# Social Security Claiming Under Uncertainty:

## Moving Beyond One-Size-Fits-All Guidance

**Financial Experts Network Webinar Presentation**

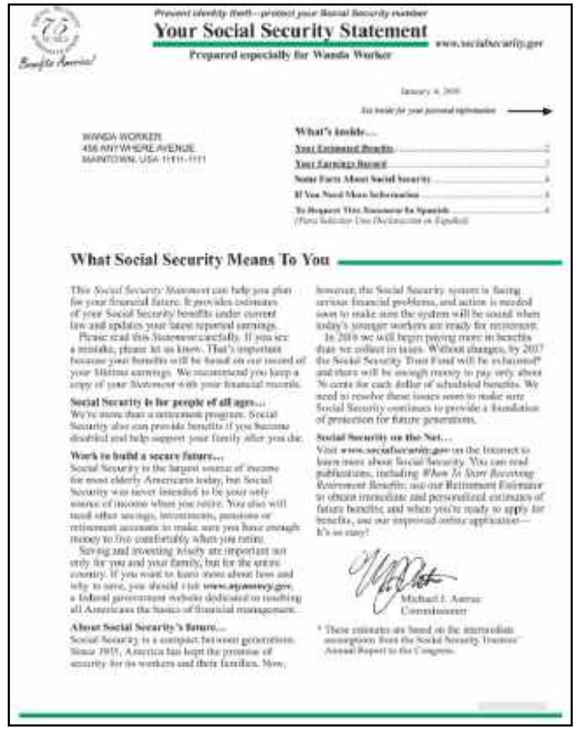
**April 23, 2026**

**Kurt Czarnowski**

**Czarnowski Consulting: Expert Answers to Your Social Security Questions**

www.CzarnowskiConsulting.com

# The Social Security Statement




- The *Statement* provides you with benefit estimates and allows you to check your earnings history for accuracy.
- While mailings have resumed on a limited basis, you can also request a Statement anytime at: www.SocialSecurity.gov/myaccount/

# How Do You Qualify for Retirement Benefits?

- You need to work to earn Social Security “credits”

- In 2026, you get one credit for each $1,890 in earnings

- You can earn a maximum of 4 credits per year

**<u>Example</u>: To earn 4 credits in 2026, you must earn at least $7,560. Earning 40 credits (10 years of work) throughout your working life will qualify you for a retirement benefit.**

# Full Retirement Age

| Year of Birth | Full Retirement Age |
|---|---|
| 1943 – 1954 | 66 |
| 1955 | 66 & 2 months |
| 1956 | 66 & 4 months |
| 1957 | 66 & 6 months |
| 1958 | 66 & 8 months |
| 1959 | 66 & 10 months |
| 1960 on | 67 |

# Your Age At The Time You Start Retirement Benefits Affects the Amount

- **At your Full Retirement Age (FRA,) you get your full benefit amount.**

- **Before FRA, you get a reduced monthly payment. 62 is the earliest age you can start.**

- **Past your FRA, you get an even higher monthly payment. However, Delayed Retirement Credits (DRCs) only accrue until age 70.**

# What If I Change My Mind?

- Can still withdraw your application, repay any benefits received, and then reapply at a later date.

- However, must be done within 12 months of the first month of entitlement and limited to only one withdrawal in a lifetime.

- At or after FRA, can still ask to have benefits suspended in order to earn Delayed Retirement Credits (DRCs).

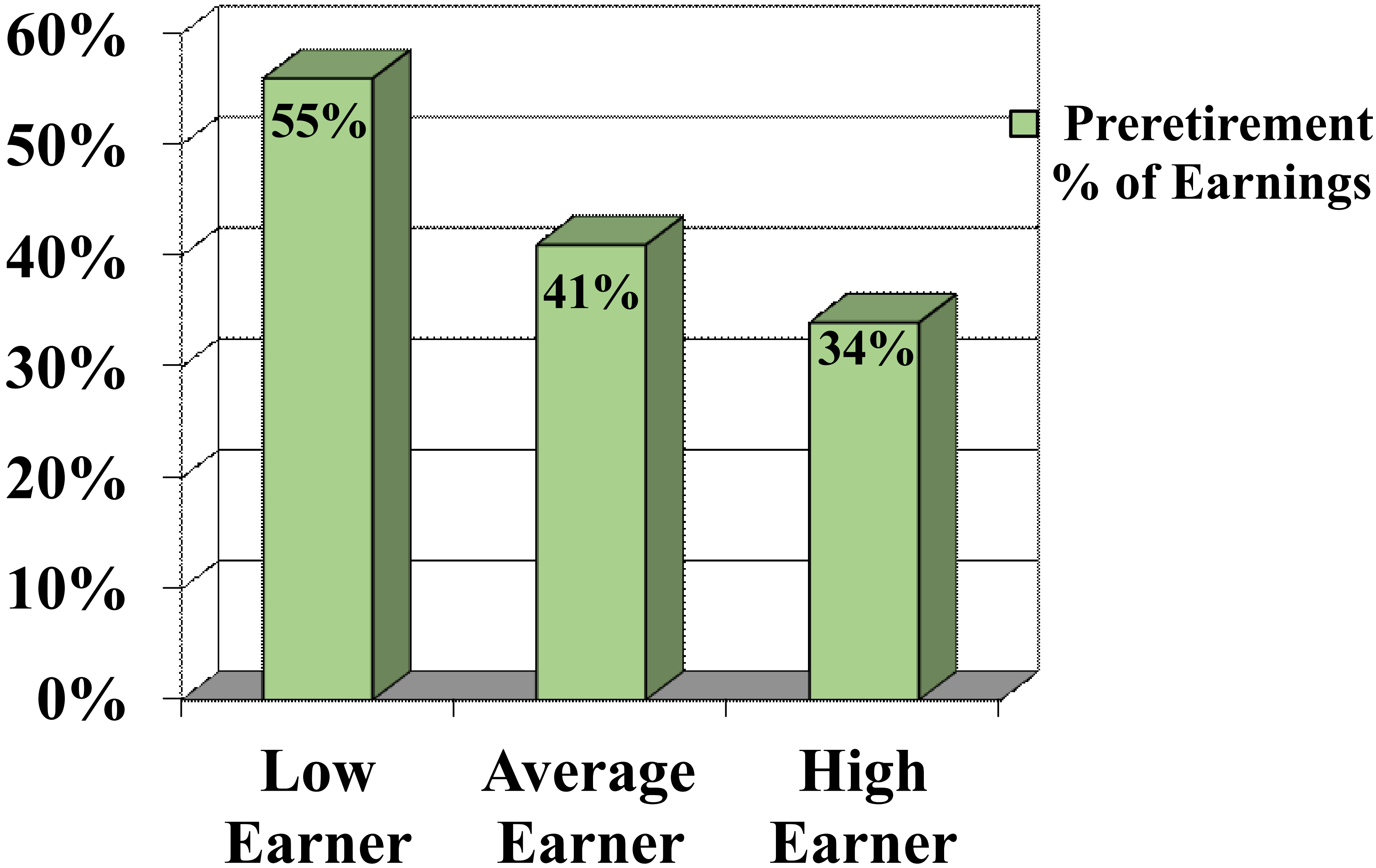
# How Social Security Determines Your Benefit

