



ADVANCED INSURANCE BROKERAGE · CLIENT EDUCATION SERIES · CASE STUDY

Her Early Benefit, His Policy

A married couple, both 50, planning for 62. She claims Social Security early, and her benefit after tax pays the premium on income and asset insurance on him: a whole life policy that protects her income and their assets. He waits until 70, so she keeps his larger benefit if she outlives him, plus an income-tax-free death benefit.

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The couple and the claiming decision

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Her benefit pays the premium

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If he dies first

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Example 1: he dies at 75

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Example 2: she dies at 75

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Things to know

\$13,658

her Social Security at 62, after tax, each year

\$13,000

the annual premium on his policy, fully covered by her benefit

\$418,410

income-tax-free death benefit from the first year, growing to \$666,631 by age 90

01 THE PLAN The couple and the claiming decision

Each spouse decides when to claim Social Security. The usual advice is to wait for the larger check. For this couple, splitting the decision does more: he waits until 70 for the largest benefit, and she claims at 62 and puts her benefit to work.

Item	Assumption
The couple	Married, both age 50 today; the plan starts when both are 62. She is retired by 62.
Her Social Security	\$2,000 a month at full retirement age (67); \$1,400 a month if claimed at 62 (70%)
His Social Security	\$4,000 a month at 67; \$4,960 a month claimed at 70 (124%)
Tax on benefits	85% of benefits taxable at a 22% federal rate: 18.7% of each benefit. No state tax assumed.
The policy	Income and asset insurance on him: whole life from a mutual carrier, issued at 62, male preferred plus non-tobacco; \$13,000 a year, payable to age 100; initial face \$418,410; dividends buy paid-up additions

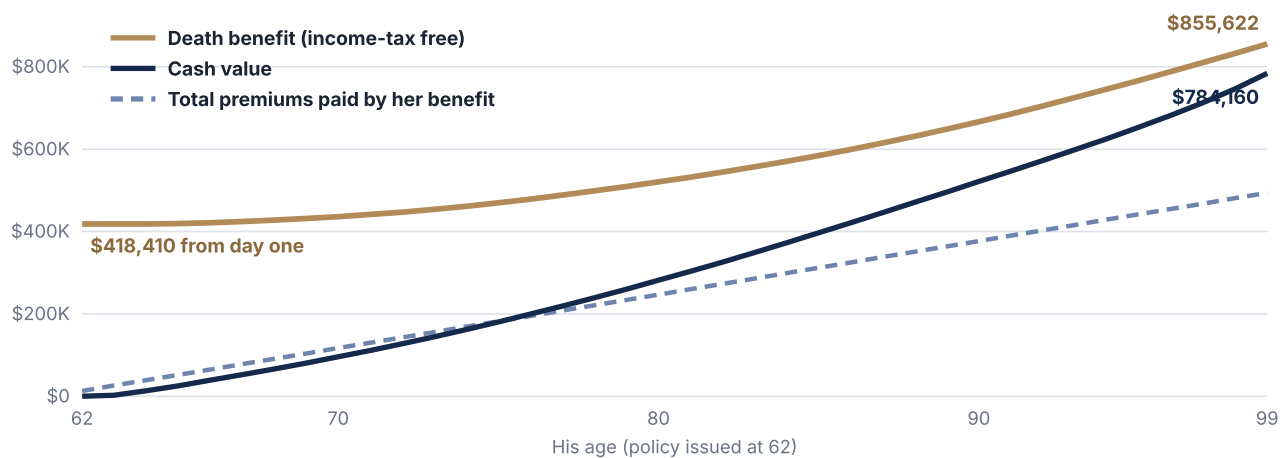
Her choice: 62 or 67

	Claim at 62	Wait until 67
Monthly benefit	\$1,400	\$2,000
Yearly, before tax	\$16,800	\$24,000
Yearly, after tax	\$13,658	\$19,512
Received from 62 to 67	\$84,000	\$0
Waiting pulls ahead	At about age 79, if both live that long	

The rule that makes this work. When one spouse dies, the survivor keeps the larger of the two benefits. If he dies first, she steps up to his \$4,960 a month, and the reduction from her early claim no longer matters.

02 THE CASH FLOW Her benefit pays the premium

From 62 on, her Social Security check funds the policy each year. Nothing new comes out of the household budget: money that would otherwise not arrive until 67 pays for protection that starts right away.



