

Understanding Social Security Benefits

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What we will cover today

- ✓ Social Security: The Basics
- ✓ Strategies to Maximize Benefits



Will Social Security Be There for Me?

Today's
Workers &
Employers

\$ flow through

Today's Beneficiaries:

- Retirees
- Disabled
- Survivors of workers who have died
- Dependents (Children)



Lots of ideas
of ways to “fix”
Social Security



Social Security Basics

- Who is eligible?
- When are you eligible?
- What benefits can you expect?
- How do you apply?



Who is Eligible?

- Earn social security “credits”, earning a maximum of four credits per year
- Fully insured and eligible after 40 credits (10 years)
- Benefit based on top 35 years of income (may include \$0, if no work history)



The summary contained herein have been obtained from sources believed reliable but are not necessarily complete and cannot be guaranteed.
Source: [Update 2021 \(ssa.gov\)](https://www.ssa.gov)

When are You Eligible?

**age
62**

Early retirement – Benefits may start, but checks will be reduced for life. Benefits withheld if you keep working and exceed income limits.



Please seek advice from a tax advisor. Francis Investment Counsel does not give tax or legal advice.



When are You Eligible?

**age
65-67**

Full Retirement Age - depends on your birth year – earnings limits disappear



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Full Retirement Age

Full eligibility for Social Security has gradually increased from age 65 to age 67. Find your birth year below to determine when you are fully eligible for Social Security.

Birth Year	Full Retirement Age
1937 or earlier	Age 65
1938	Age 65 and 2 months
1939	Age 65 and 4 months
1940	Age 65 and 6 months
1941	Age 65 and 8 months
1942	Age 65 and 10 months
1943-1954	Age 66
1955	Age 66 and 2 months
1956	Age 66 and 4 months
1957	Age 66 and 6 months
1958	Age 66 and 8 months
1959	Age 66 and 10 months
1960 and later	Age 67

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When are You Eligible?

**age
70**

Increased benefits if you wait beyond FRA end.



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Let's Meet Tom Fuller

Full Ret Age = 66
Monthly benefit at 62 = \$645
Monthly benefit at 66 = \$900
Monthly benefit at 70 = \$1,224



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Who is Eligible for Social Security?

- You qualify for your own benefit OR $\frac{1}{2}$ of spouse's – whichever is higher



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Let's Meet Tom's Spouse Sheila

Full Ret Age = 66
 Monthly benefit at 62 = \$1,576
 Monthly benefit at 66 = \$2,200
 Monthly benefit at 70 = \$2,993



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Meet the Fullers

Monthly benefit if they each claim on their own record:

Tom:	\$900
Sheila:	\$2,200
TOTAL:	\$3,100

Monthly benefit if Tom claims as spouse:

Tom:	\$1,100
Sheila:	\$2,200
TOTAL:	\$3,300



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Who is Eligible for Social Security?

- Children qualify too if you collect, and they are under age 18 or up to 19 if still in high school



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Let's Meet Their Child Sienna

Qualifies for benefit of $\frac{1}{2}$ of worker's full retirement age (FRA) benefit

Monthly benefit = \$1,100 (until she's 18 or out of high school)



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Who is Eligible for Social Security?

- Divorced spouses age 62 or older qualify as “spouse” if marriage lasted 10 years or longer (and they aren’t remarried)



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Meet Sheila’s Ex Frank

- Marriage lasted 11 years
- Full Ret Age = 66
- Monthly Benefit = \$800
- Unmarried

Qualifies for benefit of ½ of worker’s full retirement age (FRA) benefit



Monthly benefits:

Worker: \$800

Ex-Spouse: \$1,100



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Two Things to Think About



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If You Collect Social Security “Early” and Continue to Work

2021 Retirement Earnings Limits

Under FRA \$1 of benefits withheld for every \$2 in earnings above the limit	\$18,960/year
Year Individual reaches FRA \$1 of benefits withheld for every \$3 in earnings above the limit for months prior to attaining FRA	\$50,520/year
Month individual reaches FRA and beyond Reduction no longer applies	Unlimited



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Your Benefit Becomes Taxable as Your Income Rises

Filing Status	Provisional Income = earnings (pensions, pre-tax 401(k) withdrawals, dividends, taxable interest from investments) + interest on tax-exempt bonds + 50% of SS benefit	Amount of SS subject to tax
Single Or Head of Household	Under \$25,000	0
	\$25,000 - \$34,000	50%
	Over \$34,000	85%
Married, Filing Jointly	Under \$32,000	0
	\$32,000 - \$44,000	50%
	Over \$44,000	85%



The summary contained herein have been obtained from sources believed reliable but are not necessarily complete and cannot be guaranteed. Source: www.socialsecurity.gov/planners/taxes.html

Roth distributions don't count as income!

