**Social Security Information**

**Annual Earnings Test -- If You Claim Before Full Retirement Age**

* Consider if you are working and want to claim Social Security between ages 62 and your Full Retirement Age (**FRA**).
* $1 in benefits will be withheld for every $2 you earn if you make over $18,240 in 2020.
  + Note: All money withheld is added back into your Social Security account.
* If you are working full time you should consider not to claim.
* Your benefit will be adjusted upward at full retirement age.
* To avoid the earnings test reduction, wait until full retirement age or later to apply for your benefits.

**Considerations to Claiming Early**

* You need income now?
* You are not going to live a long life?
* Your current health is questionable?
* Your immediate family’s health is not good.
* Do you really know your breakeven age/point?
* Being fully informed.

**Social Security Survivor Benefits - Example:**

* Dave and Amy are married. Both are over Full Retirement Age.
* Dave’s benefit is $2000, Amy’s benefit is $1,200.
* Dave unfortunately dies.
* Amy notifies Social Security (*not automatic*) and her $1,200 benefit is replaced by Dave’s $2,000 survivor benefit.
* Survivor benefit is not available if widow(er) remarries before the age of 60.
* Take survivor benefit at age 60 or later and if you haven’t elected…. let yours grow… then turn it on later…or visa-versa.
* Also, survivor benefits can be taken at age 60 and turned off at age 70, to allow a survivor to start taking their own social security benefit amount.

**Divorced Spouse Benefits**

* **Same as being married if….**
* Married lasted 10 years or more
* Spouse receiving divorced-spouse benefit is currently unmarried.
* The ex-spouse is at least age 62 (can be remarried)
* Don’t forget about divorced survivor benefits-just like a married spouse widow’s benefit.

**Applying for Benefits *After* Full Retirement Age**

You will earn 8% annual Delayed Retirement Credits

|  |  |  |
| --- | --- | --- |
| **Apply at Age** | **Benefit Will Be % of PIA if FRA = 66** | **Benefit Will Be % of PIA if FRA = 67** |
| 66 | 100% | 93.3% |
| 67 | 108% | 100% |
| 68 | 116% | 108% |
| 69 | 124% | 116% |
| 70 | 132% | 14% |

**Applying for Benefits *Before* Full Retirement Age**

If you take early, your benefit will be reduced

|  |  |  |
| --- | --- | --- |
| **Apply At Age** | **If FRA = 66** | **If FRA =67** |
| 62 | 75.0% | 70% |
| 63 | 80.0% | 75% |
| 64 | 86.7% | 80% |
| 65 | 93.3% | 86.7% |
| 66 | 100% | 93.3% |
| 67 |  | 100% |

**Full Retirement Age (FRA)**

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

**Solvency for Social Security**

**How to Shore Up Social Security:**

* Increase the Full Retirement Age (now 66-67)
* Increase the maximum age (70) when you must start collecting
* Raise the maximum earnings cap that is subject to Social Security tax ($137,700 in 2020)
* Tax all benefits…Currently 15% of all Social Security benefits are not taxed…on no matter what your income is
* Increase Payroll Taxes. Currently you pay 6.2% and your employer pays 6.2% - 12.4% Total
* Reduce/eliminate COLAs
* Means testing

**Social Security – A Still Down Memory Lane….**

* Social Security Act signed August 14, 1935 by FDR
* 1940 first benefit check issued – Ida Mae Fuller for $22.54
* Age 65 was the only date you could start taking social security
* Average age of longevity in 1935 was 62
* In 1961 early retirement age lowered to 62- reduced benefit
* 1975 automatic annual COLAs
* 1983 first taxation up to 85% - Bill Clinton
* Bi-Partisan Budget Act of 2015 – Phase out of File & Suspend-Restricted Application

**Reducing Taxation on Social Security Benefits**

* Use tax advantaged strategies that defer taxation (not municipal bonds)
* IRA Requirement Minimum Distributions, could put you in a higher tax bracket and put Social Security in a taxation situation
* Convert your Traditional IRAs to Roth IRAs
* Delay Social Security: Reduces number of years benefits are subject to tax
* Maximizing your Social Security Benefits if you lose your spouse

|  |  |  |
| --- | --- | --- |
| **How Social Security is Taxed** | | |
| **Filing Status** | **Provisional Income** | **Amount of Social Security Subject to Tax** |
|  |  |  |
| Married Filing Jointly | Under $ 32,000  $32,000 - $44,000  Over $44,000 | O  Up to 50%  UP to 85% |
| Single, head of household,  Qualifying Widow(er), married filing separately & living apart from spouse | Under $25,000  $25,000 - $34,000  Over $34,000 | 0  Up to 50%  Up to 85% |
| Married filing separately and living with spouse | Over 0 | 85% |

\*Provisional Income = AGI + one-half of SS benefit + muni bond interest

You will be taxed on up to 50 percent of your benefits if your income is $25,000 to $34,000 for an individual or $32,000 to $44,000 for a married couple filing jointly, up to 85 percent of your benefits if you income is more than $34,000 (individual) or $44,000 (couple).

You will be taxed on up to 50 percent of your benefits if your income is $25,000 to $34,000 for an individual or $32,000 to $44,000 for a married couple filing jointly, up to 85 percent of your income if you’re married and file a joint tax return, then a combined income between $32,000 and $44,000 puts you in a 50% taxable range and Income over $44,000 means that up to 85% of your benefits are taxable. If you’re married and file separately, up to 85% of your benefits can be taxed, regardless of your income.

Maryland is moderately tax-friendly toward retirees. Social Security income is not taxed. Withdrawals from retirement accounts are partially taxed. Wages are taxed at normal rates and your marginal rate is 5.90%

**AARP Pointed out the Additional Facts To Be Aware of To its Readers:**

* The earliest a person can start receiving Social Security retirement benefits is at age 62.
* The earliest you can apply is age 61 and nine months and you can expect to receive your first payment four months late - - the month after your birthday.
* Currently, the full benefit age is 66 years and 2 months for people born in 1955, and it will gradually rise to 67 for those born in 1960 or later.
* Early retirement benefits will continue to be available at age 62, but they will be reduced more.
* If you start receiving retirement benefits at: age 62, you will get 73.3 percent of the monthly benefit because you will be getting benefits for an additional 52 months.
* Thus, if your full retirement age benefit is $1,000 and you claim at age 62, you'll receive $733 per month in Social Security income.
* At age 65, you will get 91.1 percent of the monthly benefit because you will be getting benefits for an additional 16 months.
* Social Security benefits are based on your highest 35 years of earnings.
* If you have fewer than 35 years of earnings, the years in which you don't work will be counted as zeroes in the calculations.

**Social Security Benefits Calculator:** <https://www.ssa.gov/OACT/quickcalc/>