

Social Security: Seven keys to enhancing benefits

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Social Security provides options

- Many believe it is cut and dried
- It is a retirement income source with some control
- Managing your Social Security benefit is part of your retirement income process





Agenda

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Benefit basics

02

Income benefits

03

When to start
benefits

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Working in
retirement

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Tax implications

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benefits

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Medicare basics

As we discuss this material, please be aware that you should seek guidance from the Social Security Administration regarding your particular situation.



01



Social Security

Key 1: Benefit basics





Social Security is more than just retirement

June 2021

65 million Americans

\$1 trillion dollars in benefits

Retired workers and their dependents

Disabled workers and their dependents

Survivors of deceased workers

9%

15%

76%



Average monthly amount:

Retired workers	\$1,555
Aged widow(ers)/parents	\$1,462
Disabled workers	\$1,280



Will it be there?

OASI (old age and survivor income)
DI (disability income)

OASI and DI trust fund
expected to be depleted
in 2034.

Enough revenue coming in
to pay about 78% of
scheduled benefits.



Will it be there
when I retire?

“THE 2020 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL
OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE
TRUST FUNDS,” August 31, 2021.



Social Security

The Official Website of the U.S. Social Security Administration

Sign In or Create an Account

OMB No. 0960-0789
Paperwork Reduction Act

New Users

You must be able to verify some information about yourself and:

- Have a valid E-mail address,
- Have a Social Security number,
- Have a U.S. mailing address, and
- Be at least 18 years of age.



You can create an account only to gain access to your own personal information. You cannot use this online service to access the records of a person:

- With whom you have a business relationship;
- For whom you are a representative payee; or
- For whom you are an appointed representative.

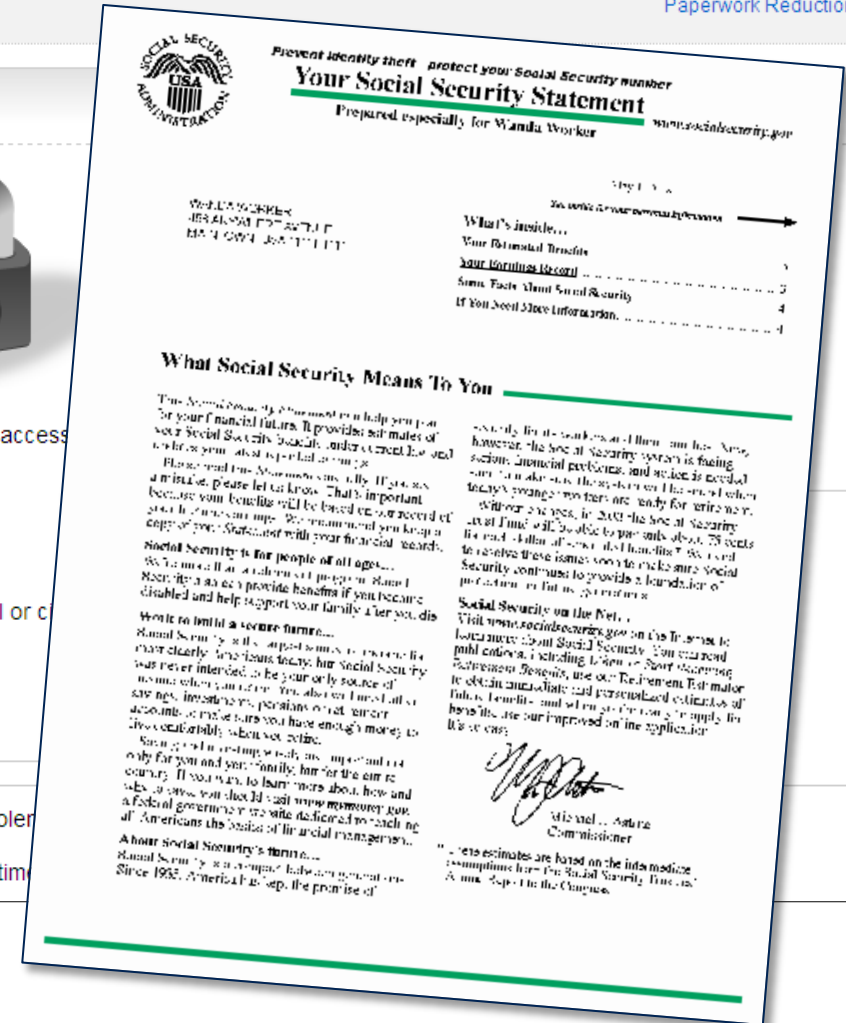
Unauthorized use of this service may subject you to criminal or civil penalties, or both.

