Social Security:
With You through Life’s Journey...
Topics

- Working, Paying in
- Taking Your Benefits?
- Working & Receiving
- Family Benefits
Payroll (FICA) Tax

- 6.2% Social Security tax
  - taxed on earnings up to $127,200

- 1.45% Medicare tax
  - taxed on all earnings
Paying FICA Tax
Earns “Credits”

- One credit for each $1,300 FICA earnings
- Can earn four credits yearly
- Need 40 credits to qualify for retirement
When to Take Benefits?
When to Take Benefits?

• Are you willing to wait longer, in order to get a higher amount? **or** …

Do you want to collect sooner, & accept less?
• For unreduced, full, 100% benefit, must wait until reach Full Retirement Age to collect

• Today, FRA is from 66 to 67, determined by year of birth
If Taking Sooner, but Getting Less ...

- Can collect at 62
- Starting before FRA reduces percentage
  - percentages range from 70% to 99% plus
- Big consideration: work plans
<table>
<thead>
<tr>
<th>Born Year</th>
<th>FRA(100%)</th>
<th>Pct at 62</th>
</tr>
</thead>
<tbody>
<tr>
<td>1943-54</td>
<td>66</td>
<td>75%</td>
</tr>
<tr>
<td>1955</td>
<td>66 &amp; 2 months</td>
<td>74.2%</td>
</tr>
<tr>
<td>1956</td>
<td>66 &amp; 4 months</td>
<td>73.3%</td>
</tr>
<tr>
<td>1957</td>
<td>66 &amp; 6 months</td>
<td>72.5%</td>
</tr>
<tr>
<td>1958</td>
<td>66 &amp; 8 months</td>
<td>71.7%</td>
</tr>
<tr>
<td>1959</td>
<td>66 &amp; 10 months</td>
<td>70.8%</td>
</tr>
<tr>
<td>1960+</td>
<td>67</td>
<td>70.0%</td>
</tr>
</tbody>
</table>

Born on 1\textsuperscript{st} of the month? Then, born month before!
Example: Born 1943 to 1954, Due $2,000 at FRA
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Start at 62 ...... $1,500
Example: Born 1943 to 1954, Due $2,000 at FRA

Start at 62 ...... $1,500

Start at 66 ...... $2,000
Delaying Past FRA?
Receive 100%+-plus

• If not taking benefit until after FRA, receive 8% yearly increase (Delayed Retirement Credits)

• Increase stops at age 70

• Re family, increase passed along only to surviving spouse
Example: Born 1943 to 1954,
Due $2,000 at FRA

Start at 62 ...... $1,500
Start at 66 ...... $2,000
Start at 70 ...... $2,640
Voluntary Suspension ...
Another Way to Increase Pct.

- If already receiving, can suspend benefit if at FRA or later
- This gives you Delayed Ret. Credits (8% increase) when benefit resumed
- All family benefits suspended, too
- You can’t receive benefit on another record while suspended
The Benefit Computation

- After adjusting for changes in wage levels, 35 highest earnings years used

- Average lifetime monthly earnings amount is FRA benefit
Social Security Statement

• If 60 or older, will be sent every year

unless ....
Two Online Services to Help in Your Retirement Planning

- *my Social Security account*
- *Retirement Estimator*
my Social Security - Create Account with Password

Sign In or Create an Account

New Users

You must be able to verify some information about yourself and:
- have a valid email address,
- have a Social Security Number,
- have a U.S. mailing address, and
- be at least 18 years of age.

Existing Users

Username:
Password:

Forgot Username
Forgot Password

Create An Account  Learn More

Sign In
Welcome, John! You last signed in on July 17, 2015 at 2:44PM GMT-04:00.

Benefits & Payments

You are not currently receiving Social Security benefits.

Get a Benefit Verification Letter
Need proof that you do not receive Social Security benefits? Here's your official letter.

Social Security Statement

A Message from the Acting Commissioner:

Your Social Security Statement...
Retirement
You have earned enough credits to qualify for retirement benefits. At your current earnings rate, your estimated payment would be:

At full retirement age (66): $1,521 a month
At age 70: $2,008 a month
At your current age (63): $1,276 a month

Your estimates are based on the assumption that you will earn $0 a year from now until retirement.