## Social Security benefits are based on earnings

- **<u>Step 1</u> -Your prior wages are adjusted for inflation**

- **<u>Step 2</u> –Your benefit amount is then based on the monthly average of your 35 highest years of earnings.**

# What You Can Expect at Full Retirement Age



# You Can Work & Still Receive Benefits

| If You Are | In 2026 You Can Make Up To | If You Make More, Some Benefits Will Be Withheld |
|---|---|---|
| Under FRA | $24,480/yr. ($2,040/mo.) | $1 for every $2 |
| Year of FRA | $65,160/yr. ($5,430/mo.) | $1 for every $3 |
| Month of FRA on | No Limit | No Limit |

**Note: If some of your retirement benefits are withheld because of your earnings, your benefits will be increased starting at your full retirement age to take into account those months in which benefits were withheld.**

# Spouse's Benefit Computation

- Must take own retirement benefit first.
- Worker must be receiving his/her own benefit in order for spouse to collect.
- Benefit is based on 50% of worker's FRA amount.
- Benefit amount is reduced if spouse is under FRA.

# Divorced Spousal Benefits

- Marriage must have lasted at least 10 years
- Must be 62 or older and unmarried
- If both at least age 62, and divorce was finalized at least two years ago, benefits can be paid even if worker is not yet collecting
- Ex-spouse's benefit has no impact on the amount anyone else can collect

# Widow or Widower Benefit Computation

- At full retirement age, 100% of deceased worker's benefit amount
- At age 60, 71.5% of deceased worker's benefit
- Can collect benefits on one account and then switch to benefits on the other record at a later date

# Your Benefits Can Be Taxable

- **Applies to those with a Modified Adjusted Gross Income (MAGI) above $25,000 (individual) or $32,000 (couple filing jointly).**

- **Up to 85% of benefits received could be treated as ordinary income for federal tax purposes.**

- **At the end of each year, people receive a *Social Security Benefit Statement* (Form SSA-1099).**

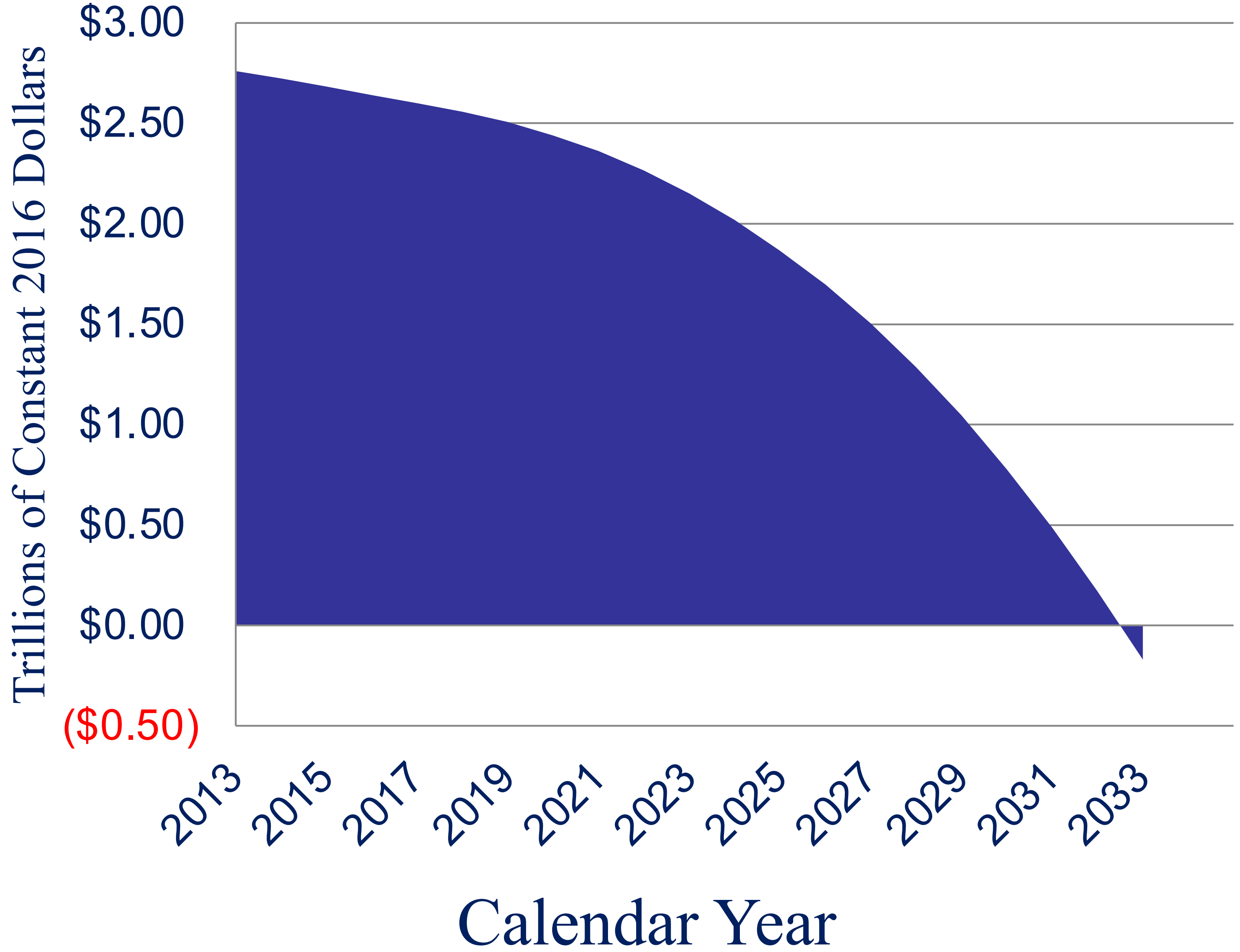
# 2026 Cost of Living Adjustment

- **Based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).**
- **SSA compared the CPI-W in the 3rd quarter of 2024 to the CPI-W in the 3rd quarter of 2025.**
- **The resulting 2.8% increase was reflected in benefit payments received this January.**

# The Social Security Fairness Act of 2023

- Signed into law January 5, 2025.
- Repealed both the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO).
- Effective for benefit payments made after December, 2023.

# Social Security Trust Funds Will Be Able to Pay Only About 81 Cents for Each Dollar of Scheduled Benefits after 2033



# Proposals to Fix SS

Google

current proposals to fix social security

Social Security | Benefits | Medicare | Card & record | Español | Sign in

## Actuarial Services' Estimates of Proposals to Change the Social Security Program or the SSI Program

Actuarial Services

Frequently Asked Questions about Trust Funds

Individual Provisions

Search for letters or memoranda by key word(s):

Go Reset

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Trustees Reports since 2012 have indicated that Social Security's **Old-Age, Survivors, and Disability Insurance** (OASDI) Trust Fund reserves would become depleted between 2033 and 2035 under the intermediate set of assumptions provided in each report. If no legislative change is enacted, scheduled tax revenues will be sufficient to pay only about three-fourths of the scheduled benefits after trust fund reserve depletion. Policymakers have developed proposals and options that have financial effects on the OASDI Trust Funds. Many of these proposals and options have the intent of addressing the long-range solvency problem.

