual survivor benefits will be reduced.) This strategy may be helpful if the higher-earning spouse is considerably older than the lower-earning spouse.

The rules governing these choices can be extremely complex. We can help you make the best decisions for your situation. ●

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