Social Security Insecurity
Do you know your optimal claiming age?
Presented By
Martha Shedden
Registered Social Security Analyst
For the
American Association of Individual Investors
Puget Sound Chapter

1

RSSA
Registered Social Security Analysts
Optimize Your Social Security Income
Martha Shedden, Registered Social Security Analyst

2

Optimize Your Social Security Income
Martha Shedden
Registered Social Security Analyst, RSSA
Chartered Retirement Planning Counselor, CRPC
President and Co-Founder of the
National Association of Registered Social Security Analysts, NARSSA
martha@narssa.org www.narssa.org
RSSA
Professional Education Courses
Approved by:
IRS NASBA CFP

3

Social Security is an Important Program

It provides the majority of retirement income for many retirees

- Average person receives $300,000 to $400,000
- Some couples will receive $2,000,000

4

4

Social Security Can Be Confusing

When should I claim?

Can I get benefits from my ex?

Is Social Security going bankrupt?

What if I'm self-employed?

Can my children get benefits?

When should my spouse claim?

What about dependents with disabilities?

How will my pension impact me?

RSSA

5

Social Security Knowledge is Needed

"Americans are woefully under-educated about Social Security"

—AARP

- The Social Security Administration is the main source of information.
- The SSA is not allowed by law to provide advice.
- Information provided by the SSA is often inaccurate.

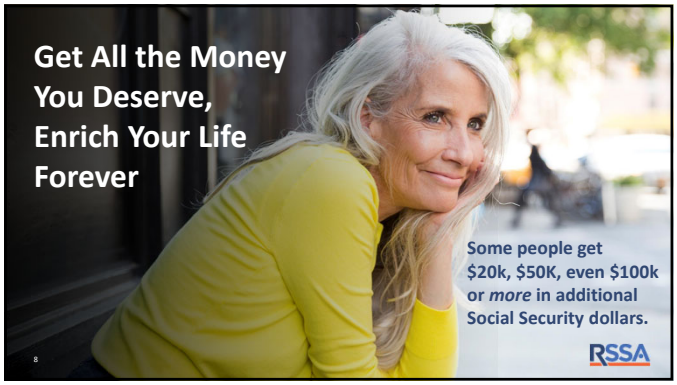
RSSA

6

6

Most People Don't Optimize Their Social Security
You have one chance to get it right.
96%
of people get less than they should
$110K
lost by average American household
RSSA

7


Get All the Money You Deserve, Enrich Your Life Forever
Some people get $20k, $50K, even $100k or more in additional Social Security dollars.
RSSA

8

Social Security Overview
Full Retirement Age
Types of Benefits
Qualifying for & Calculating Benefits
Reductions and Credits
Life Expectancy
Working While Collecting
Non-Covered Pension Rules
Case Examples
Taxation of Social Security Income
The Future of Social Security
RSSA

9

Social Security Terms & Abbreviations

FRA	Full Retirement Age
QC	Quarter of Coverage or Credit
PIA	Primary Insurance Amount
AIME	Average Indexed Monthly Earnings
COLA	Cost of Living Adjustment
WEP	Windfall Elimination Provision
GPO	Government Pension Offset
LE	Life Expectancy

Primary & Secondary Wage Earners

10

RSSA

10

Your Full Retirement Age

Birth Year*	Full Retirement Age
1943-54	66
1955	66, 2 months
1956	66, 4 months
1957	66, 6 months
1958	66, 8 months
1959	66, 10 months
1960 & higher	67

*If your birthday is January 1, refer to the previous year.
If your birthday is on the 1st, assume you were born the prior month.