Find Out Your Benefits

The screenshot shows the Social Security website homepage. At the top, there is a navigation bar with links for Accessibility, Español, Contact Us, FAQs, and Sign In. Below this is a search bar and a main menu with categories like Home, Numbers & Cards, Benefits, Information for..., Business & Government, and Our Agency. The main content area features a large banner for the Social Security Statement, followed by a row of service tiles. Two of these tiles are circled in red: 'my Social Security' (with a lock icon) and 'Retirement Estimator' (with a calculator icon).

What we will cover today

- ✓ Social Security: The Basics
- ✓ Strategies to Maximize Benefits



To really know which strategy is best, you would need to know...

When you will pass away...

Strategies to Maximize Social Security Benefits

- Delay taking benefits



It May Pay to Wait

Age Sample Monthly Benefit

62 **\$1,500**

66 **\$1,656**

74 **\$2,017**

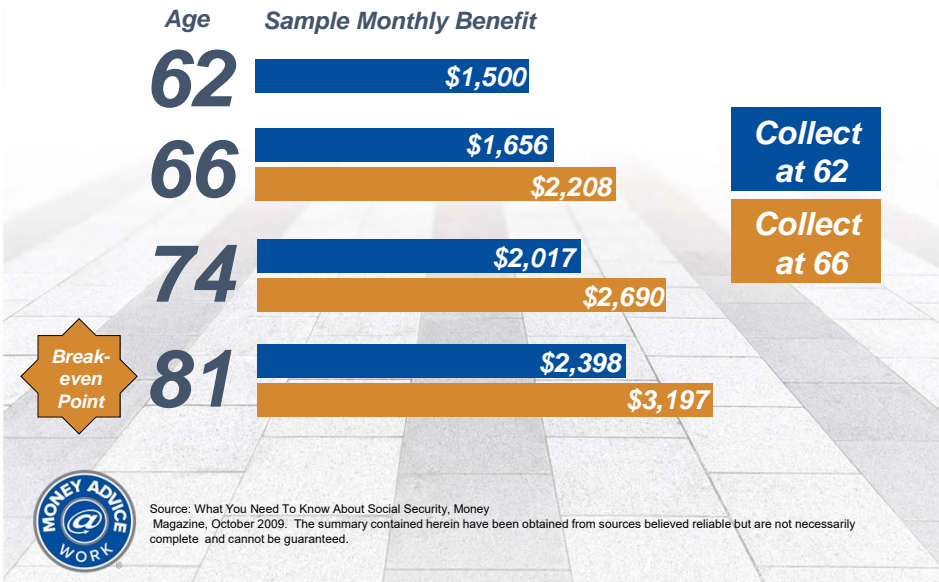
81 **\$2,398**

**Collect
at 62**



Source: What You Need To Know About Social Security, Money Magazine, October 2009. The summary contained herein have been obtained from sources believed reliable but are not necessarily complete and cannot be guaranteed.

It May Pay to Wait



Source: What You Need To Know About Social Security, Money Magazine, October 2009. The summary contained herein have been obtained from sources believed reliable but are not necessarily complete and cannot be guaranteed.

How do I decide?