[Create An Account](#)

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Are you now, or have you ever been a victim of domestic violence?

You can [block electronic access](#) to your information at any time.



Statements online

<https://secure.ssa.gov/RIL/SiView.do>



02



Social Security

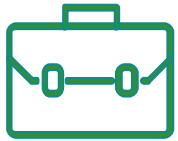
Key 2: Income benefits





How to qualify for benefits

Must be fully insured (earned required number of Social Security credits to qualify)



Most workers need
**40 credits or about
10 years of work**

Since 1978 you earn credits on the basis of your annual earnings **up to four credits** in any year.

Prior to 1978 you earned one credit for each calendar quarter in which you had **wages or salary of at least \$50 in covered employment.**

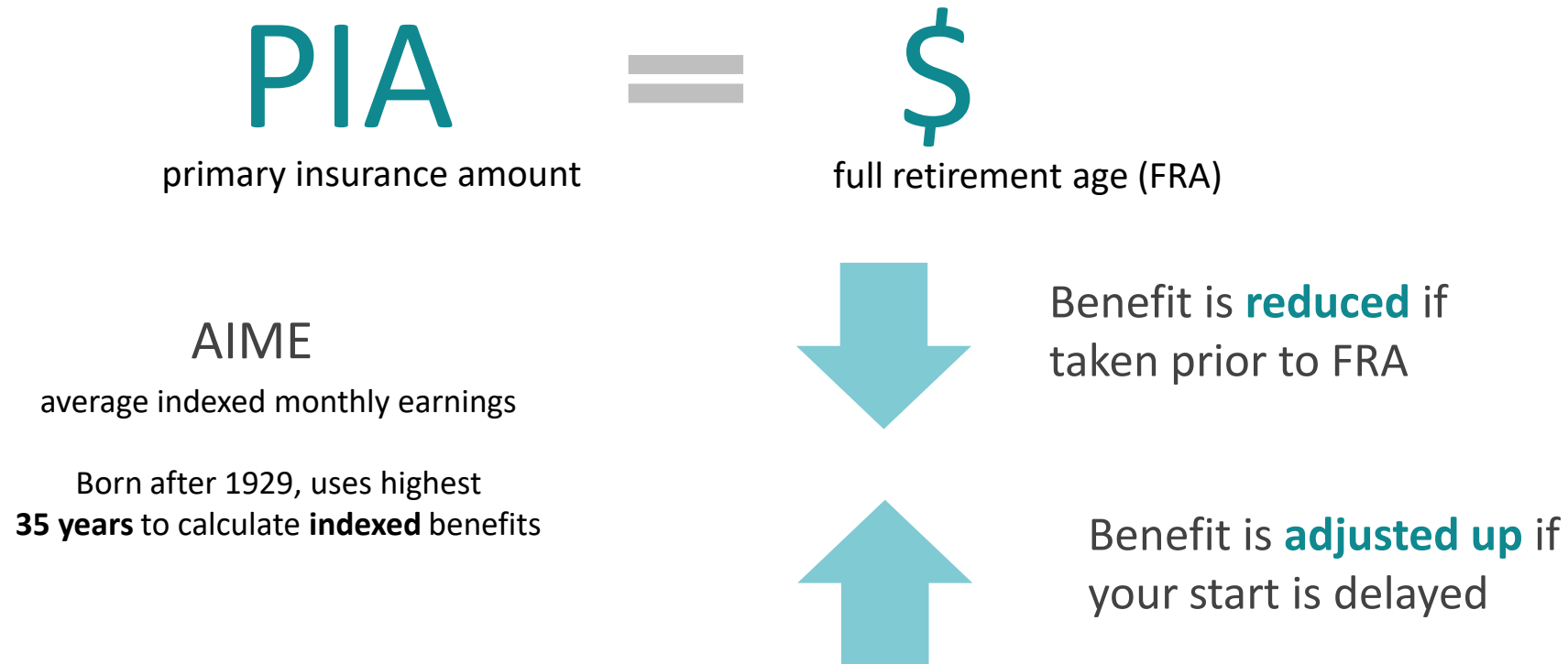
2022

One credit recorded for every
\$1,510 earned in a year with
four credits if you earn
\$6,040 or more.

Social Security Administration, 2022 Social Security Changes, Fact Sheet.



How are benefits calculated?





03



Social Security

Key 3: When to start benefits





Starting benefits

Can start benefits:

- Early at age 62
- Full retirement age
- Delay until age 70

Delaying past FRA results in delayed retirement credits (DRCs).

Year of birth	Full retirement age (FRA)	Age 62 benefit reduction
1943 - 1954	66	25.00%