11

RSSA

11

Types of Benefits

OASI Trust Fund Benefits

1. **Retired Workers:** 62+, 40 QC, PIA at FRA
2. **Dependents:** Spouse, ex-spouse, children
3. **Survivors:** Widow(er), children, parents

DI Trust Fund Benefits

4. **Disability:** Worker, spouse, children

12

RSSA

12

Calculating Retirement Benefits

Based on your highest 35 years of 'indexed' earnings

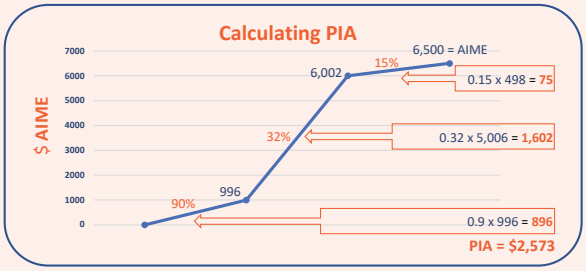
- Qualify with 40 Credits, Quarters of Coverage
- 2021 credit = $1,470
- Maximum taxable earnings $142,800
  - Social Security Payroll Tax = 6.2%
  - Medicare Payroll Tax = 1.45%
- SSA formulas used to calculate AIME…
- Then PIA, monthly amount received at FRA

13

RSSA

13

Calculating Retirement Benefits



The amounts **$996** and **$6,002** are the 2021 'bend points', subject to change by the SSA, usually annually.

14

RSSA

14

Social Security Reductions & Credits

Claiming Age	Monthly Benefits	% of PIA	
62	$1,725	75	Benefit is Reduced
63	$1,840	80	
64	$2,001	87	
65	$2,139	93	
FRA = 66	**$2,300***	**100**	**PIA Amount**
67	$2,484	108	Benefit is Increased
68	$2,668	116	
69	$2,852	124	
70	$3,036	132	

*This FRA benefit represents a worker with earnings resulting in a PIA approximately midway between the average ($1,543) and maximum ($3,113) amounts for 2021.

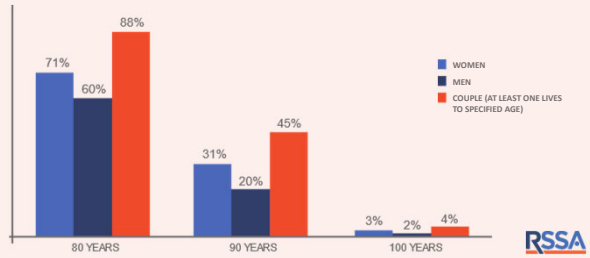
15

RSSA

15

Life Expectancy is a Consideration

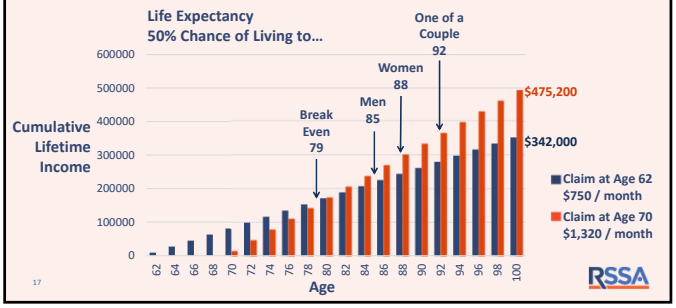
Probability of Living to a Certain Age If You Are 65



16

16

Consider Your Break-Even Point



17

17

Working While Collecting Social Security

The Earnings Test, Age 62 to FRA

Benefits withheld when earnings exceed exempt amounts:

- $1 withheld for every $2 of earnings over lower exempt amount
- $1 withheld for every $3 of earnings over higher exempt amount
- Earnings in or after month of FRA do not count toward earnings test
- Exempt amounts for 2021:
  - Lower amount = $18,960
  - Upper amount = $50,520
- Benefits are not lost

18

18

Windfall Elimination Provision, WEP

WEP applies to you if…

- You have earnings from employer(s) who withhold Social Security taxes,

  AND ALSO,

- You have earnings from employer(s) who provide a pension and ***do not*** withhold Social Security taxes.
- Substantial Earnings: *SSA Publication EN-05-10045*