Actuarial Services also develops estimates of proposals to change the Supplemental Security Income (SSI) program.

We have prepared letters or memoranda for many of these proposals and options. Each

Committee *for a* Responsible Federal Budget

# The Reformer *An Interactive Tool to Fix Social Security*

https://www.crfb.org/socialsecurityreformer/

Social Security remains insolvent. The trust funds will run out in 2034 at which point all beneficiaries will face a sudden 20% benefit cut.

**0%**

Percent of 75-year shortfall closed
(0% of shortfall closed in 75th year)

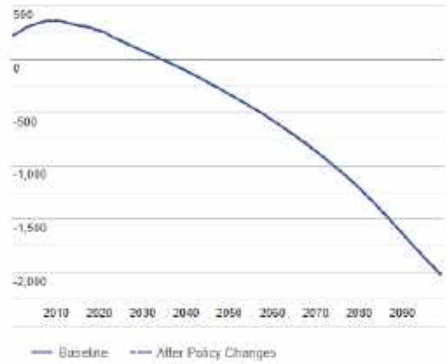
CLEAR SELECTIONS

Benefit Formula | Revenues | Other Benefits | Summary

| | % OF GAP CLOSED | INFO |
|---|---|---|
| Increase (+) / Reduce (-) Initial Benefits by: 0.0 % | 0% | i |
| **Slow Initial Benefit Growth** | | |
| Transition to a Flat Benefit | 52% | i |
| Slow Benefit Growth for Top Half of Earners | 41% | i |
| Slow Benefit Growth for Top 20% Of Earners | 9% | i |
| **Increase Retirement Age** | | |
| Raise Age from 67 to 68 | 12% | i |
| Index Age to Life Expectancy | 18% | i |
| Raise Age to 69 and then Index to Life Expectancy | 36% | i |
| **Modify Cost of Living Adjustments (COLAs)** | | |
| Index COLAs to "Chained CPI" | 17% | i |
| Cap COLAs for Top Half of Beneficiaries | 25% | i |
| Index COLAs to "CPI-E" | -12% | i |

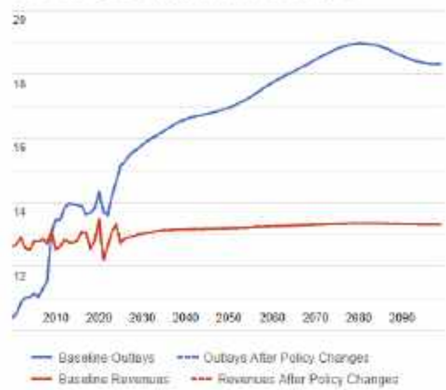
## Trust Fund Projections

Percent of Annual Benefits




## Social Security Spending & Revenue

Percent of Payroll (based on scheduled benefits)



# How Do I Apply for Retirement Benefits?

- Apply online at www.socialsecurity.gov
  It is the most convenient way to apply;

- Call Social Security: 1-800-772-1213 (TTY 1-800-325-0778) to schedule a telephone or an in-person appointment.

# SSA.Gov Setup

Create 'my Social Security' account at SSA.gov

Verify identity via Login.gov or ID.me

Enable two-factor authentication

Secure account to prevent fraud

# SSA.Gov

Social Security

## Sign In or Create an Account

By signing in or creating an account, you agree to the Privacy Act Statement and Terms of Service.

If you already have a Login.gov or ID.me account, do not create a new one. You can use your existing account to access Social Security services.

Sign in with LOGIN.GOV

Sign in with ID.me

Create an account with Login.gov

Create an account with ID.me

# Monitoring Earnings Record

- Benefits based on top 35 years of earnings
- Errors can reduce lifetime benefits
- Review annually—especially business owners
- Correct errors early to avoid permanent loss

# Sample Earnings Record

| Work Year | Taxed Social Security Earnings | Taxed Medicare Earnings |
|---|---|---|
| 2025 | Not Yet Recorded | Not Yet Recorded |
| 2024 | Not Yet Recorded | Not Yet Recorded |
| 2023 | $0 | $0 |
| 2022 | $0 | $0 |
| 2021 | $0 | $0 |
| 2020 | $0 | $0 |
| 2019 | $89,592 | $89,592 |
| 2018 | $128,400 | $372,515 |
| 2017 | $127,200 | $317,323 |
| 2016 | $118,500 | $122,958 |
| 2015 | $0 | $0 |
| 2014 | $0 | $0 |
| 2013 | $9,235 | $9,235 |
| 2012 | $110,100 | $254,949 |
| 2011 | $106,800 | $248,160 |
| 2010 | $41,432 | $41,432 |

# A Foundation for Planning Your Future

THE UNDER-APPRECIATED RISKS OF

# Delaying Social Security

*Why claiming late isn't always safer.*

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Derek Tharp, PhD, CFP®, CLU®, RICP®

FINANCIAL EXPERTS NETWORK · WEBINAR · APRIL 23, 2026

*Associate Professor of Finance,* University of Southern Maine

*Owner,* Conscious Capital, LLC

*Head of Innovation,* Income Lab

*Lead Researcher,* Kitces.com

A QUESTION FOR THE ROOM

# *What would people regret more?*

> A terminal diagnosis at 69 *while delaying* Social Security?
>
> Or living to 95 *after claiming at 62*?

*"With a 4% real return, a person has to live to **89** just to break even on delaying from 67 to 70."*

SMITH & SMITH · JOURNAL OF FINANCIAL PLANNING · 2024

THE CONVENTIONAL WISDOM

# Delay (almost) always wins.

- A large segment of practitioners and researchers argue that **waiting is (almost) always best**.
- **Prominent researchers have generally argued for this approach** — *Finke, Blanchett, Reichenstein, Kotlikoff, Pfau*.
- Common caveats: terminal illness, certain spousal-benefit situations.

# WHERE EXPERTS DISAGREE

## SMALLER DISAGREEMENTS

MICHAEL FINKE

*"Using a discount rate that incorporates risk premium is not appropriate for guaranteed future Social Security cash flows."*

WADE PFAU

Has acknowledged discount rates *ought to vary between people*.

## LARGER DISAGREEMENT (PARAPHRASING)

BILL MEYER

SS behaves like **TIPS** (Treasury Inflation-Protected Securities), so an 8% discount rate is too high.

MICHAEL KITCES

If a portfolio earning 8% is being spent *instead* of SS, then 8% is the right discount rate.

# Two camps on the same asset.

## RISK-BASED VIEW

Meyer · Finke

Social Security **behaves like TIPS** – discount it at TIPS-like rates.

## OPPORTUNITY COST VIEW

Kitces

SS should be discounted based on **actual real-world opportunity costs.**

PIVOT

# Are we asking the right questions?

THE THREE SHARED ASSUMPTIONS OF DELAY-TO-70 RESEARCH

# The pro-delay literature rests on three methodological choices.

01 An **expected-value** framework

02 A **0% (or very low) discount rate**

03 Mortality risk addressed via **mortality-adjusted benefits**

*I'm going to attack all three.*

## CHOOSE BETWEEN

OPTION A

**Guaranteed $20**

OPTION B

**25% chance to win $100**

Under **Expected Value Theory (EVT)**, choosing A is *irrational* — B has higher expected value of $25.

Under **Expected Utility Theory (EUT)**, either A or B may be rational depending on the person.

*EVT dominates most well-known SS claiming research.*

# When expected-value thinking fails.

EUT better captures real-world behavior because of **diminishing marginal utility** — each additional dollar matters less.

NASSIM TALEB · ON PATH DEPENDENCE

*“Never cross a river that is, on average, four feet deep.”*

When outcomes involve **ruin**, expected value is the wrong frame — what matters is *every* possible path, not the average.

SO WHY DON'T WE JUST USE EUT?

# Utility is hard to measure.

- Utility is **subjective** and heterogeneous across people.
- No single "true" utility curve exists.
- Eliciting individual utility reliably is hard.
- EVT treats a dollar as a dollar — no need to untangle what money means to people.

*Convenient for the researcher. Not necessarily right for the client.*

## THE STREETLIGHT FALLACY

# The tendency to look for answers where they're easiest to find – rather than where the truth is most likely to be.

In SS claiming research: optimizing **mortality-adjusted expected present value** because it's *tractable*, not because it captures what clients actually care about.


ILLUSTRATION · THE STREETLIGHT EFFECT

CHAPTER III

# The eight often-ignored risks of delay.

01 Mortality

02 Sequence of returns

03 Policy

04 Opportunity cost

05 Regret

06 Health span

07 Spending optionality

08 Underspending

MORTALITY | SEQUENCE OF RETURNS | POLICY | OPPORTUNITY COST | REGRET | HEALTH SPAN | OPTIONALITY | UNDERSPENDING

MORTALITY RISK

# Meet James.

**James** is 61 and single. His pension fully covers his living expenses.

He claims his **$2,710/month** SS benefit at 62 and invests every check in a taxable brokerage account.

ASSUMPTIONS

| | |
|---|---|
| Inflation | **3.0%** |
| Nominal return on brokerage | **8.0%** |
| Real return | **4.85%** |

## IF JAMES DIES AT 70

His invested SS checks are worth

# $398,310

This is money he *could not have left behind* had he delayed.

*Remember the question we opened with? Just like we don't ignore longevity risk – we shouldn't ignore mortality risk.*

OBJECTION

# "But doesn't existing research account for this?"

Future benefits in delay-to-70 research are commonly **mortality-adjusted** — averaged across people who live and die.

This works for **population-level pricing**. It does not address **individual regret or bequest preferences**.

*A terminally ill 72-year-old takes no comfort in knowing that delaying increased their mortality-adjusted benefits.*


"The good news is that on a mortality-adjusted basis, you're doing great"

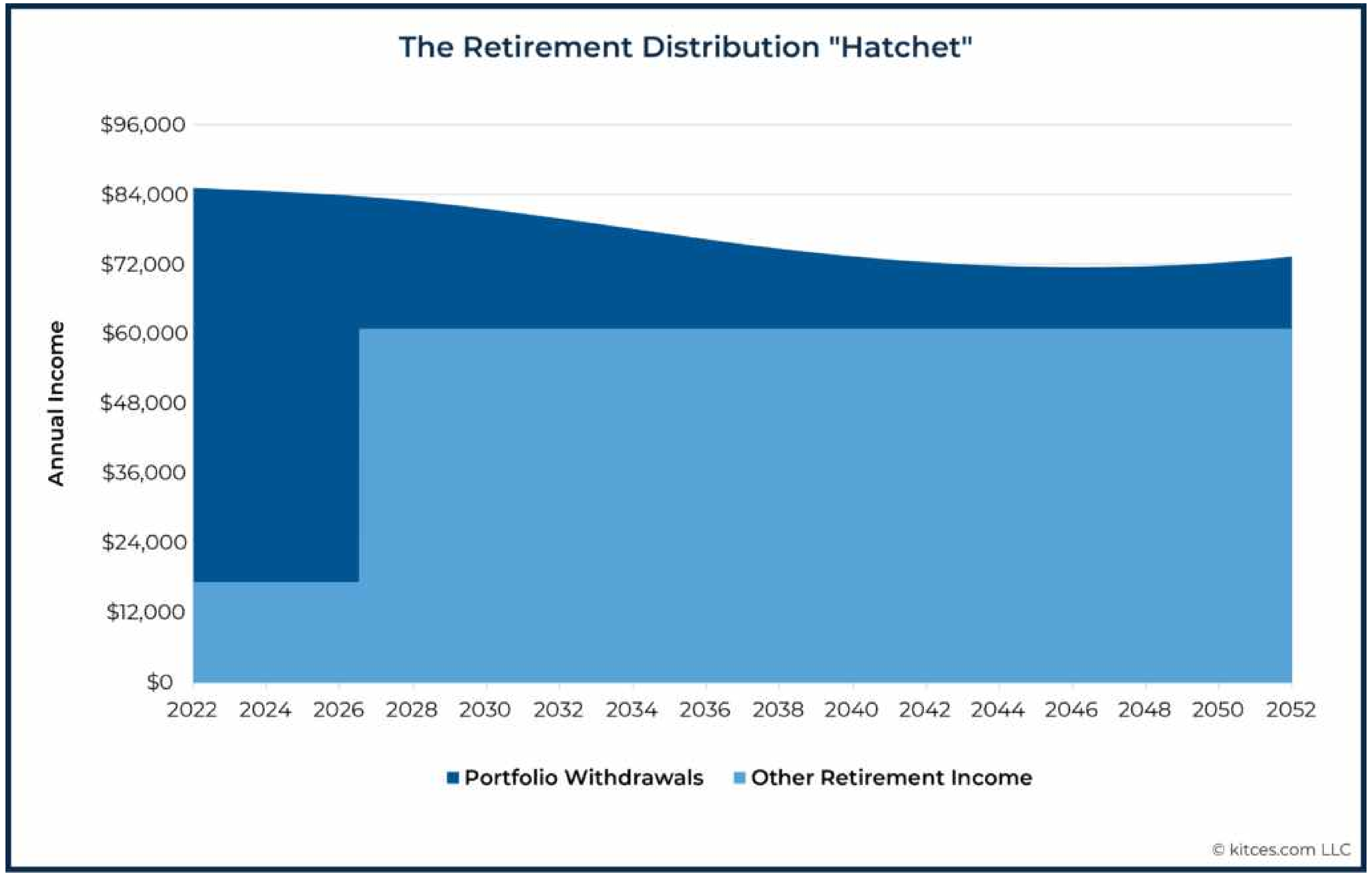
SEQUENCE OF RETURNS

# The spending hatchet.

The early years of retirement are the **highest-risk window** for portfolio damage.

Delaying SS while spending from a portfolio amplifies the hatchet — withdrawal rates can spike to **4×, 5×**, or higher than later in retirement.

In the extreme, someone spends **100%** of their portfolio before claiming.




SOURCE · PFAU, RETIREMENT PLANNING GUIDEBOOK · VIA KITCES.COM

SOR STRESS TEST

# Meet Mike.

**Mike** is 62, single, with a **$500k IRA** allocated **60/40**.

Eligible for **$2,200/month** at 62.

Spending strategy: **risk-based guardrails** to keep distributions on track.