Age	Year	62	63	64	65	66	67	68	69	70
62		\$ 12,600.00								
63		\$ 25,389.00	\$13,702.50							

	62	63	64	65	66	67	68	69	70
62		77	76	77	77	78	78	79	80
63			75	77	77	78	79	79	80
64				78	79	79	79	80	81
65					79	79	80	81	82
66						79	80	81	82
67							81	82	83
68								83	84
69									85
70									

76	\$ 217,224.00	\$ 222,323.00	\$ 223,044.00	\$ 231,040.17	\$ 234,921.43	\$ 237,032.88	\$ 237,010.59	\$ 234,804.03	\$ 229,307.03
79	\$ 230,013.00	\$ 236,231.10	\$ 240,701.77	\$ 248,209.81	\$ 253,019.34	\$ 255,574.86	\$ 258,585.77	\$ 258,385.21	\$ 254,827.49
80	\$ 242,802.00	\$ 250,139.14	\$ 255,759.54	\$ 264,773.45	\$ 271,111.25	\$ 275,256.84	\$ 280,161.16	\$ 281,906.38	\$ 280,347.96
81	\$ 255,591.00	\$ 264,047.18	\$ 270,817.31	\$ 281,337.09	\$ 289,203.15	\$ 294,938.81	\$ 301,736.54	\$ 305,427.54	\$ 305,868.42

Benefits reduction information from https://www.ssa.gov/oact/ProgData/ar_drc.html

Accumulated benefits spreadsheet: Francis Investment Counsel.

Breakeven Points table from <https://figuide.com/break-even-points-for-social-security-filing-ages.html>

Strategies to Maximize Social Security Benefits

- Delay taking benefits
- Coordinate spousal benefits



Ground Rules on Spousal Benefits

- Can't collect a spousal benefit until worker files for own benefit (unless divorced)
- Spousal benefit reduced if spouse collects before FRA but won't increase if delayed past FRA



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Have One Spouse Wait to Collect

Have One Spouse Wait to Collect

Tom

Full Ret Age = 66

Monthly benefit at 62 = \$645

Monthly benefit at 66 = \$900

Monthly benefit at 70 = \$1,224

Sheila

Full Ret Age = 66

Monthly benefit at 62 = \$1,576

Monthly benefit at 66 = \$2,200

Monthly benefit at 70 = \$2,993



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Have One Spouse Wait to Collect

Tom

Full Ret Age = 66

Monthly benefit at 62 = ~~\$675~~

Monthly benefit at 66 = \$900

Monthly benefit at 70 = \$1,224

New Spousal Benefit = \$1,100

Sheila

Full Ret Age = 66

Monthly benefit at 62 = \$1,576

Monthly benefit at 66 = \$2,200

Monthly benefit at 70 = ~~\$2,993~~

**When Sheila
collects Tom
switches to his
spousal benefit**



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Collecting Survivor Benefits

- Surviving spouses can collect on deceased worker's record if married for at least nine months
- Survivor receives 100% of full benefit at FRA, they can collect a reduced benefit as early as age 60



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Survivor Benefits

Tom

Full Ret Age = 66

Monthly benefit at 62 = \$645

Monthly benefit at 66 = \$900

Monthly benefit at 70 = \$1,224

**Higher Benefit
Survives the
First Death**

Sheila

Full Ret Age = 66

Monthly benefit at 62 = \$1,576

Monthly benefit at 66 = \$2,200

Monthly benefit at 70 = \$2,993



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Collecting Survivor Benefits

- Divorced spouse can claim survivor benefit if marriage lasted 10 years
- If entitled to both individual and survivor benefits, can begin to collect one, then switch to the other at a later date



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Source: www.ssa.gov/pubs/EN-05-10035.pdf

Collecting Survivor Benefits

Monthly benefits if
Sheila lives:

Ex-Spouse: \$1,100

Monthly benefits at
Sheila's passing:

Ex-Spouse: \$2,200



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File and Suspend: No Longer Allowed

**Can still do this
IF
you have reached
FRA before
April 30, 2016**

- Higher wage earner applies at FRA then suspends
- Lower wage earner THEN can start on the spousal benefit
- Allows higher wage earner's benefit to grow
- NOW – no longer allowed!



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Restricted Application: No Longer Allowed

**Can still do this
IF
you were born
before 1954**

- At FRA, wage earner restricts their benefit to only spousal benefit... then switches over to own later
- NOW – when you file, you get the higher of the two



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Apply Online/Phone

www.ssa.gov/800-772-1213

- 4 months in advance of when you wish to start benefits
- 3 months if you wish to apply for SSA and Medicare



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Learn More

Visit www.ssa.gov,
or call 800-722-1213

Or visit a local office



SOCIAL SECURITY

Understanding Social Security Benefits

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If you are planning to attend another meeting, please watch for a new link coming!