

CASE STUDY

STRUCTURING ATTORNEY FEES TO MAXIMIZE SOCIAL SECURITY

Social Security Maximization—Attorneys



About "John"

- **Age:** 50, Attorney
- **Family:** Wife, 45
- **Currently Earning:** \$250,000
- **Fee Scenario:** Recently won a case for one of his clients of which his fees equaled \$500,000.
- **Financial Goal:** John would like to spread the taxation of a portion of his fees beyond the current year. Additionally, expecting to retire between 62 - 65, John is focused on retirement planning and looking for ways to maximize guaranteed income for him and his wife.

The Social Security Claiming

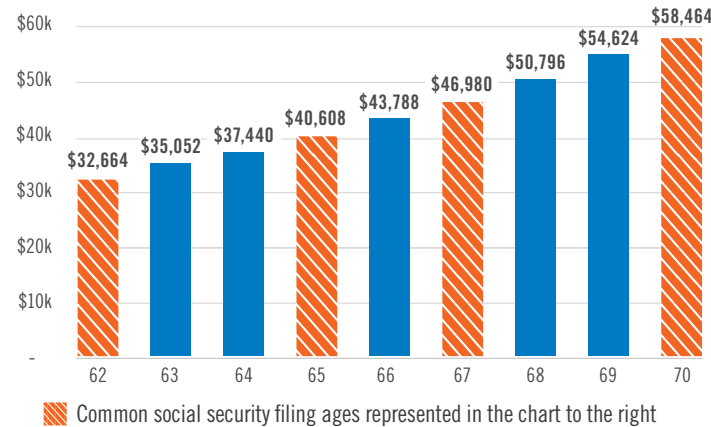
Decision: Each person's unique circumstances will help determine when to begin Social Security. Some factors to consider are longevity, family history, current health, and specific financial circumstances.

The value of waiting to start receiving Social Security benefits

John can start receiving Social Security benefits at age 62, however, there can be value in waiting. Delaying payments from ages 62 - 70 represents an increase of 79% to the monthly payment amount,¹ increasing benefits for his lifetime, and potential increases to the spousal benefit.

John decides to run a Social Security benefit analysis to determine the financial trade-offs when filing for benefits at different ages.

Estimated Social Security benefit payment starting values^{1,2}



From Age 62 - 70 represents a \$25,800 increase in Annual Payments

Leveraging Income Advantage to build a Social Security bridge

A little upfront planning can go a long way. One method John can employ to help bridge this gap is by allocating a portion of his attorney fees to a Prudential Income Advantage Indexed Structured Settlement[®]. Income Advantage can provide ample income and be custom tailored to help meet specific financial needs.

Cumulative Social Security Income through age milestones:³

Social Security Income Start				
Age Milestone	Age 62: \$32,664	Age 65: \$40,608	Age 67: \$46,980	Age 70: \$58,464
80	\$789,646	\$793,182	\$781,306	\$733,580
85	\$1,069,815	\$1,115,674	\$1,135,733	\$1,141,956
90	\$1,388,350	\$1,482,329	\$1,135,733	\$1,606,255
95	\$1,750,504	\$1,899,192	\$1,996,837	\$2,134,133

Highlighted sections represent the highest cumulative income by age milestone

Delaying Social Security payments from age 62 until age 70 would result in an increase of \$383,629 in cumulative income by age 95.

Delaying would mean forgoing an initial \$286,369 in income, which would take 11 years to recoup. Alternatively, John could look to fill the income gap in those years from ages 62 - 70 with an income replacement strategy.



How John can leverage Income Advantage to build a Social Security bridge

If John decides to allocate \$75,000 of his attorney fees, on a pre-tax basis, to Income Advantage and let it grow tax-deferred for the next 12 years:

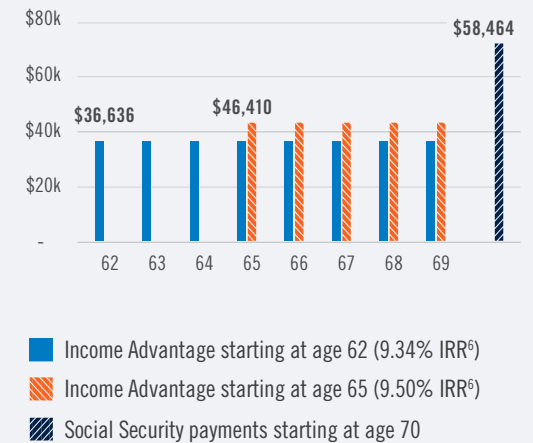
- At age 62 John could start taking withdrawals from his Income Advantage annuity, based on this example in the amount of **\$36,636** for the next eight years until age 70 (Taxed as ordinary income at the time of distribution).⁴
- Alternatively, if John was able to wait only three more years and commences Income Advantage payments beginning at age 65, he could reduce his initial allocation down to **\$50,000** and would generate **\$46,410** per year until age 70 (Taxed as ordinary income at the time of distribution).⁵
- At age 70 the Social Security payments would begin in the amount of **\$58,464 per year**.

With this strategy, John can start receiving payments from Income Advantage at age 62, without sacrificing future Social Security increases. By age 95, he'll gain 17% or \$293,088 more, in total income, compared to just delaying Social Security.

Benefits of using Income Advantage as a Social Security bridge

- **Growth:** Opportunity to benefit from market-based growth linked to the S&P 500®.
- **Protection:** 100% protection from market downturns, safeguarding the original premium and accumulated gains from all prior index terms.
- **Security:** Payments are guaranteed by Prudential, a highly recognized and rated insurer.

Income Payments



Watch this short video to see how Income Advantage may be appropriate for your circumstances.

If you have any questions, please reach out to your structured settlement consultant.



¹ This is a hypothetical example of the Social Security benefits that could be received from the government and is for illustrative purposes only. As the specifics for your situation may be different, please go to ssa.gov for more information.

² Calculations Social Security Calculator 2024: Estimate Your Benefits. NerdWallet, based on current age 55, \$250,000 annual income.

³ Cumulative income factored using the average COLA over the last 10 years of 2.6%.

⁴ Hypothetical values are based on a \$75,000 allocation to a Prudential Income Advantage Indexed structured settlement with payments beginning in year 13. Hypothetical example of interest credited and accumulation amounts based on the most recent 12 years of the S&P 500® index values (from 2012 to 2023), using a 5-year Index Term with assumed aggregate cap rates of 72.5% and 0% floor. The payout rate used in this example is hypothetical. The payout rate will vary based on the selected deferral and payout periods and is set forth on the annuity certificate at the time of purchase. For illustration purposes only, the assumed cap rate will remain unchanged for all subsequent index terms. Actual cap rates may be higher or lower in subsequent terms, but will never be less than the minimum cap rate outlined in the annuity certificate. Subsequent cap rates are impacted by changes in various economic factors. Please speak with your structured settlement consultant for more information. The index term selected extends past the deferral period, so a 1-year index term with a cap rate of 8.5% was used for the last two years of the deferral period. Your actual results may be higher or lower. For minimum guaranteed values, please refer to the full illustration, which will be provided upon request and in advance of any purchase of an Income Advantage Indexed Structured Settlement. Allocation amount does not include assignment fees.

⁵ Hypothetical values are based on a \$50,000 allocation to a Prudential Income Advantage Indexed Structured Settlement with payments beginning in year 16. Hypothetical example of interest credited and accumulation amounts based on the Most recent 15 years of the S&P 500 index values (from 2009 to 2023), using a 5-year Index Term with assumed aggregate cap rates of 72.5% and 0% floor. The payout rate used in this example is hypothetical. The payout rate will vary based on the selected deferral and payout periods and is set forth on the annuity certificate at the time of purchase. For illustration purposes only, the assumed cap rate will remain unchanged for all subsequent index terms. Actual cap rates may be higher or lower in subsequent terms, but will never be less than the minimum cap rate outlined in the annuity certificate. Subsequent cap rates are impacted by changes in various economic factors. Please speak with your structured settlement consultant for more information. Your actual results may be higher or lower. For minimum guaranteed values, please refer to the full illustration, which will be provided upon request and in advance of any purchase of an Income Advantage Indexed Structured Settlement. Allocation amount does not include assignment fees.

⁶ Internal Rate of Return (IRR) is the annual rate of growth that the premium would have had to earn to generate the annualized payment amount.

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