Social Security

Presented by Peggy L Farnworth, CPA, CFP.

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Your Social Security benefit is determined by your work history

Earn up to four credits per year

2021: $1,470 per work credit

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HIGH INCOME EARNERS

- 20% of average income
- 2021 average benefit $1,543

LOW INCOME EARNERS

- 50% of average income
- There is no minimum benefit

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When Can you claim your benefit?

- 1943-1954 is 66 years
- 1955-1959 add two months for each year over 54
- 1960 is 67 years

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Claim Early or Claim Late

Retirement Age	Percent of PIA
62	75
63	80
64	86 2/3
65	93 1/3
66	100
67	108
68	116
69	124
70	132

Source: SSA.gov – Chart for people born between 1943 and 1954

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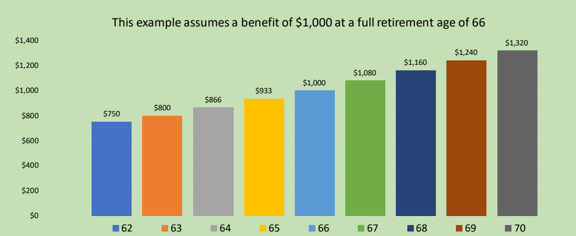

MONTHLY BENEFIT AMOUNTS DIFFER BASED ON THE AGE YOU DECIDE TO START TO RECEIVE BENEFITS.

Source: www.socialsecurity.gov

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Which should you choose?
It depends…

- On your current health
- Current cash needs
- Family longevity
- Other sources of income and assets
- If you plan to continue to work

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BREAK EVEN

- If you claim early:
- Occurs between 75 and 76, depending on when you were born

- If you delay your benefit:
- Occurs at about age 79

www.ssa.gov Will show you when to start receiving retirement benefits.

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Remember…

If the reduction is permanent
OR
The gain is permanent

Give careful consideration to this decision

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Can I use my spouse's benefit?

When applying for benefits "deemed" to have applied for all available benefits

Paid the larger of the 2 benefits.

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No longer my spouse:

DIVORCED:

Married 10 years and divorced 2 years spousal rules apply

WIDOWED:

Widow benefits at age 60 (defer your own benefits)

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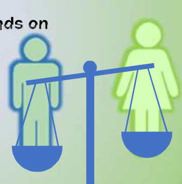
Planning for the Survivor is Critical!

- Survivor generally receives higher of his or her own benefit or the benefit of the deceased
- 80% of women survive their husbands on average for 14 years(2)
- 98% of Widow benefit recipients are women(1)



(1) http://www.socialsecurity.gov/policy/docs/ssb/v70n3/v70n3p89.html
(2) http://www.marketwatch.com/story/ten-ways-husbands-can-help-their-wives-survive-widowhood

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Can I work and claim my Social Security benefit?

If you aren't at FRA (66-67), your earnings are capped at

$ 1,580 a month
$18,960 annual

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Can I work and claim my Social Security benefit?

- Working before FRA, your benefits will be reduced if you exceed the earning limits
- Social security benefits are decreased by $1 for every $2 in any month you earn over the limit

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Benefits are Taxed Differently

Provisional Income			
50% of Social Security Benefit	Ordinary Income	Dividends and Capital Gains	Non-Taxable Interest

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Benefits Tax Thresholds

- $25,000 (50%)
- $34,000 (85%)

- $32,000 (50%)
- $44,000 (85%)

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Tax Examples

$40,000 Social Security with $20,000 IRA Withdrawal = $40,000 Provisional Income

$40,000-$32,000 = $8,000 $8,000 * .5 = $4,000	$0 over Second Threshold	Total Taxable Benefit = $4,000 (10%)

$20,000 Social Security with $40,000 IRA Withdrawal = $50,000 Provisional Income

$50,000-$32,000 = $18,000 $18,000 * .5 = $9,000	$50,000-$44,000=$6,000 $6,000 * .35 = $2,100	Total Taxable Benefit = $11,100 (55%)

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Likely Changes to the System

- "Earnings Cap": Currently $142,800
- Full Retirement Age: Currently gradually increasing to 67
- Payroll Tax: Currently 12.4%, would need to increase by 2.83%[1]

<u>None of these changes would impact the benefits of people who are currently near retirement.</u>

- One that will Impact Benefits – Chained CPI

Source: www.ssa.gov/OACT/tr/2014/tr2014.pdf

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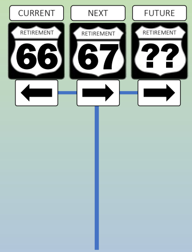

Questions?

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We are here to assist you with your retirement planning.

Peggy L. Farnworth, CPA, CFP, CSA

208-343-7777
Peggy@BoiseRetirementCoach.com

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