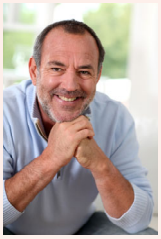
WEP reduces your PIA

19

RSSA

19

Windfall Elimination Provision, WEP



PIA :
90% of first $ 996 = $ 896
32% of next $5,006 = $1,602
15% of last $ 298 = $ 45
AIME = $6,300 $2,543 = PIA

Mike's AIME = $6,300

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

WEP PIA:
40% of first $ 996 = $ 398
32% of next $5,006 = $1,602
15% of last $ 298 = $ 45
AIME = $6,300 $1,960 = WEP PIA

2021 Bend Points are **$996** and **$6,002**
Maximum 2021 WEP Reduction is $498

20

RSSA

20

Government Pension Offset, GPO

GPO affects government retirees who are eligible for ***two benefits***…

- A ***pension*** based on their own earnings from a government employer who does not withhold Social Security taxes,

  AND ALSO…

- A ***Social Security dependent benefit*** based on their spouse's work earnings from a job that was covered by Social Security taxes.
- GPO: dependent benefits reduced by 2/3 of pension

GPO can reduce or eliminate dependent benefits

21

RSSA

21

What You Don't Know Can Hurt You

Avoid making incorrect claiming decisions

- Consider optimizing vs. maximizing
- Pay special attention if you're…
  - Married
  - Divorced
  - Widowed
  - Self-Employed
  - Have a Disability
  - Have a Pension
  - Have Immigrated

22

RSSA

22

Women & Social Security

Women have longer life expectancies…

- More years out of workforce caregiving
- Historically lower lifetime earnings
- Often marry older men
- Likely the survivor

Making the right claiming decision is essential

23

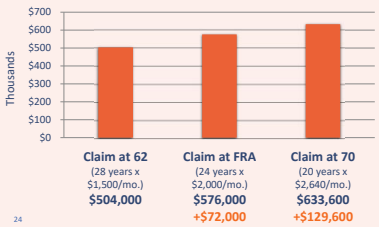
RSSA

23

EXAMPLE **Single Person**

Helen, 60 **LE: 90** **FRA: 66** **PIA: $2,000**

Lifetime Value of Benefits



Claim at 62	Claim at FRA	Claim at 70
(28 years x $1,500/mo.)	(24 years x $2,000/mo.)	(20 years x $2,640/mo.)
$504,000	**$576,000**	**$633,600**
	+$72,000	+$129,600

24

RSSA

24

Couples Should Understand Spousal Benefits

Spouse at FRA collects 50% of other spouse's PIA

- Benefit is *reduced* if collected early between 62 and FRA (66+)
- For *you* to collect spousal benefit, your *spouse* must be collecting their retirement benefit

25

RSSA

25

25

EXAMPLE Couple With PIA Difference

John, 62 LE: 82 FRA: 66 PIA: $2,200
Jane, 62 LE: 85 FRA: 66 PIA: $ 800

Both Claim at 62	Amount
John claims retirement benefits at 62	$1,650
Jane claims spousal benefits at 62	$ 770
Total Monthly Benefit at 62	$2,420

Both Claim at FRA	Amount
John claims retirement benefits at FRA	$2,200
Jane claims spousal benefits at FRA	$1,100
Total Monthly Benefit at FRA	$3,300

Maximized Strategy	Amount
Jane claims retirement benefit at 62*	$ 600
John claims retirement benefit at 70	$2,904
Jane switches to spousal benefit at 70	$1,100
Total Monthly Benefit at 70	$4,004

*This provides the couple with $7,200 per year for the first eight years

RSSA

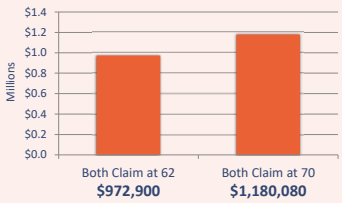
26

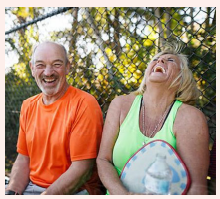
26

EXAMPLE Couple With Similar PIA

Terri, 61 LE: 90 FRA: 66 PIA: $2,300
Ted, 61 LE: 85 FRA: 66 PIA: $1,900

Lifetime Value of Benefits





Additional Lifetime Benefit $207,180

RSSA

27

27

Strategy for Couples & Divorcees Born in 1953 or Before

File a Restricted Application at FRA

- Couples – one or both born 1953 or earlier
- One spouse collects retirement, other collects spousal benefit
- Other later switches to higher retirement benefit
- Divorced spouses may also qualify
- Debbie & Dan case

