



# **ADVANCED SOCIAL SECURITY PLANNING TO FORTIFY YOUR WELL- BEING GOALS**

**A WEBINAR FOR EMPLOYEES FROM YOUR  
EMPLOYEE ASSISTANCE PROGRAM**

July 12, 2023

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# OBJECTIVES

- Understand how Social Security (SS) is funded, calculated, and who qualifies
- Uncover timing strategies of when to claim your SS benefit
- Discover how to use SS for survivor benefit planning and special circumstances
- Understand SS offsets and taxation
- Reveal considerations to maximize your financial plan

SECTION 1

# SOCIAL SECURITY ESSENTIALS

# HOW IT'S FUNDED

Old-Age, Survivors, and Disability Insurance (OASDI)

Federal Insurance Contributions Act (FICA) taxes

- You and your employer each pay 6.2% SS tax
- Self-employment taxes

Social Security wage gap

- SS FICA tax is eliminated after earnings of \$160,200

# HOW IT'S CALCULATED AND WHO QUALIFIES

## Determining the Amount

- Benefit amount is calculated using a formula based on your lifetime earnings, adjusted for inflation
  - The formula applies to your **highest 35 years** of earnings
  - Establishes your Primary Insurance Amount (PIA) at Full Retirement Age (FRA)

## Determining Eligibility

- You must have worked at least 40 quarters of covered employment
  - Covered employment means:
    - You (if self-employed) or your employer pays FICA taxes
    - You earn income from self-employment or as an employee of a public, private, or governmental institution
  - As of 2021, a quarter is considered three calendar months with earnings of at least \$1,470

# CLAIMING AGES

Full Retirement Age	% of Primary Insurance Amount
62	75%
63	80%
64	86.66%
65	93.33%
66*	100%
67	108%
68	116%
69	124%
70	132%

**Note:** FRA isn't when you **must** retire; it's when you are **eligible** to receive 100% of your calculated benefit.

- Eligible to start claiming as early as age 62
  - Benefit amount will be reduced to 75%
- Delayed retirement credits
  - Each month you delay, your benefit amount increases until you reach FRA
    - \*FRA is 66 if born between 1943 and 1954, between 66 and 67 if born after 1954, and 67 if born 1960 or later
  - Once FRA is obtained, your benefit grows by 8% per year until age 70
- At age 70, benefits no longer increase
- Claiming your benefit before FRA **permanently reduces all future benefit amounts**, including spousal benefits

You can view your benefit amount and find other helpful information at [SSA.gov](https://www.ssa.gov)

Create your [account today!](#)

SECTION 2

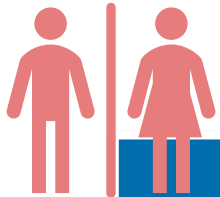
# **SURVIVOR BENEFITS AND SPECIAL CIRCUMSTANCES**



# SURVIVOR BENEFITS

- If one spouse dies, the other receives the higher of:
  - Their own benefit
  - The deceased spouse's benefit as of their claiming age and/or date of death if not claimed as of FRA
- The surviving spouse can decide to take either their own benefit OR the survivor benefit, without affecting either (i.e., take the lower survivor benefit and delay their own until age 70)
- The surviving spouse can take the survivor's benefit as early as age 60
  - Any benefit taken prior to FRA permanently reduces the survivor's benefit

# SPECIAL CIRCUMSTANCES



## Divorce

If you were married at least 10 years and divorced two, all the same rules apply as if you were still married

- If you are divorced, you **do not** need to wait to claim half the spousal benefit until your spouse claims



## Restricted Application

If you were born prior to January 2, 1954, you have the option to use the restricted application process

- Allows you to receive your spousal benefit only, letting your personal benefit to grow until age 70
- Spouse must be collecting in order to use this strategy

# SPECIAL CIRCUMSTANCES



## Disability

If you become disabled prior to FRA, you can receive your calculated benefit at FRA upon the date of disability

- May be less than your current estimate, as estimated earned income will be reduced



## Dependents

If you receive SS and have minor children (<18 unless permanently disabled), each dependent is eligible for up to 50% of your benefit, subject to a family maximum, at the same time you are receiving your benefit



## Claiming Early

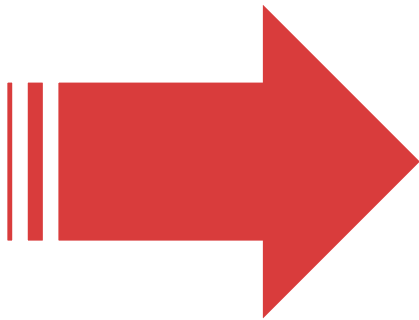
If you claim prior to FRA and have earned income (from a job, not pensions, capital gains, retirement distributions, interest, or dividends), your benefit will be reduced until you reach FRA