THE STRESS TEST

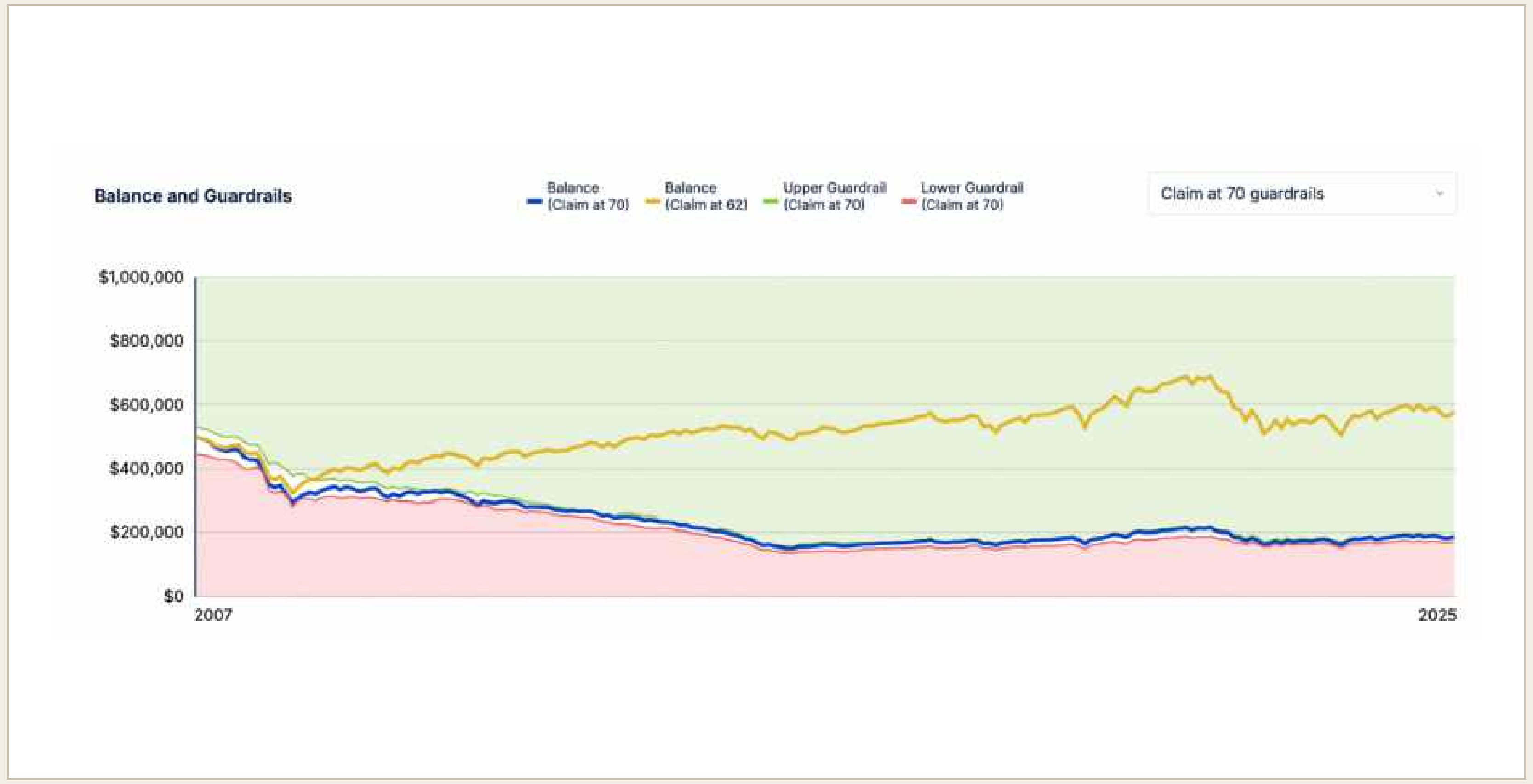
What if Mike retired in **November 2007** – right before the Global Financial Crisis?

## SPENDING HELD. PORTFOLIO DID NOT.

### SPENDING POTENTIAL


Minimal difference between claiming at 62 and at 70.

### PORTFOLIO BALANCE




| CLAIM AT 62 | CLAIM AT 70 |
|---|---|
| **$578,000** | **$171,000** |

*Same spending. Vastly different cushion.*

MITIGATING SOR WHILE DELAYING

# We do have tools to manage this risk.

- The **option to claim** is preserved — retirees can turn benefits on if markets decline.
- **Retroactive 6-month claiming** opens the door to "reversible" delays.

MORTALITY | SEQUENCE OF RETURNS | POLICY | OPPORTUNITY COST | REGRET | HEALTH SPAN | OPTIONALITY | UNDERSPENDING

# 36%

of Americans are confident in Social Security's future — AARP, 2025

## Most worry about trust-fund depletion — and most don't fully understand what depletion would *actually* mean.

LESS OBVIOUS POLICY RISKS

- Tax changes that reduce *net* benefits even if gross benefits hold.
- Proposals such as moving to **chained CPI**.

*Advisors are generally less worried about policy risk than clients are. Real risks exist on both sides.*

# OPPORTUNITY COST — THE DEBATE, REVISITED

## RISK-BASED VIEW

Meyer · Finke

SS behaves like TIPS – discount at TIPS-like rates.

## OPPORTUNITY COST VIEW

Kitces

Discount based on the real-world opportunity cost of the asset actually being spent.

ALLEVA · 2016

*Using TIPS yields to price Social Security as a financial asset is defensible. The claiming decision is not a market valuation – it is a* **personal opportunity-cost question**.

MY TAKE

# Start with the asset actually being displaced.

- Use the **asset actually being displaced** as the starting baseline.
- For a 60/40 portfolio, 2025 CFA Institute data shows real returns of **~4.89%** (1901–2022).
- Few retirees actually fund SS delay from bonds/TIPS alone.
- For many retirees with a 60/40 portfolio, fully funding delay from bonds alone is *impossible*.

*Opportunity cost is the **starting point**, not the only consideration – other risks adjust this rate up or down.*

MORTALITY · SEQUENCE OF RETURNS · POLICY · OPPORTUNITY COST · **REGRET** · HEALTH SPAN · OPTIONALITY · UNDERSPENDING

PETER SANDMAN · RISK-COMMUNICATION FRAMEWORK

# Risk = Hazard + Outrage

HAZARD

The **objective, quantifiable** danger.

*e.g. SS benefits could be cut by 21%.*

OUTRAGE

The **psychological factors** that make a risk feel unbearable.

*e.g. "I paid in all these years and got nothing."*

*Two mathematically equivalent losses can feel very different. Formalized as* ***Regret Theory*** *(Bell 1982; Loomes & Sugden 1982).*

## WHICH SPARKS MORE OUTRAGE?

A Delaying claiming and getting a **terminal diagnosis at 69** – "paid in all these years and got nothing in return."

B Claiming at 62 and **living until 95**.

*Remember the question we opened with? If we care about psychological wellbeing, we shouldn't ignore regret risk – even if we think it is "irrational."*

## HEALTH SPAN

# A dollar at 62 is worth more than a dollar at 95.

In *Die With Zero*, Bill Perkins defines **health span** as the years we're physically and mentally capable of fully enjoying life's experiences.

A 0% discount rate assumes an extra $10k at 62 has the same value as an extra $10k at 95. It doesn't.