1955	66 and 2 months	25.83%
1956	66 and 4 months	26.67%
1957	66 and 6 months	27.50%
1958	66 and 8 months	28.33%
1959	66 and 10 months	29.17%
1960 and later	67	30.00%



Enhancing benefits by delaying start date

Start benefits at various ages and living to various ages. The following is for an individual born 1960 or later:

		Accumulated benefits age					Longevity a key factor to consider.
		70	75	80	85	90	
Start age	62	\$134,400	\$218,400	\$302,400	\$386,400	\$470,400	
	64	\$115,200	\$211,200	\$307,200	\$403,200	\$499,200	
	66	\$89,568	\$201,528	\$313,488	\$425,448	\$537,408	
Delaying past FRA results in DRCs	68	\$51,840	\$181,440	\$311,040	\$440,640	\$570,240	
	70	\$0	\$148,800	\$297,600	\$446,400	\$595,200	

Full retirement age of 67, full retirement benefit \$2,000/month, no cost-of-living adjustment (COLA), no discounting. Social Security benefits are first received the month following the month they are due. However, this table reflects 12 monthly payments in the first year and all subsequent years. For illustration purposes only, not an actual client.



04



Social Security

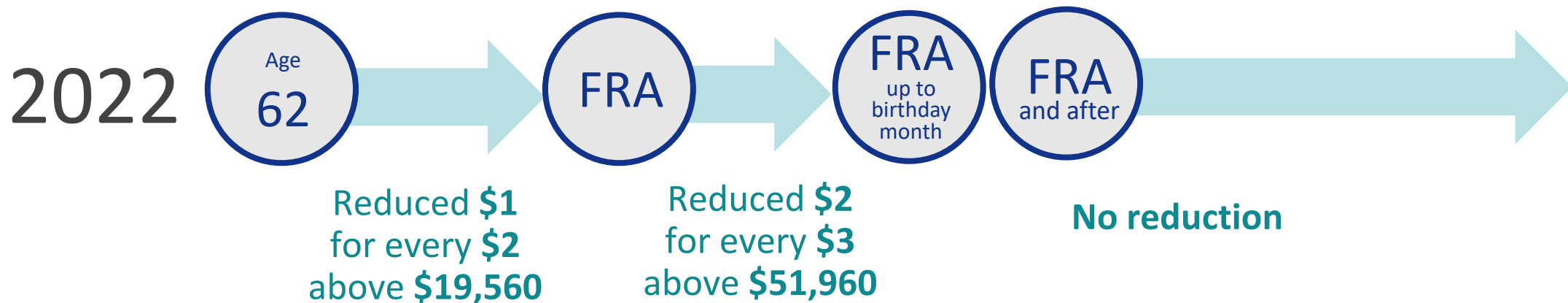
Key 4: Working in retirement





If you work in retirement

Any reduction in Social Security income in early retirement (due to working) will result in positive adjustment to your monthly benefit when you reach your full retirement age.