- If earned income is over \$18,240, benefits will be reduced by \$1.00 for every \$2.00 above the limit

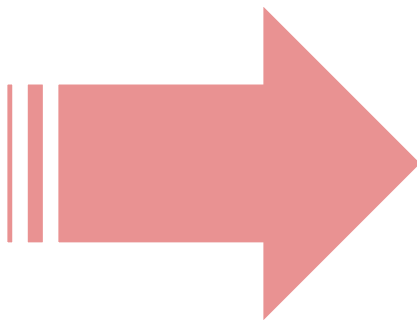
SECTION 3

# LAWS AND TAXES

# WINDFALL ELIMINATION PROTECTION (WEP) ACT



If you have at least 40 quarters of working history, but also worked for an organization from which you received a pension **and** you did not pay Social Security tax (6.2% FICA) while working there, you are subject to the WEP

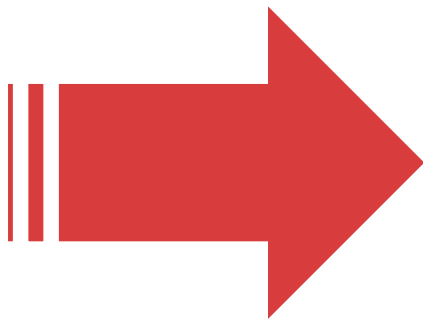


Your Social Security benefit will be reduced by up to \$557, depending on the number of years of service in which you paid into Social Security

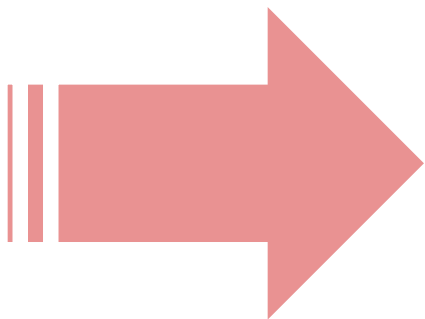
**Chart located at:**

[ssa.gov/planners/retire/wep-chart.html](https://ssa.gov/planners/retire/wep-chart.html)

# GOVERNMENT PENSION OFFSET (GPO)



If you received a pension and did not pay Social Security tax for the job associated with the pension, you may be subject to the GPO



## **Affects Survivor Benefit only**

- Reduces the benefit by 2/3 of any pension you receive from a job in which you did not pay Social Security tax

**Example:** If your survivor benefit is \$100 and your pension is \$100, your survivor benefit will be reduced to \$33

# TAXES

Taxability depends on how much **other income** is shown on your 1040

Filing Status	Provisional Income	% of Taxable Social Security Benefits
<b>Single</b>	Under \$25,000	0%
	\$25,000 – \$34,000	50%
	Over \$34,000	85%
<b>Married</b> (filing jointly)	Under \$32,000	0%
	\$32,000 – \$44,000	50%
	Over \$44,000	85%

- Provisional income is essentially all income (including tax-free interest earned, pensions, and retirement distributions, interest, capital gains, and dividend income), but **not Roth (unless it is a TSP distribution)**

# SUMMARY

Since we don't know how long we'll live, it's important to consider several factors, specifically whether:

- Your long-term tax plan lines up with your claiming strategy
- There is significant difference in your spouse's earnings or age
- You are divorced and/or have minor children
- Restricted application applies
- Your pension integrates if you retire early



## **Remember:**

Social Security is just one piece of the puzzle as you plan for retirement, but it's a crucial piece



# RESOURCES

## Websites

- Social Security Administration
  - [ssa.gov](https://ssa.gov)
- AARP
  - [aarp.org/retirement/social-security](https://aarp.org/retirement/social-security)
- Investopedia
  - [investopedia.com/social-security-4427727](https://investopedia.com/social-security-4427727)
- The Institute for Financial Education
  - [ifeonline.org](https://ifeonline.org) | [ifeonline.org/foh](https://ifeonline.org/foh)
- USA.Gov
  - [usa.gov/retirement](https://usa.gov/retirement)

## Podcast

- For Your Benefit
  - Weekly episodes, Mondays at 10:00am ET
  - [federalnewsnetwork.com/category/federal-insights/for-your-benefit](https://federalnewsnetwork.com/category/federal-insights/for-your-benefit)

## Book

- *Social Security Handbook 2023*
  - Social Security Administration

## Article

- *Budget Basics: How Does Social Security Work?*
  - [pgpf.org/budget-basics/how-does-social-security-work](https://pgpf.org/budget-basics/how-does-social-security-work)

# THANK YOU



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Date:

