



# Social Security and Medicare

## Personal Financial Planning regardless of age or assets.



Sound Financial Solutions, Inc.

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## Social Security

### Full Retirement Age

If you were born before July 2, 1957, you are eligible for full Social Security benefits in 2023. The following chart will guide you in determining your full retirement age.

| Year of Birth | Full Retirement Age | Year of Birth | Full Retirement Age |
|---------------|---------------------|---------------|---------------------|
| 1943 – 1954   | 66                  | 1958          | 66 and 8 months     |
| 1955          | 66 and 2 months     | 1959          | 66 and 10 months    |
| 1956          | 66 and 4 months     | 1960 or later | 67                  |
| 1957          | 66 and 6 months     |               |                     |

### Delayed Retirement

If you choose to delay receiving benefits beyond your full retirement age, your benefits will be increased by a certain percentage, depending on the year you were born. The increase will be added in automatically from the time you reach full retirement age until you start taking benefits or reach age 70, whichever comes first.

**Note:** Even if you delay receiving Social Security, you should still apply for Medicare benefits three months before your 65th birthday. If you wait longer, your Medicare insurance (Part B) and prescription drug coverage (Part D) may cost you more money.

### Early Retirement

You may start receiving benefits as early as age 62. However, if you start your benefits early, your benefits are reduced approximately one-half of 1% for each month you start your Social Security before your full retirement age.

### Qualifying for Social Security Benefits

You qualify for Social Security benefits by earning Social Security credits when you work in a job and pay Social Security taxes. The credits are based on the amount of your

earnings. Your work history is used to determine your eligibility for retirement or disability benefits or your family's eligibility for survivor's benefits when you die.

In 2023, you receive one credit for each \$1,640 of earnings, up to the maximum of four credits per year. Each year the amount of earnings needed for credits goes up slightly as average earnings levels increase.

The number of credits you need to be eligible for benefits depends on your age and the type of benefit.

### Retirement Benefits

Anyone born in 1929 or later needs 10 years of work (40 credits) to be eligible for retirement benefits. People born before 1929 need fewer years of work.

### Disability Benefits

To qualify for disability benefits, you must meet two earnings tests. (1) Recent work test, and (2) duration of work test.

**Recent work test.** You must have worked a certain number of quarters in the most recent years before disability.

| Age Disabled | Length of Years Worked   |
|--------------|--|
| Before 24    | Six quarters during the three prior years.                             |
| 24 to 30     | Credits for half of the time between age 21 and the time of disability |
| After 30     | 20 credits in the 10 years immediately before becoming disabled        |

**Duration of work test.** You must have worked a certain number of years during your lifetime.

### Survivor's Benefits

When a person who has worked and paid Social Security taxes dies, certain members of the family may be eligible for survivor's benefits. Up to 10 years of work is needed to be eligible for benefits, depending on the person's age at the



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time of death. Survivors of very young workers may be eligible if the deceased worker was employed for 1½ years during the three years before his or her death.

### Social Security Facts

- Social Security is the major source of income for most elderly individuals. Nearly nine out of 10 individuals age 65 and older receive Social Security benefits.
- An estimated 182 million workers are covered under Social Security.
- In 1940, the life expectancy of a 65-year-old was almost 14 years. Today it is about 20 years.
- By 2035, the number of Americans 65 and older will increase from approximately 58 million today to over 76 million.
- There are currently 2.8 workers for each Social Security beneficiary. By 2035, there will be 2.3 workers for each beneficiary.

## Medicare

Medicare is our country's health insurance program for people age 65 or older, people under age 65 with certain disabilities, or people of any age with a qualifying medical condition, such as end-stage renal disease (ESRD) or amyotrophic lateral sclerosis (ALS).

Medicare helps with the cost of health care, but it does not cover all medical expenses or the cost of most long-term care. Medicare is financed by a portion of the payroll taxes paid by workers and their employers. It also is financed in part by monthly premiums deducted from Social Security checks.

### Medicare Has Four Parts

Parts A, B, C, and D of Medicare help cover specific services.

- **Medicare Part A (Hospital Insurance).** Hospital stays, skilled nursing facility care, home health care services, and hospice care.
- **Medicare Part B (Medical Insurance).** Medical and other services, clinical laboratory services, home health care services, outpatient hospital services, and preventive services.
- **Medicare Part C (Medicare Advantage Plans).** Medicare Advantage Plans (like an HMO or PPO) are a way to

get your Medicare coverage through private companies approved by, and under contract with, Medicare. These plans include Part A, Part B, and usually other coverage like prescription drugs (Part D).

- **Medicare Part D (Medicare Prescription Drug Coverage).** In general, Medicare offers prescription drug coverage (Part D) to everyone with Medicare. This coverage is offered by private companies approved by, and under contract with, Medicare.

### Medicare Part B Premiums

If you are eligible for Medicare Part A, you can enroll in Medicare Part B by paying a monthly premium. If your income increases above certain levels, your Part B premiums will also increase. For retirees, one possible reason for a large increase in income is capital gains income from the sale of investments or their personal residence. Income used to determine the 2023 Medicare Part B premium is taken from your 2021 tax return. If your income has decreased since 2021, you can contact Social Security and ask for a redetermination.

#### 2023 Medicare Part B Monthly Premiums

| <i>Modified AGI for Single, HOH, QSS</i> | <i>Modified AGI for MFJ</i> | <i>Monthly Premium for Each Person</i> |
|--|-----------------------------|--|
| Up to \$97,000                           | Up to \$194,000             | \$164.90                               |
| \$97,001 to \$123,000                    | \$194,001 to \$246,000      | \$230.80                               |
| \$123,001 to \$153,000                   | \$246,001 to \$306,000      | \$329.70                               |
| \$153,001 to \$183,000                   | \$306,001 to \$366,000      | \$428.60                               |
| \$183,001 to \$499,999                   | \$366,001 to \$749,999      | \$527.50                               |
| Over \$499,999                           | Over \$749,999              | \$560.50                               |
| <i>Modified AGI for MFS</i>              |                             | <i>Monthly Premium for Each Person</i> |
| Up to \$97,000                           |                             | \$164.90                               |
| \$97,001 to \$402,999                    |                             | \$527.50                               |
| Over \$402,999                           |                             | \$560.50                               |

**Note:** Modified AGI is AGI plus tax-exempt interest.

In addition to the income-related increase in Part B premiums, there is an income-related increase in Part D premiums.

## Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 73.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

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