People at 62 can do more with the money — and the lifetime **"memory dividend"** from those experiences is greater.

ACADEMIC ANCHOR

### Loewenstein (1987)

Anticipation utility — the value of looking forward to an experience.

## SPENDING OPTIONALITY

# The flexibility to say *yes*.

**Real options in life** = the flexibility to act when opportunities arise (if, when, and how someone chooses).

Preserving portfolio value preserves the ability to say *yes* to once-in-a-lifetime moments — Social Security won't advance five months of benefits to take your daughter to see her favorite musician in Paris.

**Extreme case:** *A client depleting a portfolio at $40k/year to bridge to a $40k/year benefit. Once depleted, optionality is gone.*

**Wealth matters too:** decamillionaires should maintain flexibility regardless of when they claim.

ILLUSTRATION · THE ONCE-IN-A-LIFETIME MOMENT

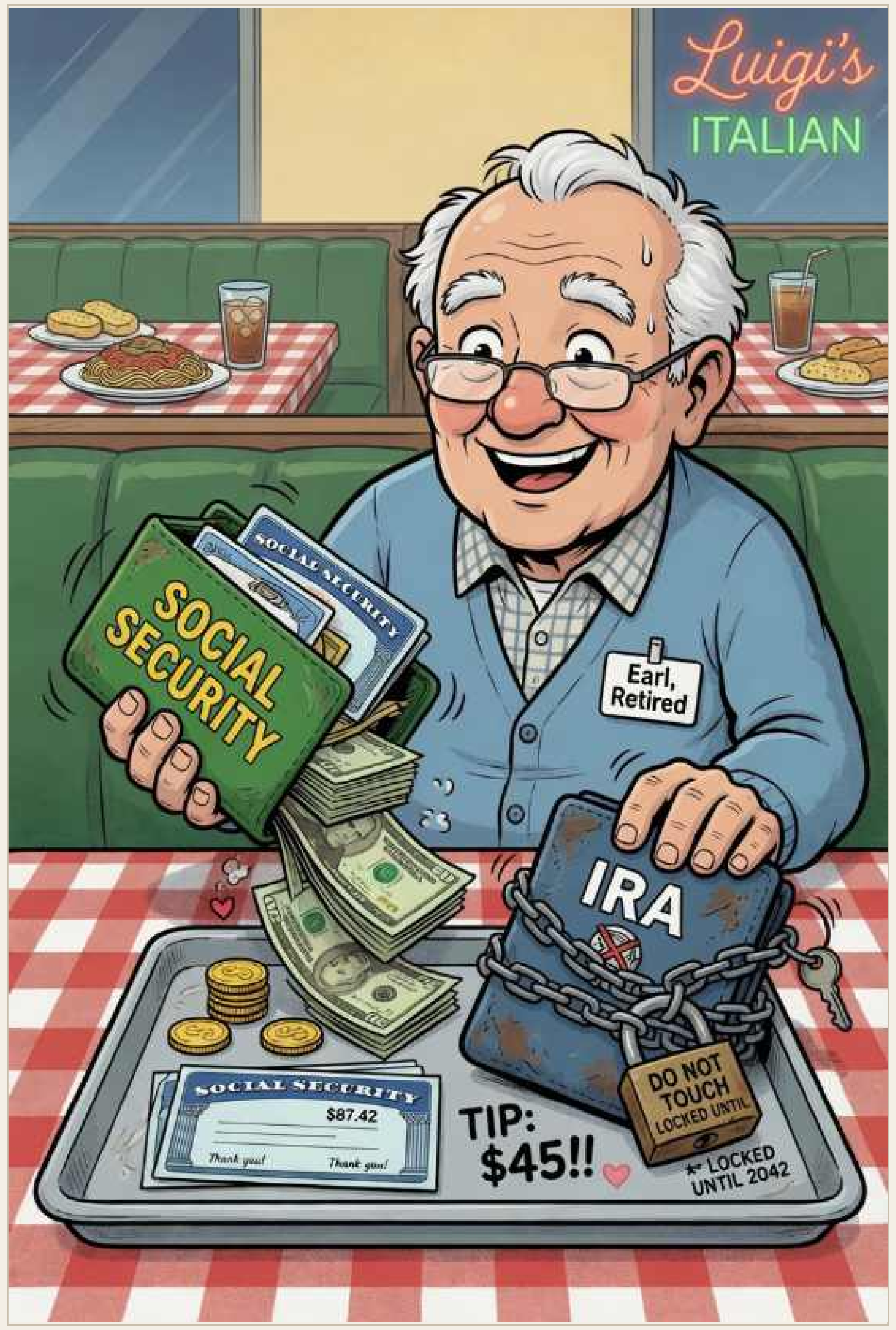
### UNDERSPENDING RISK

# Same dollars. Different feelings.

SS is among the **easiest** retirement income to spend; portfolio distributions are much harder. Same dollars, different psychological weight — Thaler's **mental accounting**.

**Blanchett & Finke (2024, 2025):** retirees spend significantly more from guaranteed income wealth than investment wealth.

*Claiming earlier can give clients* **confidence to retire earlier** *— and spend more.*



PIVOT

# Okay – how do we bring this all together?

THE FRAMEWORK

# Discount Rate = Opportunity Cost
# Baseline ± Σ (Risk Adjustments)

| COMPONENT | EXAMPLES |
|---|---|
| **Baseline** | TIPS yields · 60/40 historical · displaced-asset return |
| **Adjustments (+/−)** | Mortality · SoR · Policy · Regret · Health Span · Optionality · Underspending |

— Baseline: anywhere from negative (TIPS curves with negative real yields) to substantially positive (stock-heavy portfolio displaced).

— Adjustments add or subtract based on how each risk applies to *the specific client*.

CASE STUDY № 01

# John & Sarah

- Both **60**, eager to retire; stressed about retiring without claiming SS.
- Fear future benefit cuts of **10%+**.
- Both worried about dying early (parents all died before 80).
- Want to preserve portfolio flexibility for travel and gifts to children over the next 10 years.
- Portfolio allocated **60/40**.
- Combined SS benefit at 62: **$5k/month**.
- Spending goal: **$6k/month** ($72k/year).

## JOHN & SARAH · INITIAL OBSERVATIONS

- Annual target income: **$72k** · bond allocation: only **$200k**.
- Fully funding SS delay from bonds alone is **not feasible**.
- Heavy portfolio distribution: **12% initial withdrawal rate** without SS.
- They'll have to pull from a 60/40 portfolio they keep balanced.