Apply Online for Retirement

Disability
You have worked enough credits to qualify for disability benefits.
Online Retirement Estimator

- Convenient, secure, quick financial planning tool
- Immediate, accurate benefit estimates
- Create “What if” scenarios based on different ages, earnings
The Retirement Estimator

www.socialsecurity.gov/estimator

- Convenient, secure, quick financial planning tool
- Immediate & accurate benefit estimates
- You can create "What if" scenarios based on different ages & earnings information. You can also add your own custom estimates by changing your stop work age and future earnings.

<table>
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<tr>
<th>If you start your benefits:</th>
<th>And you earn an average of:</th>
<th>Your benefit will be about:</th>
</tr>
</thead>
<tbody>
<tr>
<td>At age 65</td>
<td>$45,000 a year (from now until age 65)</td>
<td>$1,434 a month</td>
</tr>
<tr>
<td>At full retirement (age 67)</td>
<td>$40,000 a year (from now until full retirement)</td>
<td>$1,525 a month</td>
</tr>
<tr>
<td>At age 70</td>
<td>$40,000 a year (from now until age 70)</td>
<td>$1,891 a month</td>
</tr>
<tr>
<td>At age 62</td>
<td>$40,000 a year (from now until age 62)</td>
<td>$1,040 a month</td>
</tr>
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Add a New Estimate
Big Question: When to Take Benefits?

- Ultimately, it’s personal
- But, consider …
  - Longevity
  - Taxation
  - Finances
  - Lifestyle
  - Family benefits (now/future)
FYI – Just Some Numbers ....

• 2017 maximum benefit, retiring at 66 $2,687

• Average benefit, all retirees $1,365
Filing Your Application

• Begin eight weeks before you want to receive payment

• Can file online - socialsecurity.gov

• Or ... set up telephone or in-office appointment ... call 1-800-772-1213
Are Benefits Retroactive?

- No retroactivity if filing before FRA month
- If filing after FRA month, up to 6 months retroactivity; but, can’t go back before FRA
Check Day is Wednesday

• Born 1\textsuperscript{st} to 10\textsuperscript{th}  
  \textit{Second Wednesday}

• Born 11\textsuperscript{th} to 20\textsuperscript{th}  
  \textit{Third Wednesday}

• Born 21\textsuperscript{st} to 31\textsuperscript{st}  
  \textit{Fourth Wednesday}
Benefits May Be Taxable

• Note – this is IRS jurisdiction!

• Taxable if:
  - filing as “individual” with total “combined income” of $25,000+
  - filing jointly with total “combined income” of $32,000+
Working while Receiving
If You Want to Collect & Work ...

• If not yet reached FRA month (66 to 67), benefits withheld if earnings exceed certain amount

• Upon reaching FRA month, receive full benefit regardless of earnings
Before FRA Month, Two Work Limits to Consider

- First limit: if collecting anytime from 62 thru New Year’s Eve right before FRA year starts
Before FRA Month, Two Work Limits to Consider

- First limit: if collecting anytime from 62 thru New Year’s Eve right before FRA year starts

- Second limit: applies to FRA year … & only if you want to collect prior to FRA month
First Limit: Working anytime from 62 to January of FRA Year

- $16,920 yearly earnings limit
  - refers to wages, self-employment
  - pensions, dividends, investments don’t count

- If limit exceeded, withholding is $1 for every $2 over
Example: Working anytime from 62 to January of FRA Year

$26,920 earnings
- $16,920 allowable
$10,000 over

- Requires that $5,000 benefits withheld
- If person was to receive $1,000 monthly, five months withheld
FRA Year Limit: Only if Want to Collect before FRA Month

- $44,880 limit for months before FRA month
  (e.g., if FRA month is June, limit applies from January thru May)

- If limit exceeded, withholding is $1 for every $3 over
Example: Working in FRA Year

$54,680 earned before FRA month

- $44,880 allowable

$10,800 over

- If wants to start before FRA month, $3,600 benefits withheld

- If person was to receive $1,200 monthly, three months withheld
Alternative Monthly Rule; May Only Be Used Once

- Usually, used first year of retirement
- Earnings counted month-to-month

- Monthly limit: yearly $/12
  - prior to FRA year, 
    monthly limit is $1,410 
  - in FRA year, limit $3,740
Example: One-Time *Monthly* Earnings Rule