Hypothetical example of Susan

Susan

Born 1960

Eligible for maximum benefits



Retired in 2022 on 62nd birthday and returned to work less than one year later

My Social Security

Annual Social Security benefit	\$18,660
(70% of FRA benefits)	\$13,062
Current year earnings	\$40,000
Social Security 2022 earnings limit	\$19,560
Excess earnings	\$20,440
Working reduction in benefits	\$10,220
Net Social Security benefits	\$ 2,842



05



Social Security

Key 5: Tax implications





Benefits are subject to income tax

adjusted gross income
+ nontaxable interest
+ ½ of your Social Security benefit
= Your combined income

Combined income				
	0%	up to 50%	up to 85%	
Single, or head of household	← \$25,000	↔ \$34,000	→	
Married, filing jointly	← \$32,000	↔ \$44,000	→	

% amount of Social Security benefit included in income
(not the tax rate on the Social Security benefit)



06



Social Security

Key 6: Spousal and survivor
benefits





When one spouse does not qualify on own record

Nonqualified spouse can collect on the record of the spouse who is qualified to receive benefits

- Must have been **married at least one year** to the qualifying spouse or be the **parent of their child**
- If at FRA or later, receives an amount equal to **50% of the PIA** of the qualifying spouse (not necessarily their benefit amount)
- If age 62, they may receive **permanently reduced benefits**

The rules are complicated and vary depending on your situation, so talk to a Social Security representative about the options available to you.





When both spouses qualify on their own records

Generally, the spouse with the lower benefits would:

1. Take benefits generated by **own earnings history**

OR

2. Take **half of the other spouse's** retirement benefit if greater (made up of personal benefit plus the difference to make up half of the primary wage earner's benefit)

The rules are complicated and vary depending on your situation, so talk to a Social Security representative about the options available to you.





When both spouses qualify on their own records

ADVANCED OPTION



Spouse A who was
age 62 or older in 2015

At FRA, spouse A could delay receiving their own retirement benefit and start a spousal benefit which is half of spouse B's benefit.

Either **spouse B is receiving own benefits**

OR

Spouse B filed and suspended prior to April 30, 2016

If spouse A's retirement benefits are delayed, a higher benefit may be received at a later date **based on the effect of delayed retirement credits.**

The rules are complicated and vary depending on your situation, so talk to a Social Security representative about the options available to you.



Benefits for survivors

Earliest a widow(er) can start receiving Social Security benefits is **age 60**

If you receive survivor benefits early:

- Benefits based on your age can **begin any time between age 60 and your FRA.**
- Starting early, however, your survivor benefits are reduced a fraction of a percentage for each month before your FRA
- If you receive benefits AND you qualify for retirement benefits that are more than your survivor benefits **you can switch to your own benefit as early as age 62**

The rules are complicated and vary depending on your situation, so talk to a Social Security representative about the options available to you.



Benefits for divorced spouse

Ex-spouse can receive Social Security benefits based on other ex-spouse's record

- Were married at least **10 years**
- Ex-spouse receiving benefits must be **age 62 or older and unmarried**
- Own work record is **less than benefit** based on the divorce
- Amount of benefit has **no effect** on other ex-spouse or their current spouse
- Divorced at least **two years and if both spouses are at least age 62**, divorced spouse can get benefits even if the other spouse is not retired (has not started Social Security benefits)



The rules are complicated and vary depending on your situation, so talk to a Social Security representative about the options available to you.



07



Social Security

Key 7: Medicare



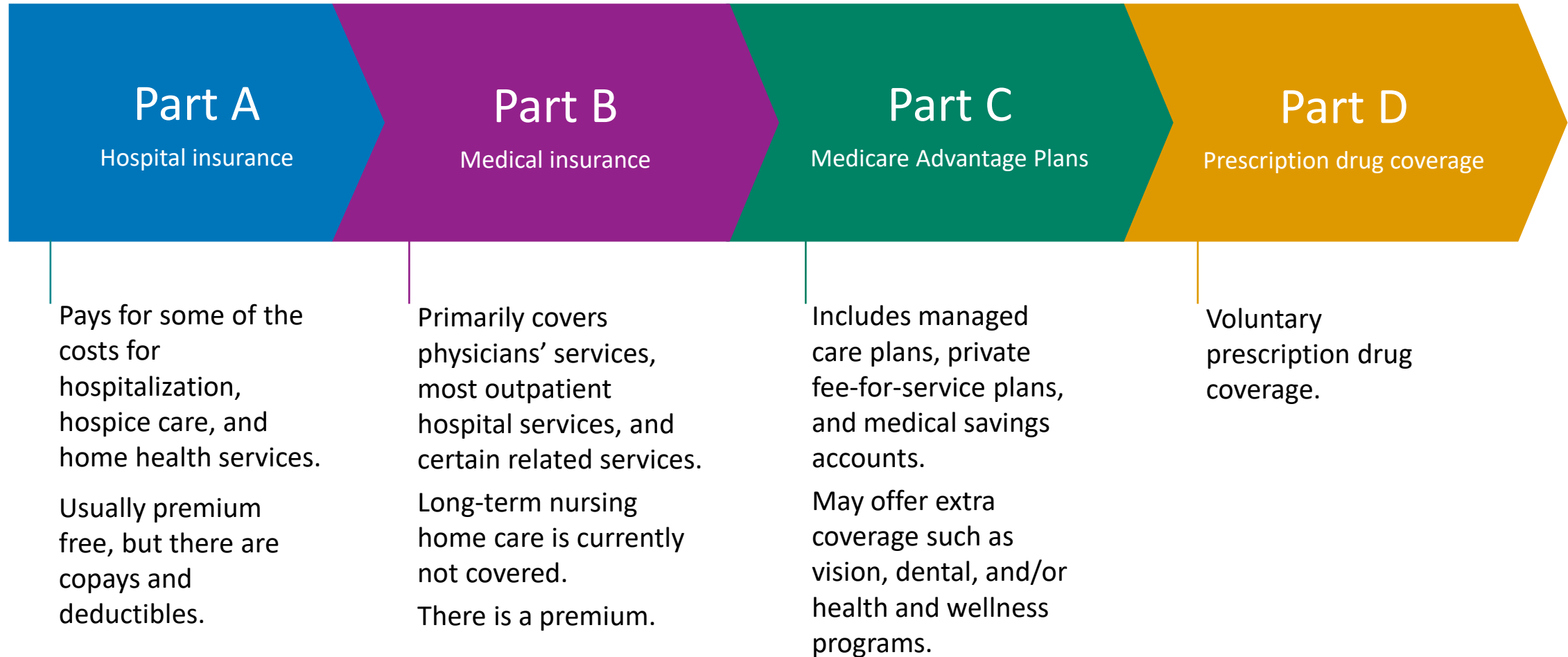


Medicare eligibility

- Regardless of retirement age, Medicare benefits start at age 65.
- Eligible the **first day of the month** you turn age 65.
- If you are already receiving Social Security benefits in the month you attain age 65, you are **automatically enrolled** in Medicare.
- If you are not currently receiving Social Security benefits, you must enroll to receive Medicare benefits. You should apply **three months** before reaching age 65.
- There are **four parts** to Medicare.