*Reasonable baseline discount rate:* ***4.0%*** *— conservative version of 60/40 historical real return.*

## JOHN & SARAH · RISK-BY-RISK ADJUSTMENTS

| RISK | ADJUSTMENT | REASON |
|---|---|---|
| Baseline opportunity cost | **+4.0%** | Conservative 60/40 historical real return. |
| Mortality risk | **+2.0%** | Family history of early death. |
| Sequence of returns | **+2.0%** | 12% initial WR amplifies the hatchet. |
| Regret risk | **+0.5%** | Strong preference for flexibility; fear of policy cuts. |
| Health span | **+0.5%** | Want to travel and gift in their 60s. |
| Spending optionality | **+0.5%** | Portfolio flexibility matters to them. |
| Underspending | **+0.5%** | Savers likely to restrict without SS income. |
| Longevity risk | **–1.0%** | Partial offset from longevity protection of delay. |
| Policy risk | — | *Handled separately · overlaid on next slide.* |
| **Total client-specific discount rate** | 8.5% | |

## JOHN & SARAH · FINAL DISCOUNT RATE

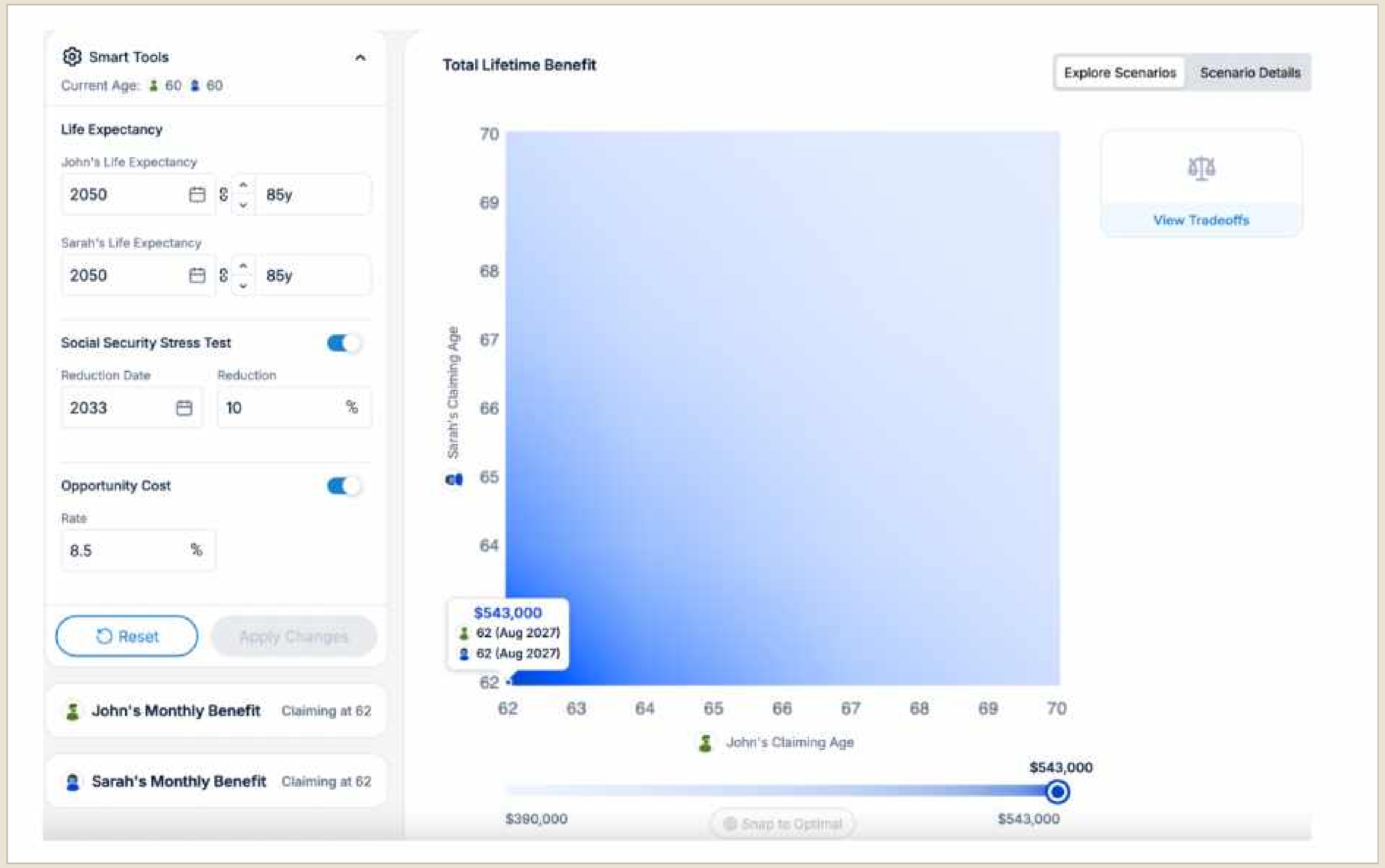
Total client-specific discount rate

# 8.5%

Overlay a **10% benefit cut** → effective rate higher still.

*Implication:* Claiming **earlier than software defaults** is consistent with their preferences & circumstances.

INCOME LAB · CLAIMING HEATMAP




Optimal: both claim at **62** · $543k lifetime benefit


CASE STUDY № 02

# Spock & T'Lara

Both 60. Want to retire as soon as possible. **Indifferent to the source of retirement income.**

SPOCK

*"To suggest that a dollar from Social Security holds greater utility than a dollar from a brokerage account is* ***illogical*** *– unless, of course, the dollar has undergone a metaphysical transformation."*

## SPOCK & T'LARA · CONTINUED

Willing to make adjustments as needed. Unwilling to let emotion, regret, or policy speculation influence their choices.

> SPOCK · ON BAD LUCK
>
> *"The odds of failure were 0.4%. Probability does not prevent outcomes – it merely predicts them. Regret would be an inefficient use of processing power."*

Diligent savers · portfolio of **$10M**

Plan to spend **$10k/mo**

FUNDING THE DELAY

# A TIPS ladder within their bond allocation.

- If they defer SS, they'll set up a **TIPS ladder** within their bond allocation to fund the delay.
- Both have **longevity concerns**.
- Combined SS benefit at 62: **$5k/month**.

*Spock's father,* **Sarek***, lived to* **202** *– but Spock is comfortable planning to 100.*

## SPOCK & T'LARA · INITIAL OBSERVATIONS

- Annual target income: **$120k** · bond allocation: **$4M**.
- Fully funding SS delay from bonds alone is **feasible**.
- Light portfolio distribution: **1.2% initial withdrawal rate** without SS.
- Limited sequence-of-returns exposure.

*Reasonable baseline discount rate:* **0.0%** *– TIPS yields.*

## SPOCK & T'LARA · RISK-BY-RISK ADJUSTMENTS

| RISK | ADJUSTMENT | REASON |
|---|---|---|
| Baseline opportunity cost | **0.0%** | Funding delay from a TIPS ladder. |
| Mortality risk | **+0.5%** | Always present; small for Spock & T'Lara. |
| Sequence of returns | **0.0%** | TIPS-funded delay immunizes them from SoR. |
| Regret risk | **0.0%** | Indifferent to emotional considerations. |
| Health span | **0.0%** | Income source does not influence their behavior. |
| Spending optionality | **0.0%** | $10M portfolio renders optionality untouched. |
| Underspending | **0.0%** | No psychological friction with portfolio spending. |
| Longevity risk | **−4.0%** | Sarek lived to 202; longevity dominates. |
| Policy risk | — | *Not factored in per their stated views.* |
| **Total client-specific discount rate** | −3.5% | |