63 year-old worker
Jan.- August: $7,000 earnings monthly
Total earnings: $56,000
No earnings rest of year
Example: One-Time *Monthly* Earnings Rule

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<th>63 year-old worker</th>
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<td>Jan.- August: $7,000 earnings monthly</td>
</tr>
<tr>
<td>Total earnings: $56,000</td>
</tr>
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<td>No earnings rest of year</td>
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Despite earning $56,000, will receive full benefits for Sept. thru Dec., as monthly earnings *under* $1,410
If There are Non-Pay Months Due to Work Deductions....
If There are Non-Pay Months Due to Work Deductions....

- Benefit recalculated after reaching FRA, increased as of next year

- E.g. … Started at 63, not working;

- by FRA of 66, should get 36 checks

- but, due to deductions, only got 24

- so, after age 66 year ends, benefit percentage refigured, increased from 80% to 86.7%
Just Remember…

• It’s all about the math
  - working at 62+ doesn’t mean can’t get a benefit

• Is 100% best?
  - in FRA year, consider whether taking benefit in January makes financial sense
Family Benefits
Types of Recipients

- Married Spouse
- Divorced Spouse
- Widow, Widower
- Divorced Widow, Widower
- Minor Child
- Disabled Adult Child
Filing for Benefit based on Spouse or Ex-Spouse’s Record

• To file on your spouse’s record, your spouse has to be:
  - receiving retirement (or have filed for retirement), or ...
  - receiving disability, or ...
  - deceased but had worked enough
Benefit Requirements for Married Spouse (Life Case)

- Age 62
- Can be younger if caring for entitled child under 16 or disabled
- Married one year, or be parent of worker’s child
Divorced Spouse (Life Case)

- Minimum Age 62 if no child in care
- Married at least 10 years
- Currently unmarried
Independently Entitled Divorced Spouse (*Life Case*)

- Can receive benefit even though ex hasn’t filed

- **Requirements:**
  - *ex-spouse at least 62*
  - *must be divorced for at least two years*
  - *meet other requirements*
Benefit Amount for Married, Divorced Spouse (*Life Case*)

- **Your age at filing dictates how much you receive as a spouse**
- Receive from 32.5% to 50% of worker’s FRA benefit
- If own retirement higher, may prevent spousal benefit now
Filing Rules for Spouses

- In most cases, you must first file for own retirement; after that, can also file for any additional benefit as a spouse.

- E.g., due $900 on own, $1100 as spouse ... will receive $900 + $200 for total of $1100
Born Before Jan. 2, 1954? You Have Option as Spouse if Filing at FRA+

- Can file for spouse’s benefit only, receive 50% of husband/wife’s full benefit; later, come back, file for own ret., receive 8% yearly increase

- Again - to use this strategy, you must file at/after FRA!
Widow(er)’s Benefit

• Age 60, or younger if caring for entitled child under 16/disabled
• Married 9 months, or be parent of worker’s child
• Single, or remarried at age 60+
• FRA varies slightly from ret.
Widow(er)’s Benefit

• Receives from 71.5% to 100% of deceased’s full benefit, based on filer’s age

• Exception: if deceased took early retirement, benefit limited to that amount
Rule for Widow(er) Benefit
Differs from Spouse Rule

• Unlike spouse rules, widow(er) not required to take own retirement when filing for survivor benefit prior to FRA

• *E.g.* - Mary is widowed at 63; FRA is 66; can take survivor benefit at 63, file for own ret. later
Child’s Benefits

- Receives to age 18
- Extended, if full-time student in elementary/secondary school when turning 18
- Receives if over 18 & disabled
  - disabled before age 22
Categories of Entitled Children

- Biological, adopted child
- Stepchild, based on stepparent‘s work
  - parents married 1 year (life case) or 9 months (death case)
  - one-half support required
- Grandchild, based on grandparent’s work
  - parents deceased/disabled
  - lived with, one-half support for year
Child’s Benefit Percentages

- If parent alive, child receives 50% of parent’s full benefit
- If parent deceased, child receives 75% of parent’s full benefit

Note: Family benefits capped at 150% - 180% of worker’s full benefit; divided in proportion