His age	Her benefit after tax	Premium	Left over	Total premiums	Cash value	Death benefit
62	\$13,658	\$13,000	+\$658	\$13,000	\$0	\$418,410
66	\$13,658	\$13,000	+\$658	\$65,000	\$39,120	\$421,324
67	\$13,658	\$13,000	+\$658	\$78,000	\$52,408	\$424,283
70	\$13,658	\$13,000	+\$658	\$117,000	\$95,693	\$436,292
75	\$13,658	\$13,000	+\$658	\$182,000	\$180,473	\$469,576
80	\$13,658	\$13,000	+\$658	\$247,000	\$281,684	\$520,626
85	\$13,658	\$13,000	+\$658	\$312,000	\$396,919	\$584,636
90	\$13,658	\$13,000	+\$658	\$377,000	\$521,541	\$666,631
95	\$13,658	\$13,000	+\$658	\$442,000	\$653,511	\$767,088
99	\$13,658	\$13,000	+\$658	\$494,000	\$784,160	\$855,622

Age at the start of each policy year. Policy values are end of year at the carrier's current dividend scale. Benefits in today's dollars; cost-of-living raises would add to her benefit.

03 LEGACY If he dies first

If he dies first, she receives his \$4,960 a month either way. Her own claiming age no longer matters. What the plan adds is the death benefit, paid income-tax free, on top of that income.

OPTION A She waits until 67, no policy Survivor income of \$4,960 a month, plus whatever the couple saved from her larger benefit while both were living.	OPTION B · THIS PLAN She claims at 62 and funds the policy The same survivor income of \$4,960 a month, plus the policy's death benefit, starting at \$418,410.
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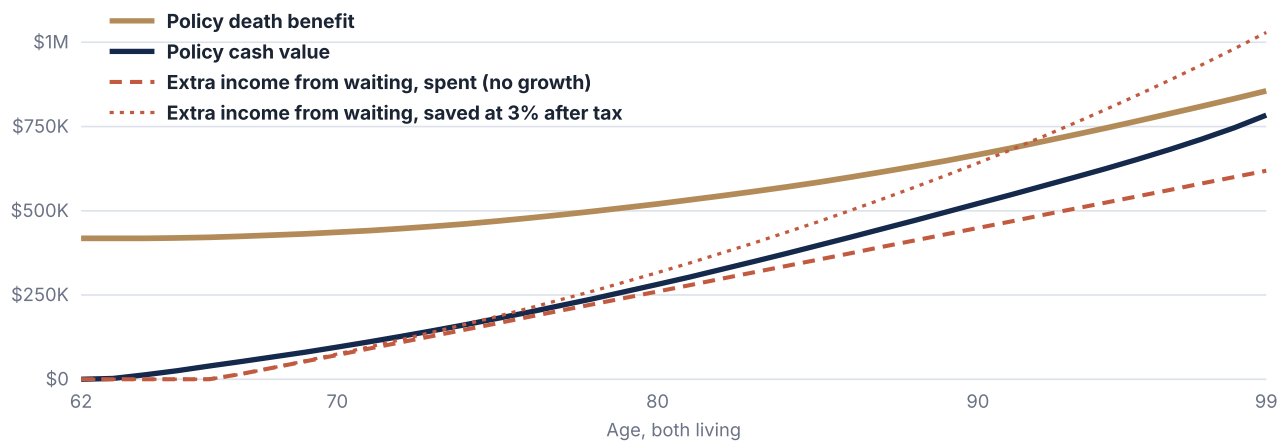
His age at death	Her monthly income (A or B)	A: extra savings at 3%	B: death benefit	B ahead by
70	\$4,960	\$74,946	\$436,292	+\$361,346
75	\$4,960	\$186,982	\$469,576	+\$282,594
80	\$4,960	\$316,861	\$520,626	+\$203,765
85	\$4,960	\$467,428	\$584,636	+\$117,208
90	\$4,960	\$641,975	\$666,631	+\$24,656

Option A savings: the larger after-tax benefit from waiting, less the early benefit Option B received, saved every year at 3% after tax. A generous assumption for Option A; if the extra income is spent, Option A leaves nothing extra. If he dies before 70 or before her full retirement age, survivor benefits differ; we run those cases on request.