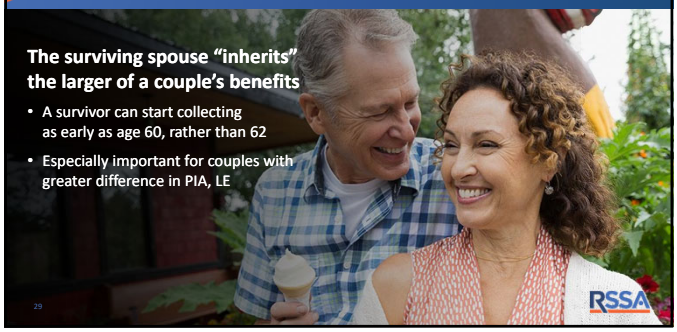
28

RSSA

28

28

Plan for Survivor Benefits



The surviving spouse "inherits" the larger of a couple's benefits

- A survivor can start collecting as early as age 60, rather than 62
- Especially important for couples with greater difference in PIA, LE

RSSA

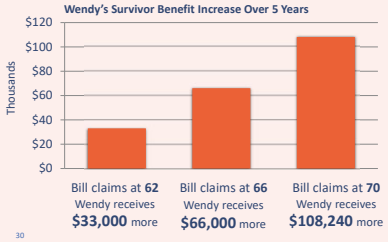
29

29

EXAMPLE

Survivor Benefits

Bill, 62 LE: 88 FRA: 66 PIA: $2,200
Wendy, 62 LE: 93 FRA: 66 PIA: $300



RSSA

30

30

What's Relevant to You?

Filing Single

Spousal Benefits

Divorce Benefits

First Generation

Born Before 1954

Self-Employed

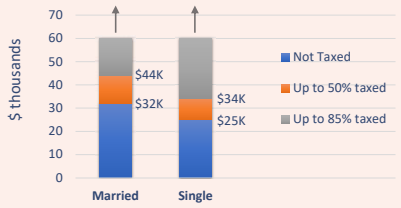
Pensions

RSSA

31

Taxation of Social Security Income

Combined Income Thresholds



Combined Income
Adjusted Gross Income
+ ½ Social Security Income
+ Tax-Exempt Interest

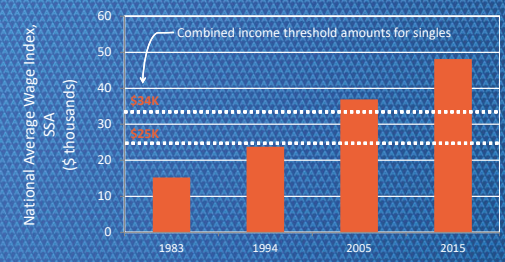
Brackets have not changed since 1994

RSSA

32

Taxation of Social Security Income

Taxation Over Time



RSSA

33

EXAMPLE **Taxation of Social Security Income**

Annual Income	Combined Income
$36K AGI	$36K AGI
+ $40K SS	+ $20K ½ SS
$76K	$56K

#1 of 3-part test: 85% of SS benefits = $34,000

#2 of 3-part test: 50% of SS = $20,000
85% of $12,000 = $10,200
$30,200

#3 of 3-part test: 50% of $24,000 = $12,000
35% of $ 12,000 = $ 4,200
$16,200

Taxable Social Security = $16,200

RSSA

34

34

The Future of Social Security

The Problems

- Rising life expectancy
- Fewer workers per retiree
- Rapidly growing base of beneficiaries
- Trust fund spare cash exhausted by 2034