## SPOCK & T'LARA · FINAL DISCOUNT RATE

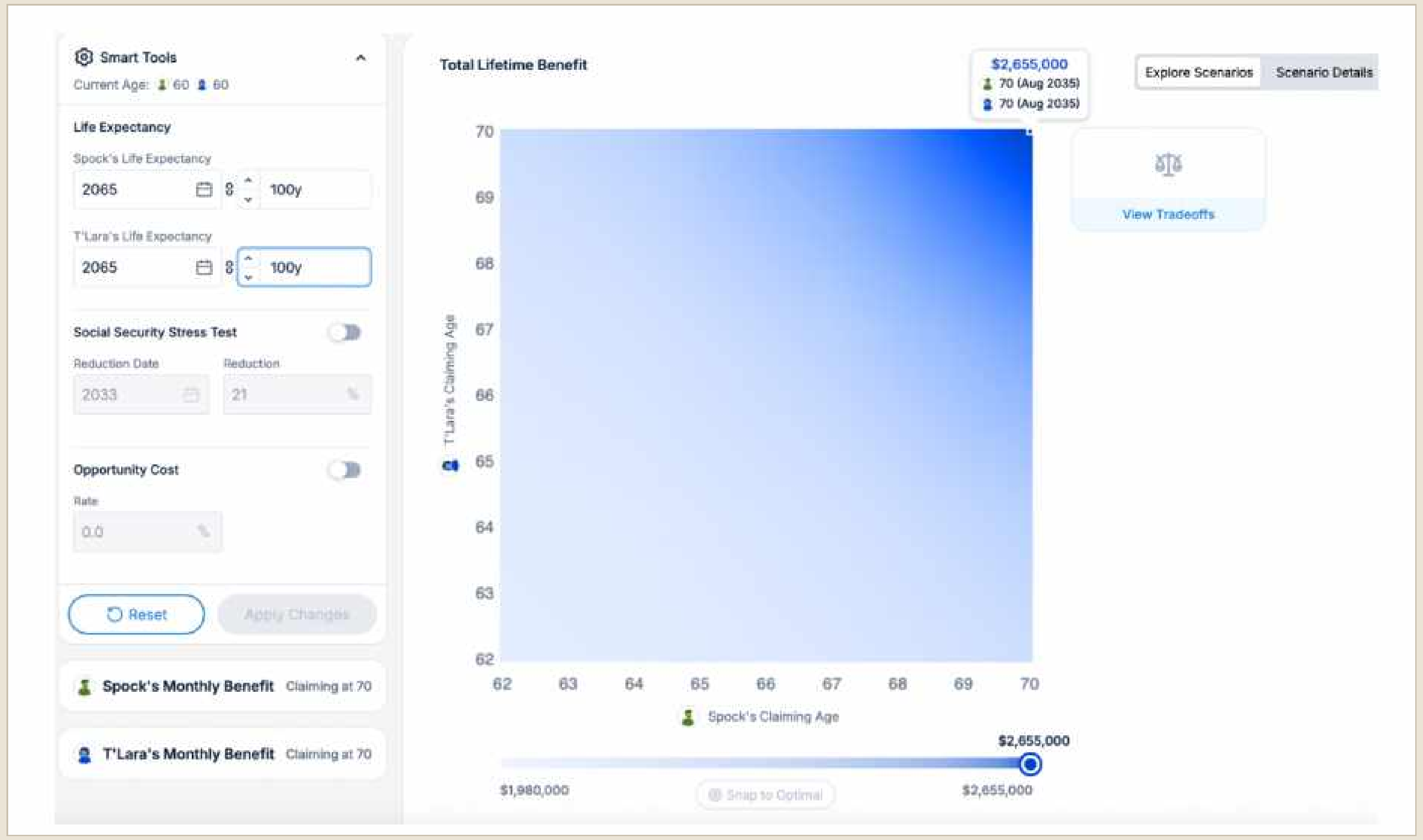
Total client-specific discount rate

# −3.5%

*For Spock & T'Lara,* delaying until **70** is optimal.

The same framework that recommended *early* claiming for John & Sarah recommends *delay* for them.

INCOME LAB · CLAIMING HEATMAP




Optimal: both claim at **70** · $2.66M lifetime benefit

## "BUT WHAT ABOUT TAXES AND SURVIVOR BENEFITS?"

From my own structural modeling — *Tharp (2025), "Revisiting the Social Security Claiming Puzzle,"* working paper.

| INITIAL WEALTH | BASELINE | SPOUSAL | SURVIVOR | TAX |
|---|---|---|---|---|
| $0 | 62 | 62 | 62 | 62 |
| $200k | 62 | 62 | 62 | 62 |
| $500k | 62 | 62 | 62 | 62 |
| $800k | 62 | 62 | 62 | 62 |
| $1M | 65 | 65 | 65 | **63** |

*Optimal Model 4 claiming ages under each robustness overlay.*

**Key finding:** *Survivor and spousal benefits do not flip the conclusion the way intuition suggests. Differential taxation, if anything, reinforces earlier claiming.*

## YOUR MONTE CARLO SOFTWARE ISN'T ASSUMING A 0% DISCOUNT RATE.

When your software compares **claim at 62** vs. **claim at 70**, it doesn't treat Social Security dollars as if they earn a 0% real return.

In a Monte Carlo framework, the counterfactual is a dollar invested in the portfolio. So Social Security cash flows are *effectively* discounted at the **portfolio's expected rate of return** — the baseline return assumption the software is already using.

*(Before any stress testing.)*

### COMMON MISREADING VS. WHAT'S ACTUALLY HAPPENING

ASSUMED (INCORRECTLY)

"Software discounts SS at **0% real** – so delay *always* dominates for anyone in average health."

ACTUALLY

SS cash flows are implicitly discounted at the **portfolio's expected return** – the same rate the software uses for every other asset.

The interesting question isn't "what rate is the software using?" — it's *whether that rate is the right rate for this client.*

## WHAT EUT-OPTIMAL CLAIMING LOOKS LIKE IF WE MAP IT BACK ONTO AN EVT DISCOUNT RATE.

Continuing the Tharp (2025) results from the previous slide — EUT already accounts for front-loading preferences, disutility of portfolio spending vs. SS spending, longevity risk, etc.

| EUT-OPTIMAL CLAIMING AGE | IMPLIED REAL DISCOUNT RATE (UNDER EVT) |
|---|---|
| 70 | 0.0% – 2.6% |
| 69 | 2.6% – 3.5% |
| 68 | 3.5% – 4.4% |
| **62** | **≥ 4.4%** |

For households with **$200k or less** in Models 1–3, and **$800k or less** in Model 4, the EUT-optimal age is **62** — which translates to an implied EVT discount rate of **4.4% or higher**.

*The portfolio returns most advisors actually assume (***4–7% real equities, 1–2% real bonds***) are in — or above — the range where* **early claiming is optimal**.

# There is no single "right" discount rate.

- The risks covered today aren't exhaustive — they illustrate factors *commonly overlooked*.
- The best we can do is subjectively estimate the impact of those risks — and use that discount rate appropriately.

The default **0% discount rate** systematically **over-recommends delay** for households with behaviorally realistic preferences.

*Delay still wins for some – but it should be a* **finding***, not a default.*

*"Our calculations do not support the presumption that the vast majority of people who choose to start their Social Security retirement benefits before age 70 are making a mistake. With a 4 percent real return, a person has to live to* **89** *for it to be beneficial to delay the start of benefits from age 67 to 70."*

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THE TAKEAWAY

# For many of your clients, the right discount rate is *not 0%*.

# Questions?

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