\$418,410 Death benefit from the first premium, when Option A has saved nothing extra	+\$203,765 Option B ahead at his age 80, even with Option A's savings growing at 3%	Age 92 The first year Option A's savings at 3% would pass the death benefit
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04 LIVING VALUES The trade-off while both are living

The cost of the plan is real: after 67, she receives \$5,854 a year less after tax than if she had waited, for as long as she lives. The policy's cash value is what the couple has in its place, and it is available through policy loans or withdrawals.



Age	Income given up, spent	Income given up, saved at 3%	Policy cash value	Death benefit
67	\$15,564	\$15,256	\$52,408	\$424,283
70	\$72,126	\$74,946	\$95,693	\$436,292
75	\$166,396	\$186,982	\$180,473	\$469,576
80	\$260,666	\$316,861	\$281,684	\$520,626
85	\$354,936	\$467,428	\$396,919	\$584,636
90	\$449,206	\$641,975	\$521,541	\$666,631
95	\$543,476	\$844,324	\$653,511	\$767,088

Keeps pace

If the extra income from waiting would have been spent, the cash value stays ahead of it at every age shown

Age 74

If it would have been saved at 3% after tax, the savings pass the cash value here; the death benefit stays ahead to age 92

If she dies first, her benefit and the premium source stop. He keeps his own \$4,960 a month and can keep paying, use dividends to reduce the premium, or stop and keep a smaller paid-up policy. We plan for this case before the policy is issued.

05 EXAMPLE 1 He dies at 75: she invests the death benefit

Both claim as planned, and he dies at 75. She steps up to his Social Security and invests the \$469,576 death benefit at 4% after tax. She can live on the interest and keep the principal for her heirs, or draw it down evenly to age 95.

\$48,390 his Social Security, now hers, after tax each year	+	\$18,783 4% interest on the death benefit, principal kept	=	\$67,173 her yearly income, with \$469,576 left for heirs	or	\$82,942 her yearly income if she draws it down to 95
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Her age	Social Security	Interest only	Income	Principal kept	Draw to 95	Income	Balance left
75	\$48,390	\$18,783	\$67,173	\$469,576	\$34,552	\$82,942	\$469,576
80	\$48,390	\$18,783	\$67,173	\$469,576	\$34,552	\$82,942	\$384,166
85	\$48,390	\$18,783	\$67,173	\$469,576	\$34,552	\$82,942	\$280,252
90	\$48,390	\$18,783	\$67,173	\$469,576	\$34,552	\$82,942	\$153,825
94	\$48,390	\$18,783	\$67,173	\$469,576	\$34,552	\$82,942	\$33,229

After-tax dollars. Death benefit received income-tax free and invested at 4% after tax. Balance left: start of year, drawing \$34,552 a year so it lasts to 95.

The same plan, whenever he dies

His age at death	Death benefit	4% interest	Her income (B)	Her income, Option A	B more each year
70	\$436,292	\$17,452	\$65,842	\$51,388	+\$14,454
75	\$469,576	\$18,783	\$67,173	\$55,869	+\$11,304
80	\$520,626	\$20,825	\$69,215	\$61,064	+\$8,151
85	\$584,636	\$23,385	\$71,775	\$67,087	+\$4,688
90	\$666,631	\$26,665	\$75,055	\$74,069	+\$986

Option A: she waited until 67, bought no policy, and the couple saved the larger benefit at 3% after tax; that savings also earns 4% interest after his death. Both options include his Social Security as her survivor benefit.

EXAMPLE 2

06 She dies at 75: he keeps the policy and his Social Security

Both claim as planned, and she dies first, at 75. Her Social Security stops, and with it the check that paid the premium. He keeps his own \$4,960 a month and the policy, which is now his legacy plan.

\$49,048

household income after tax and premium while both were living

\$35,390

his income after tax if he keeps paying the \$13,000 premium from his own benefit

If he keeps the policy in full

His age	His Social Security	Premium	Left to live on	Total premiums	Cash value	Death benefit
75	\$48,390	-\$13,000	\$35,390	\$182,000	\$180,473	\$469,576
80	\$48,390	-\$13,000	\$35,390	\$247,000	\$281,684	\$520,626
85	\$48,390	-\$13,000	\$35,390	\$312,000	\$396,919	\$584,636
90	\$48,390	-\$13,000	\$35,390	\$377,000	\$521,541	\$666,631
95	\$48,390	-\$13,000	\$35,390	\$442,000	\$653,511	\$767,088
99	\$48,390	-\$13,000	\$35,390	\$494,000	\$784,160	\$855,622

After-tax dollars. Policy values at the current dividend scale, end of year. Death benefit passes to their heirs, income-tax free.