Some Solutions

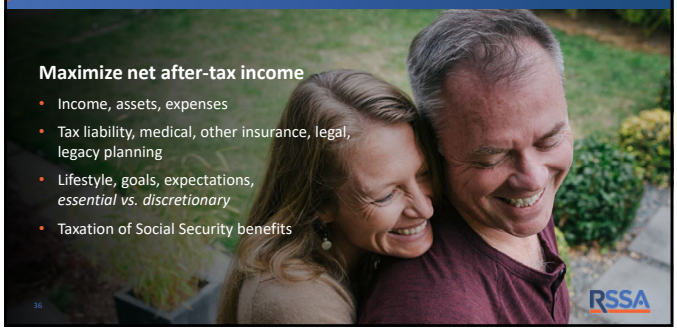
- Payroll taxes & COLA
- Increase Full Retirement Age
- Modify how benefits are calculated
- Eliminate maximum taxable earnings limit

RSSA

35

35

Securing Your Retirement



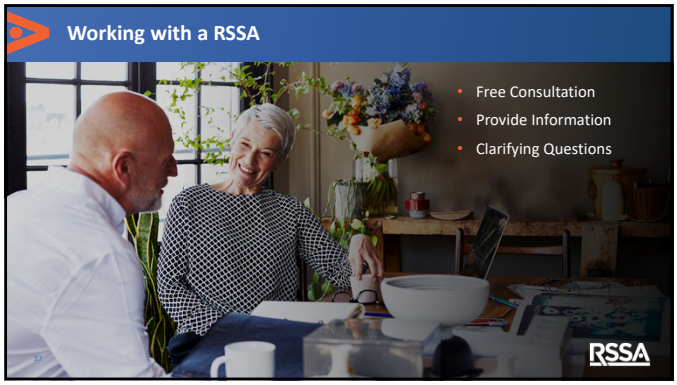
Maximize net after-tax income

- Income, assets, expenses
- Tax liability, medical, other insurance, legal, legacy planning
- Lifestyle, goals, expectations, *essential vs. discretionary*
- Taxation of Social Security benefits

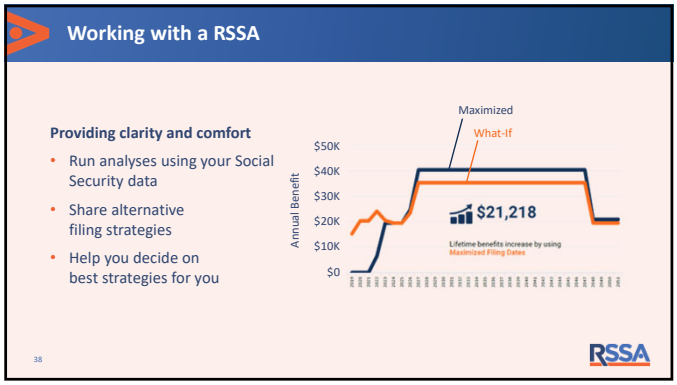
RSSA

36

36


Working with a RSSA
Free Consultation
Provide Information
Clarifying Questions
RSSA

37


Working with a RSSA
Providing clarity and comfort
Run analyses using your Social Security data
Share alternative filing strategies
Help you decide on best strategies for you
Maximized
What-If
$50K
$40K
$30K
$20K
$10K
$0
Annual Benefit
$21,218
Lifetime benefits increase by using Maximized Filing Dates
RSSA

38

Resources
RSSA.com Official Registered Social Security Analyst website
ssa.gov Social Security Administration
wiserwomen.org Women's Institute For A Secure Retirement
crr.bc.edu Center for Retirement Research, Boston College
ncpssm.org/SocialSecurity National Committee to Preserve Social Security & Medicare
RSSA is not affiliated with the Social Security Administration nor any of the websites above.
RSSA

39

Questions?

Request a free consultation

Martha Shedden
Registered Social Security Analyst
bestss4you@gmail.com
831-359-9620

RSSA

40

40