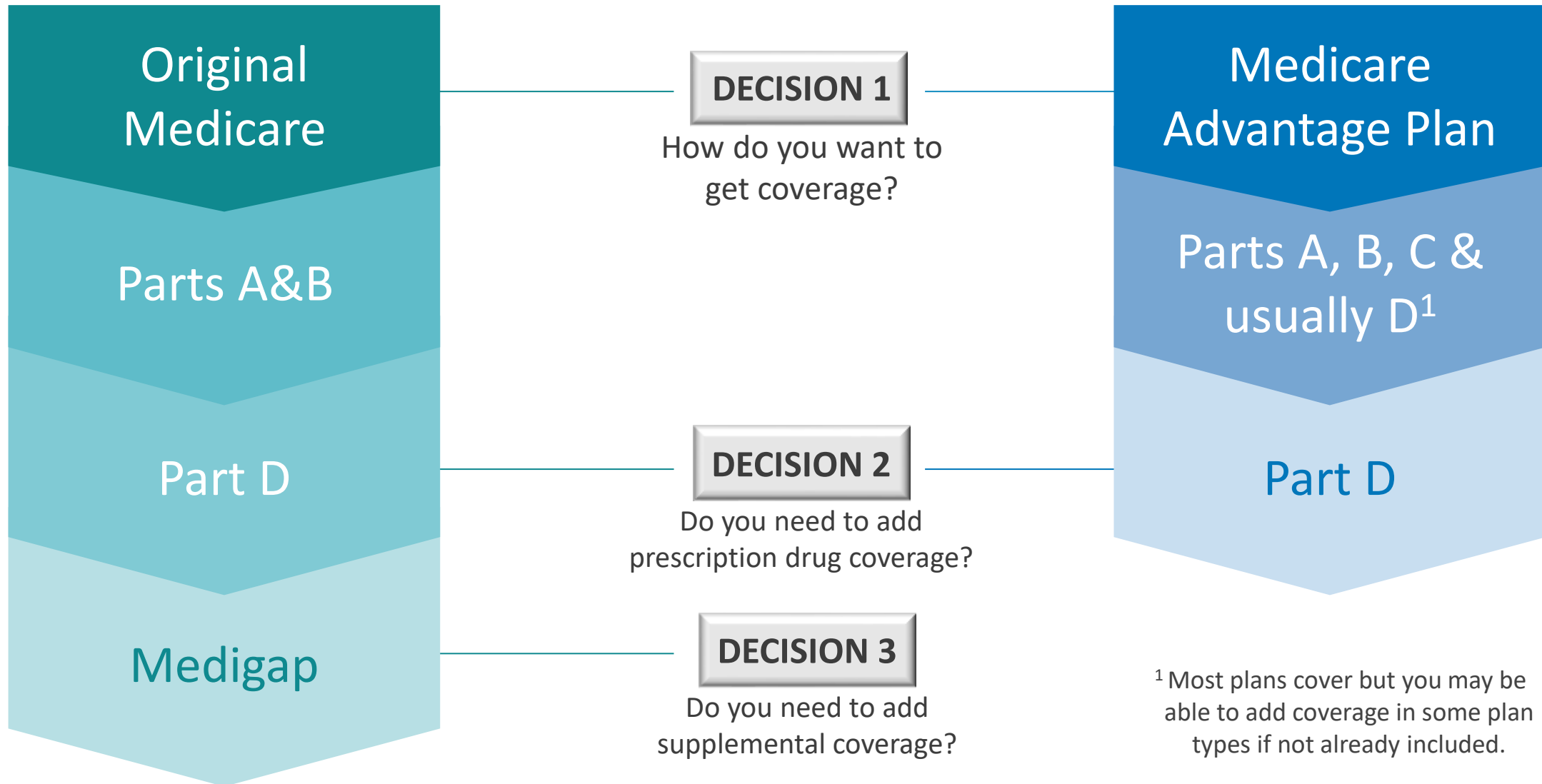


Medicare parts





Medicare coverage decisions





Summary

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Next steps

Social Security is the foundation of your retirement strategies.



- Understand all filing options available to you to **enhance** your Social Security benefit.
- Evaluate whether your essential income needs in retirement are likely to be **covered** by your retirement income sources.
- Consider **annuities** to add to your retirement income strategies.
- Let's meet to review your specific situation.



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QUESTIONS?