KEEP PAYING

Full policy

He pays \$13,000 a year from his benefit. The death benefit grows to \$666,631 at 90 for the children or other heirs.

STOP PAYING

Reduced paid-up

He stops premiums and keeps a smaller policy that needs nothing more. We request the exact amount from the carrier at that age.

USE THE POLICY

Cash value

\$180,473 of cash value at 75 can pay premiums or supplement income through loans or withdrawals, which reduce the death benefit.

Compared with waiting: under Option A he would keep his same Social Security, plus about \$186,982 the couple saved from her larger benefit at 3%. Here he has \$180,473 of cash value instead, about the same, plus a \$469,576 death benefit, as long as premiums are handled. **This is the case to plan for:** name him contingent owner so the policy passes to him cleanly.

07 BEFORE YOU DECIDE Things to know

- **Claiming at 62 is permanent.** Her benefit is reduced for life. Within 12 months she can withdraw the claim once, by repaying what she received.
- **The earnings test.** If she works before 67, Social Security withholds \$1 for every \$2 she earns over the annual limit. This plan assumes she is retired at 62.
- **Taxes vary.** How much of a Social Security benefit is taxed depends on the couple's other income. We assume the maximum 85% at 22%; a lower figure leaves more for the premium.
- **Dividends are not guaranteed.** Values use the carrier's current dividend scale. Guaranteed values at his age 99: \$382,594 cash value and \$418,410 death benefit.
- **It is a long commitment.** Premiums are payable to age 100. Cash value is below total premiums through age 65, and surrendering early returns less than was paid in.
- **Ownership matters.** Having her own the policy, as owner and beneficiary, can keep the death benefit out of his estate. Talk with your tax advisor.
- **Social Security rules can change,** and amounts here are in today's dollars, without cost-of-living raises.
- **Underwriting applies.** The premium assumes preferred plus non-tobacco at 62. Health at that age sets the actual price; a policy bought earlier may cost less.

The idea in one line: her early benefit becomes his premium, his delayed benefit becomes her income, and the policy leaves a tax-free legacy on top.



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Hypothetical illustration for education. Social Security amounts are examples; actual benefits come from each person's SSA record. Policy values are from a carrier illustration at the current dividend scale; not a contract or offer. Guarantees are based on the claims-paying ability of the issuing insurer. Advanced Insurance Brokerage does not provide tax, legal or Social Security claiming advice.

I Her early benefit pays his premium

50

THE COUPLE

Both age 50. Plan the claiming ages and the policy for 62.

62

HER SOCIAL SECURITY**\$13,658**

She claims early: \$1,400 a month. After tax, each year:

PREMIUM**\$13,000**

Income and asset insurance (whole life) on him, \$418,410 death benefit, paid by her benefit. \$658 left over.

HE WAITS

He does not claim yet. His benefit grows each year he waits.

70

HIS SOCIAL SECURITY**\$48,390**

He claims \$4,960 a month, the benefit she keeps as a widow.

THEN ONE OF THREE PATHS

70+

HE DIES FIRST**\$67,173 a year**

She steps up to his \$4,960 a month and invests the death benefit at 4% after tax. At his age 75: \$48,390 + \$18,783.

SHE DIES FIRST

Her check and the premium source stop. He keeps \$4,960 a month and can keep paying (\$35,390 left), go reduced paid-up, or use \$180,473 of cash value.

BOTH LIVING

After 67 she receives \$5,854 a year less than if she had waited. The policy's cash value builds: \$281,684 at his 80.

Her early benefit becomes his premium; his delayed benefit becomes her income; the policy leaves a tax-free legacy.

How to read this chart

- Age when it happens
- Gold: what the plan pays, saves or protects
- Navy: a step or a choice
- Red: the event the plan is built for
- ▼ Read top to bottom; side-by-side boxes happen together

KEY NUMBERS**\$13,658**

her benefit after tax pays the \$13,000 premium

\$4,960

a month for him at 70, kept by her as a widow

\$67,173

a year for her if he dies at 75

WHERE TO READ MORE

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Part II shows how he stays insurable from 50 to 62. Your AIB professional will run the numbers for your own ages and benefits.